JUPITER ENERGY LIMITED

ABN 65 084 918 481

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CORPORATE DIRECTORY

Directors and Officers

Eddie Smith
Non-Executive Chairman

Geoff Gander
Executive Director

David Quinlivan
Non-Executive Director

Andrew Meloncelli
Company Secretary/Financial Controller

Principal and Registered Office

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West Perth
Western Australia 6005

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Western Australia 6872

Telephone	+61 8 9322 8222
Facsimile	+61 8 9322 8244
Email	info@jupiterenergy.com.au
Website	www.jupiterenergy.com.au

Auditors

RSM Bird Cameron Partners
8 St George's Terrace
Perth
Western Australia 6000

Telephone	+61 8 9261 9100
Facsimile	+61 8 9261 9101

Bankers

Australian and New Zealand Banking Group Limited
1275 Hay Street
West Perth
Western Australia 6005

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth
Western Australia 6000

Telephone	1300 557 010 (within Australia)
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Facsimile	+61 8 9323 2033
Website	www.computershare.com

ASX Code

Listed on the Australian Stock Exchange under the code JPR.

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2006.

Directors

The names of directors who held office during or since the end of the half-year:

Name	Directorship
Mr Eddie Smith	Director since 27 January 2005
Mr Geoff Gander	Director since 27 January 2005
Mr David Quinlivan	Director since 3 March 2005
Mr Geoff Clifford	Appointed 27 July 2006 and Resigned 8 November 2006

The directors have been in office since the beginning of the interim period unless otherwise stated.

Review of Operations

Jupiter Energy Limited (ASX: JPR) presents the following report on activities for the six months ending 31 December 2006. Also included in this report are details of any significant subsequent events that have taken place in January and February 2007.

Biodiesel Activities

The main focus of the Company for the six months to 31 December 2006 was on developing its biodiesel project in Malaysia. A decision was made by the Board to focus on the biodiesel sector as it was seen as a fast growing vertical within the energy sector and an area that was attracting a large degree on interest from the capital markets in Australia, as evidenced by a number of successful Initial Public Offerings on the Australian Stock Exchange (ASX) during 2005 and first half of the 2006 calendar year. The Board took the view that a successfully, internally developed, project in this sector could add great value to JPR shareholder value.

The key elements of the development of the project were:

- Retaining Australian and Malaysian based consultants to assist in the development of the underlying Business Plan.
- The completion of detailed due diligence on potential sites for the plant, appropriate technology for using palm oil feedstock and the identification of suitably experienced organisations to assist in the construction of the plant.
- The development of a detailed financial model and supporting Prospectus for the planned capital raising.
- The development of an appropriate Board for the newly listing entity (Jupiter Biofuels Limited).
- The lodgement of a Prospectus with ASIC on 22 September 2006. The Prospectus sought to raise $75m via the issue of 150 million shares @ $0.50 per share. The funds were be used to build the biodiesel plant in Kuantan, Malaysia.
- The promotion of a comprehensive business model that the Board believed would be supported by the capital markets in a manner consistent with earlier Prospectus's that had seen far smaller projects given greater implied values pre cash. The key features on which the project was promoted to Institutional investors were:

    1. A 30 year lease of a strategic 8.75 (22 acre) site in Kuantan, Malaysia on which the biodiesel facility would be built.
    2. All the necessary Malaysian government licences and approvals to develop the facility including a licence from the Malaysian Industrial Development Authority (MIDA) and the granting of tax pioneer status for five (5) years from production of biodiesel. This status meant that income from the facility will be free of tax for a minimum of 5 years.
    3. A contract with the European based Desmet Ballestra to acquire the technology required to build a 250,000 Tonnes Per Annum (TPA) biodiesel plant.
    4. Contracts with Merit Engineers and SMEC (Malaysia) Sdn Bhd to build the plant, which would produce 280 million litres of biodiesel per annum when running at 100% of name plate capacity.
    5. Contracts to provide enough crude and/or refined palm oil feedstock to the plant for three (3) years of production.
    6. An off take agreement to sell 100% of the Plant's 250,000 TPA capacity for five (5) years after the commencement of production.

7. A detailed Financial Model that supported the financial projections outlined in the Prospectus showing that Jupiter Biofuels Limited producing an NPAT of $13.5 million for the first half year of full planned production (1 July 2008 to 31 December 2008).

Unfortunately the release of the Prospectus coincided with a number of factors that had a dramatic impact on sentiment towards the funding of biodiesel projects within the Australian capital markets. The key issues the Prospectus faced when release were:

- Disappointing FY 2006 results from already established biodiesel facilities in Australia. Issues faced by these facilities varied from under performing plant technology to quality of feedstock but the underlying outcome was that the capital markets began to reassess the risk associated with funding these types of projects from the start up phase and the high implied values that had been given to these projects.
- A reduction in the price of crude oil from over $US75 per barrel to under $US60 per barrel with a corresponding rise in the cost of palm oil feedstock. It is the view of the biodiesel industry that, in general, there is a disconnect between the sell price of crude oil and the sell price of biodiesel, created by the environmental demand factor that has resulted from governments mandating the use of biodiesel for environmental reasons rather than as an alternative to highly priced fossil based alternatives. However, the capital markets saw this reduction in crude oil coupled with the rise in feedstock prices as making biodiesel facilities less viable and therefore a more risky investment when compared to alternatives in other energy verticals.
- The lacklustre performance of an Initial Public Offering of a similar biodiesel project in Malaysia that took place just as the Jupiter Biofuels Limited Prospectus was being circulated.

A combination of all of these factors meant that the Board decided to, after a comprehensive roadshow, a visit by potential investors to Malaysia to review the project as well as consultation with potential institutional investors and the Lead Broker to the issue, withdraw the Jupiter Biofuels Prospectus. The Company announced this decision on 16 October 2006 and at that time the Board felt that it would still be possible to fund the project through a fund raising within the JPR structure. It was felt that the project was still extremely viable at that the issues that had impacted the reaction to the Prospectus were short term in nature.

The share price of the Company, not surprisingly, fell after news of the withdrawal of the Jupiter Biofuels Limited Prospectus. However, the ultimate fall in the JPR share price was more dramatic that had been initially anticipated and it soon became apparent that a substantial raising within the JPR structure would have a major dilutionary effect on existing JPR shareholders and that this was probably not in shareholders best interests.

The 2006 Annual General Meeting (AGM) was held on 10 November 2006 and there was an opportunity for shareholders that attended to discuss the various alternative approaches to funding the project. Soon after this meeting, the Board resolved to focus on finding a new partner to work with JPR to fund the project through to a point in time when a substantial raising could be completed and this raising would see the plant built with JPR still having a significant interest in the project.

During the last quarter of 2006, discussions were held with a variety of local and international organizations regarding involvement with the Company in taking the project forward. Discussions were also held with parties interested in purchasing the project in total from the Company.

As at 31 December 2006, discussions were still continuing with several organisations regarding involvement and investment in the project.

Oil & Gas Activities

The Company has an interest in PEP 163 and an option to take an interest in PEP 164.

PEP 163 and PEP 164 cover a total area of 3,888 square kilometres of the eastern Otway Basin and are located 10 kilometres from the city of Geelong and 50 kilometres from Melbourne. The proximity to established markets and infrastructure suggest that even modest discoveries of gas and/or oil could be commercially developed

Under the terms of an agreement signed on 26 April 2005 with Lakes Oil NL, JPR agreed to fund the first $1.2 million of the drilling and completion costs of the Bellarine No. 1 well to earn 50% interest in PEP 163 and took an option to acquire a 33.3% interest in the adjacent PEP 164 by the further expenditure of $1.2 million.

The 50% interest in PEP 163 has been earned.

The Operator of the drilling at PEP 163 (Lakes Oil NL) subsequently presented detailed findings of the drilling program to JPR and concluded that there was strong evidence of gas shows to 1,000 metres and using technologies that are available including Formation Micro Image and Sonic Scanner, it would be prudent to re examine the hole to 1,000 metres to ascertain whether economic gas quantities are available. As a result, further seismic work has been carried out on PEP 163 and JPR is awaiting the results of this work.

In relation to PEP 164, Lakes Oil NL, who hold 100% of the permit, informed JPR that based on the seismic work carried out on PEP 164 by the Victorian Government in the 1970's, it would be commercially prudent to complete a more targeted seismic project which would enable a closer analysis of the areas within PEP 164 already expected to show potential. JPR has now funded that seismic work and awaits the results. Lakes Oil NL has already agreed to extend the current option on PEP 164 to continue to allow JPR to earn a 33.33% interested in PEP 164 through the expenditure of $1.2m less the cost of the seismic work. JPR will make a final decision on whether to proceed with the option over PEP 164 once the seismic data has been fully analysed.

Over the past six months, JPR has made a number of investments in relation to its Oil & Gas activities:

1. JPR has carried out further detailed seismic work on PEP 163 of which JPR has earned a 50% interest.
2. JPR has carried out initial seismic work on the adjacent permit PEP 164 and has agreed terms with Lakes Oil NL regarding the opportunity for JPR to earn a 33.3% interest in PEP 164 should the results of the seismic work suggest opportunities for commercial quantities of oil and/or gas. The 33.3% interest in the permit would require the expenditure by JPR of $1.2m less the cost of the seismic work already carried out on PEP 164.
3. The Company is awaiting a report from Lakes Oil NL regarding the results of the seismic work carried out and the JPR Board will make a decision on the future of PEP 163 and the option on PEP 164 at that time. The report is expected in March 2007.

Capital Structure

The Company finished the December 2006 half year with 117,861,389 fully paid ordinary shares on issue and with approximately $3.29 million in cash.

As at 31 December 2006, all 22,326,338 listed 20 cent options with an expiry date of 31 October 2006 had expired with no funds raised. As at 31 December 2006, there were also 8,250,000 unlisted 12 cent options on issue. These options expire on 30 June 2008. There were also 3,062,800 unlisted 8 cent options on issue and these have an expiry date of 31 December 2008.

Subsequent Events

The JPR Board announced on 25 January 2007 that the Company had entered into a letter of intent with FEI Resources (M) Sdn Bhd (FEI) whereby FEI would purchase 100% of the issued capital of Jupiter Biofuels Sdn Bhd. Jupiter Biofuels Sdn Bhd is a 100% owned subsidiary of JPR and holds all the various licences and contracts pertaining to the Malaysian biodiesel project.

JPR also announced that it had terminated its contracts with SMEC Malaysia Sdn Bhd, Desmet Engineering (Sea) Pte Ltd, Masefield AG and Merit Engineers Pty Ltd. All these contracts were subject to a successful capital raising by Jupiter Biofuels Limited and therefore terminated without penalty. As part of this process, FEI would take over the MIDA licence and the lease on the 8.75 hectare site in Kuantan held within Jupiter Biofuels Sdn Bhd.

FEI has agreed to pay JPR $A1,000,000 for 100% of the issued capital of Jupiter Biofuels Sdn Bhd and this amount will be paid as follows:

- 5 monthly payments of $A50,000 ($A250,000) with the 1st payment already paid.
- $A750,000 on or before 21 July 2007.

As a result of this sale, the Board is actively seeking new projects and the Company has (taking into account full settlement by FEI) cash reserves/receivables of approximately $A4 million as at the date of this report.

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the consolidated entity's auditors. The independence declaration is included at page 4 of the financial report.

Dated at West Perth on 26 February 2007.

This report is signed in accordance with a resolution of the Board of Directors.

G A Gander
Director

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE BOARD OF DIRECTORS OF
JUPITER ENERGY LIMITED

As lead audit partner for the review of the financial report of Jupiter Energy Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Jupiter Energy Limited and the entities it controlled during the period.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 26 February 2007

J A KOMNINOS
Partner

RSM! Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

JUPITER ENERGY LIMITED

The Financial Report

We have reviewed the accompanying half-year financial report which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and directors' declaration for Jupiter Energy Limited (the consolidated entity), for the half-year ended 31 December 2006. The consolidated entity comprises both Jupiter Energy Limited (the company) and the entities it controlled during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Jupiter Energy Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and

- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Jupiter Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Jupiter Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 26 February 2007

J A KOMNINOS
Partner

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes thereto set out on pages 8 to 17 are in accordance with the Corporations Act 2001, and:

    (a) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

    (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at West Perth on 26 February 2007.

This declaration is made in accordance with a resolution of the Board of Directors.

G A Gander
Director

INCOME STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	31.12.06	**31.12.05**
	$	**$**
Other revenues from ordinary activities	85,204	65,502
Total Revenue	**85,204**	**65,502**
Administration expenses	146,416	166,664
Borrowing expenses	894	-
Depreciation expenses	3,823	5,293
Directors fees	165,910	63,220
Leasing expenses - Malaysia	88,550	-
Occupancy expenses	14,571	13,763
Share based payments	120,412	-
Writedown in Biodiesel development expenses	1,882,281	-
Total Expenses	**2,422,857**	**248,940**
Loss from ordinary activities before related income tax expense	**(2,337,653)**	**(183,438)**
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after income tax expense	**(2,337,653)**	**(183,438)**
Basic loss per share (cents per share)	(2.100)	(0.293)
Diluted loss per share (cents per share)	(2.100)	(0.293)

The accompanying notes form part of this interim financial report.

BALANCE SHEETS
AS AT 31 DECEMBER 2006

	Consolidated	
	31.12.06	30.6.06
	$	$
Current Assets		
Cash and cash equivalents	3,294,764	1,861,593
Trade and other receivables	138,401	12,387
Bonds	32,220	32,220
Total Current Assets	**3,465,385**	**1,906,200**
Non Current Assets		
Plant and equipment	21,949	25,362
Exploration expenditure	56,086	50,000
Biodiesel development expenditure	1,000,000	312,548
Total Non Current Assets	**1,078,035**	**387,910**
Total Assets	**4,543,420**	**2,294,110**
Current Liabilities		
Trade Payables	438,637	113,738
Total Current Liabilities	**438,637**	**113,738**
Total Liabilities	**438,637**	**113,738**
Net Assets	**4,104,783**	**2,180,372**
Equity		
Contributed equity	15,225,722	10,963,658
Accumulated losses	(11,120,939)	(8,783,286)
Total Equity	**4,104,783**	**2,180,372**

The accompanying notes form part of this interim financial report.

STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Issued Capital $	Accumulated Losses $	Total Equity $
As at 1 July 2005	**9,096,329**	**(6,566,398)**	**2,529,931**
Loss for the period	-	(183,438)	(183,438)
Shares Issued	257,578	-	257,578
Options Issued	5,000	-	5,000
As at 31 December 2005	**9,358,907**	**(6,749,836)**	**2,609,071**

	Issued Capital $	Accumulated Losses $	Total Equity $
As at 1 July 2006	**10,963,658**	**(8,783,286)**	**2,180,372**
Loss for the period	-	(2,337,653)	(2,337,653)
Options issued	120,412	-	120,412
Shares Issued	4,141,652	-	4,141,652
As at 31 December 2006	**15,225,722**	**(11,120,939)**	**4,104,783**

The accompanying notes form part of this interim financial report.

CASH FLOW STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	31.12.06	31.12.05
	$	$
Cash flows from operating activities		
Receipts from customers	-	15,817
Payments to suppliers and employees	(480,998)	(280,750)
Interest received	85,204	35,363
Interest paid	**(894)**	**-**
Net cash (used in) operating activities	**(396,688)**	**(229,570)**
Cash flows from investing activities		
Payments for biodiesel development expenditure	(2,300,256)	-
Payments for exploration expenditure	(6,086)	(1,490,293)
Payments for plant and equipment	(2,438)	-
Proceeds from environmental bond	-	864,000
Net cash (used in) investing activities	**(2,308,780)**	**(626,293)**
Cash flows from financing activities		
Proceeds from issue of shares	4,355,059	269,870
Transaction costs from issue of shares	(213,407)	(12,292)
Net cash provided by financing activities	**4,141,652**	**257,578**
Net increase/(decrease) in cash held	**1,436,184**	**(598,285)**
Cash at the beginning of the financial period	1,861,593	1,667,247
Foreign exchange gain/(loss)	(3,013)	-
Cash at the end of the financial period	**3,294,764**	**1,068,962**

The accompanying notes form part of this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The half-year financial report should be read in conjunction with the Annual Financial Report of Jupiter Energy Limited as at 30 June 2006. It is also recommended that the half-year financial report be considered together with any public announcements made by Jupiter Energy Limited and Controlled Entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report covers the consolidated entity of Jupiter Energy Limited and controlled entities. Jupiter Energy Limited is a listed public company domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

A controlled entity is any entity controlled by Jupiter Energy Limited. Control exists where Jupiter Energy Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Jupiter Energy Limited to achieve the objectives of Jupiter Energy Limited.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the period, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

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

Deferred tax is accounted for using the balance sheet 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 THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jupiter Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Jupiter Energy Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

(c) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all plant and equipment is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and Equipment	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development 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.

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.

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 mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining 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 THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Biodiesel Development Expenditure

Development costs are carried forward in relation to the feasibility costs on the biodiesel project. The net carrying value of the expenditure is regularly reviewed and to the extent to which this values exceeds its recoverable amount. That excess is fully provided against in the financial year in which it is determined.

(f) Share-based payments

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

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 period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently 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 divided yield and the risk-free interest rate for the term of the option.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Revenues

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).

(i) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the controlled entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(j) Controlled entities

The financial results and position of foreign operations whose functional currency is different from the parent entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Earnings per share

Basic Earnings per share
Basic earnings per share is determined by dividing the operating profit/(loss) after income tax attributable to members of Jupiter Energy Limited by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings per Share
Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share by taking into account unpaid amounts on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	31.12.06	**30.6.06**
NOTE 3. CONTRIBUTED EQUITY	**$**	**$**
a) Paid up capital		
117,861,389 (30.6.06: 81,250,523) ordinary shares	15,021,112	10,879,460
Options		
11,312,800 (30.6.06: 29,005,604) options	204,610	84,198
	15,225,722	10,963,658

b) Movements – ordinary shares	**No of Shares**	**Paid Up Capital**
		$
Balance 1 July 2006	81,250,523	10,879,460
Issue shares – Placement	31,662,000	3,957,750
Exercise of Options – 31 October 2006	11,666	2,333
Exercise of Options – 31 December 2008	4,937,200	394,976
Transaction costs from issue of shares	-	(213,407)
	117,861,389	15,021,112

Movements – options	**No of Options**	**Paid Up Capital**
		$
Balance 1 July 2006	29,005,604	84,198
Issue Options – 30 June 2008	3,250,000	120,412
Issue Options – 31 December 2008	6,332,400	-
Exercise of Options – 31 October 2006	(11,666)	-
Exercise of Options – 31 December 2008	(4,937,200)	-
Lapsing of Options – 31 October 2006	(22,326,338)	-
	11,312,800	204,610

NOTE 4. ACQUISTION AND DISPOSAL OF CONTROLLED ENTITIES

31.12.06

There were no controlled entities acquired/disposed of during the half-year.

31.12.05

The consolidated entity acquired 100% of Jupiter Biofuels Pty Ltd (JBF) on 9 December 2005 for a consideration of $1. Jupiter Biofuels Pty Ltd became a public company on 16 June 2006 and is now known as Jupiter Biofuels Limited. Subsequent documents have been lodged with the ASIC to convert JBF back to a proprietary limited company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 5. SEGMENT REPORTING

Business Segments
The consolidated entity has the following two business segments:

- Oil and gas exploration near Geelong, Victoria; and
- The development of a Biodiesel plant in Kuantan Port, Malaysia.

Primary Reporting – Business Segments

	Oil and Gas		Biodiesel	
	31.12.06	**31.12.05**	**31.12.06**	**31.12.05**
	$	**$**	**$**	**$**
Revenue	-	65,502	85,204	-
(Loss)	(24,006)	(183,438)	(2,313,647)	-

NOTE 6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 7. EVENTS SUBSEQUENT TO REPORTING DATE

The JPR Board announced on 25 January 2007 that the Company had entered into a letter of intent with FEI Resources (M) Sdn Bhd (FEI) whereby FEI would purchase 100% of the issued capital of Jupiter Biofuels Sdn Bhd. Jupiter Biofuels Sdn Bhd is a 100% owned subsidiary of JPR and holds all the various licences and contracts pertaining to the Malaysian biodiesel project.

JPR also announced that it had terminated its contracts with SMEC Malaysia Sdn Bhd, Desmet Engineering (Sea) Pte Ltd, Masefield AG and Merit Engineers Pty Ltd. All these contracts were subject to a successful capital raising by Jupiter Biofuels Limited and therefore terminated without penalty. As part of this process, FEI would take over the MIDA licence and the lease on the 8.75 hectare site in Kuantan held within Jupiter Biofuels Sdn Bhd.

FEI has agreed to pay JPR $A1,000,000 for 100% of the issued capital of Jupiter Biofuels Sdn Bhd and this amount will be paid as follows:

- 5 monthly payments of $A50,000 ($A250,000) with the 1st payment already paid.
- $A750,000 on or before 21 July 2007.

As a result of this sale, the Board is actively seeking new projects and the Company has (taking into account full settlement by FEI) cash reserves/receivables of approximately $A4 million as at the date of this report.