



HALF YEAR FINANCIAL REPORT

31 DECEMBER 2009

CORPORATE DIRECTORY

Directors and Officers

Geoff Gander
Executive Chairman

David Thorpe
Managing Director

Andrew Childs
Non-Executive Director

Erkin Svanbayev
Executive Director

Scott Mison
Company Secretary

Principal and Registered Office

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West Perth
Western Australia 6005

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Auditors

Ernst & Young
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Perth, Western Australia 6000

Telephone +61 8 9429 2222
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Bankers

Australian and New Zealand Banking Group Limited
Level 7 / 77 St Georges Terrace
Perth, Western Australia 6000

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

Jupiter Energy Limited is listed on the Australian Securities Exchange under the codes JPR (shares) and JPROA (options).

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2009.

Directors

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

| Name | Directorship |
|--------------------|--|
| Mr Geoff Gander | Appointed Director 27 January 2005 |
| Mr Erkin Svanbayev | Appointed Director 15 June 2007 |
| Mr Andrew Childs | Appointed Director 9 July 2007 |
| Mr David Thorpe | Appointed Managing Director 1 January 2010 |

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

Review of Operations

The following report covers the operations of Jupiter Energy Limited (JPR or the Company) over the 6 month period from 1 July 2009 to 31 December 2009. Subsequent events occurring between 1 January 2010 and the date of the release of this report are covered in the section "Subsequent Events".

In broad summary, the Company is now beginning to see that the time and money that has been invested in Kazakhstan over the past 2.5 years is showing signs of delivering real value to loyal and patient JPR shareholders.

During the reporting period, JPR successfully re entered an old 1969 well located on the Block 31 permit and also spudded the J-50 (SV Akkar) well. David Thorpe served as a Consultant to the Company from August to December 2009, overseeing both these drilling operations, and accepted the role as Managing Director of the Company, effective 1 January 2010.

David is a graduate of both the University of Western Australia and the University of New South Wales where he completed a Doctor of Philosophy (Geology) and Master of Engineering Science (Petroleum Engineering), respectively. He has worked in field and office based positions for a number of international and Australian petroleum exploration and production companies in geoscience, operations and engineering roles. Prior to joining Jupiter Energy, David was most recently working in Australia for BHP Billiton and previously Woodside.

NWZ 2 Well:

As has already been well documented by the Company, the North West Zhetybai 2 (NWZ 2) well was drilled and cased in 1969 and the logs from the NWZ 2 soviet drilling program indicated that a 30 metre sand had flowed oil to surface. The oil flowed from the Jurassic XIII horizon and the zone of interest was from 2920m to 2950m.

Work began on the re entry on 12 October 2009 using a local Kazakh contractor Kezbi LLP. On 16 November 2009, JPR announced that the NWZ 2 had been successfully re entered and re perforated over the interval 2916m to 2950m (the Jurassic XIII). Oil samples were successfully recovered from the well and indications of the ability of the well and reservoir to perform were positive. Well performance was not fully appraised at that time because of the weather conditions and surface equipment restrictions on site, however the flow rate that was estimated means that the well will be taken into production at what is expected to be a flow rate of approximately 400 to 500 barrels per day (bopd) when in full production. A higher rate has been suggested as being possible but the Board is of the view that from the data available this estimated flow rate is appropriate, until a more detailed performance review is carried out during 1Q 2010.

Bringing the NWZ 2 well into production had a number of major benefits to the company not least of which is the experience that the JPR executive gained in relation to the key areas of:

- Tendering guidelines
- Procurement policies

- Implementation of a local HSE policy
- Licensing requirements
- Understanding the ability and depth of knowledge of local Aktau contractors
- Benefits and weaknesses of local drilling methods
- Planning logistics from Aktau
- Access to oil transportation infrastructure from Block 31

All of this information will be of great value in the future as wells are drilled on Block 31.

The NWZ 2 well is currently suspended and it is expected that it will be put onto production test as soon as the current J-50 well activities are complete. Production testing is expected to commence during the first half of 2010 and on completion of production testing the Company intends to apply for a Trial Production licence for this well. A Trial Production licence will enable JPR to sell the NWZ 2 oil into the export market and sales are currently budgeted to commence in the second half of 2010.

The production (flow) performance of the NWZ 2 well will be determined during the 3 month production test phase and the Company is confident this well should perform at similar rates to other older wells that are located on the adjoining oilfield and also producing from the Jurassic.

J-50 Well:

During the 4th quarter, JPR released a tender document for the drilling of its first new well in Kazakhstan and announced on 23 November that Astra Star Drilling had been awarded a turnkey contract to drill the J-50 well.

The location of J-50 is on a separate geological structure to the north west NWZ 2. JPR had access to a large amount of 3D seismic data and was confident that this new well should be a low risk option for the Company. Based on data from other wells drilled nearby, it was believed at the time of the 23 November 2009 announcement that the structure contained ~ 6 mmbbls recoverable and that the well should flow at a production rate of at least 500 bopd.

J-50 was spudded on 29 December 2009 and there have been weekly progress updates from 8 January 2010. These weekly updates are available on the JPR website (www.jupiterenergy.com.au).

At the time of this report the J-50 well had reached 2855 metres and should reach Target Depth during March 2010. This well is targeting the Triassic reservoir and the Company considers this to be an appraisal rather than an exploration well. The expectation is that J-50 will be put on production test in April 2010 and, like the NWZ 2 well, be brought onto Trial Production in July 2010 after a 3 month production test period. Granting of a Trial Production licence will enable JPR to sell the produced oil into the export market and sales are currently budgeted to commence in July 2010, although sales into the domestic market should commence in April 2010..

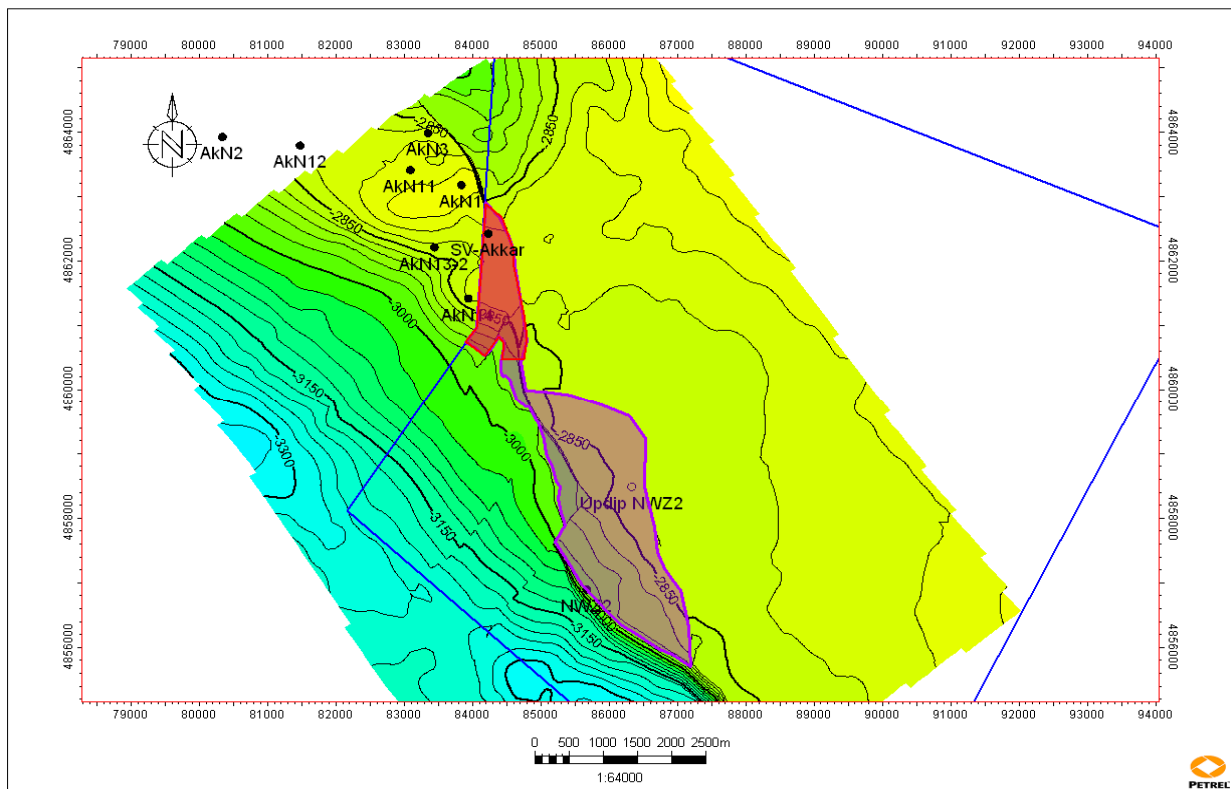
The J-50 well will use completion and perforating methods that minimise formation damage and therefore reservoir production should improve on benchmark rates from the region. The traditional completion methodologies used in the Mangistau region that have been applied to most, if not all, wells drilled in the area to date are, in the opinion of the Company, cost effective but not necessarily efficient in terms of maximising flow rates over the long term life of the well. The maximum flow rate of J-50 will be determined during the production test phase however the Company is confident that J-50 should perform, at a minimum, at the rates of other old wells that are located on the adjoining oilfield and also producing from the Triassic.

As part of the planning process for the J-50 well, JPR engaged international consulting firm Senergy to assist with reservoir engineering aspects of the design. This assignment was extended to include an independent review of the potential Triassic oil reserves, which is the target of the J-50 well, that are present in Block 31.

Independent review of Block 31 Reserves:

The results of Senergy's review of the Triassic were released on 19 January 2010 and are summarised below with the red figures and graphic area representing proven reserves and the brown figures and graphic area representing probable resources. Detailed technical review of the probable resources will continue as the Company continues exploration and production activities in Block 31 by drilling two (2) more wells, (J-51 and J-52) during the 2010 to 2011 time period.

| Reserves | Oil in Place (mmbbls) | Reserve (mmbbls) |
|-----------------------------|-----------------------|------------------|
| P90 / 1P | 21.4 | 5.5 |
| P50 / 2P | 31 | 8.6 |
| P10 / 3P | 43 | 13.4 |
| Prospective Resource | | |
| P90 | 24.6 | 4.8 |
| P50 | 52 | 12.2 |
| P10 | 92 | 24.5 |



The Company was very encouraged by Senergy's findings. In summary, the overall 2P / P50 of ~ 20 million barrels of oil (mmbbls) from the Triassic confirmed JPR's numbers, with the 2P proven reserve number of 8.6 mmbbls present in the J-50 structure being some 43% higher than JPR's internal figure of 5.995 mmbbls, hat was announced in November 2009.

Senergy did not review the potential reserves within the Jurassic structure because the old Soviet well data was considered to be recent or reliable enough. However, Senergy will be asked to complete an analysis of the Jurassic structure as well as a review of the Triassic potential resource after a well has been drilled in the structure that intersects both the Jurassic and Triassic structures present on Block 31.

JPR's internal view of the Jurassic structure continues to be in line with what was announced in November 2009, namely ~ 22 mmbbls P50 probable resource. As outlined above, this figure will be independently checked after the drilling of the well first well to intersect the Jurassic..

In summary, the results of the J-50 well will be a critical milestone in the evolution of the Company because it will represent the first new well drilled by JPR in Kazakhstan and the first well in the immediate area using western completion techniques.

Funding:

During the reporting period, JPR released a Prospectus for a 1-1 Rights issue priced at \$0.02 per share. On 24 September 2009 the Rights issue was closed and approximately \$7.24m (before costs) was raised. The issue was extremely well supported with a take up rate of over 90% by existing shareholders. The funds were allocated to the drilling of the J-50 well as well as making a part payment to Biscra Holdings of \$US1m. The final \$US2.5m owed to Biscra Holdings will be paid on or before 30 June 2010 unless otherwise agreed by the parties.

A further \$A2.25m (before costs) was raised in February 2010 with most of the placement of 50m shares at \$0.045 per share going to UK institutions. This placement was designed to providing funding to cover taking the NWZ 2 and J-50 wells onto Trial Production. It also gave the Company an opportunity to attract UK based fund managers onto the share register.

There is little doubt that investment in Central Asia, and in particular Kazakhstan, by UK and European funds is significant with many funds having an active investment strategy in the region. For these reasons, JPR has been working on developing relationships with a number of UK fund managers wanting to invest in a company that offers near term oil production in Kazakhstan.

New Opportunities:

The increased activity by JPR in Kazakhstan has meant that more and more new investment opportunities are being offered to the Company. Some of the key parameters that must exist for JPR to consider any investment opportunity in the foreseeable future are:

- The permit is over a proven area in terms of oil discovery with a requirement that more innovative drilling and completion techniques ensure more commercial flow rates from new or existing wells;
- The deal must reflect that JPR shareholders receive the benefit of the added value and innovation brought by the Company to the permit;
- Acceptable exploration periods remain on the permit licence;
- There are realistic approved working commitments on the permit (ie JPR is not inheriting someone else's failed promises to deliver);
- The location of the field is near existing transportation infrastructure;
- Government authorities are supportive of JPR being the operator of the field; and
- A majority share of the permit is held by JPR.

The Company is confident it can add to its portfolio of assets in Kazakhstan in the near term and in doing so, grow its proven reserves over time.

Capital Structure:

As at 31 December 2009, the Company had 736,220,391 listed shares trading as JPR. The Company also has 300,000,000 listed options trading as JPROA. The JPROA options have an exercise price of \$0.08 and expire on 30 June 2010.

Shareholders approved the issue of 30m Performance Rights at the 2009 AGM and another 15m will be issued, subject to shareholder approval at a General Meeting to be held in April 2010, to David Thorpe as part of his remuneration package. The 45m Performance Rights are broken into 3 categories with 15m expiring on 31/12/2010, 15m expiring on 31/12/2011 and 15m expiring on 31/12/2012. The vesting milestones for the Performance Rights are as follows:

- 31/12/2010 Performance Rights: The Company achieving either cumulative production of 150,000 barrels of oil or a market capitalisation of \$A100m (whichever is the sooner);
- 31/12/2011 Performance Rights: The Company achieving either cumulative production of 300,000 barrels of oil or a market capitalisation of \$A200m (whichever is the sooner);

- 31/12/2012 Performance Rights: The Company achieving either cumulative production of 500,000 barrels of oil or a market capitalisation of \$A300m (whichever is the sooner).

The Company also has a number of unlisted options on issue. The terms of these options are as follows:

- 3,000,000 expiring on 31/12/2012 and having a strike price of \$0.185
- 20,000,000 expiring on 30/06/2011 and having a strike price of \$0.08
- 6,000,000 expiring on 31/12/2012 and having a strike price of \$0.10 *
- 4,000,000 expiring on 31/12/2012 and having a strike price of \$0.15 *

* Options are subject to a vesting period of 12 months (\$0.10 options) and 24 months (\$0.15 options)

Cash reserves of the Company as at 31 December 2009 stood at approximately \$A2.36m. As detailed in the "Subsequent Events" section below, a further \$2.25m (before costs) was raised in February 2010 and with this raising another 50m shares will be issued, which will then take JPR shares on issue to 786,220,391. 47m of these shares were allotted on 19 February 2010 and a further 3m will be issued to Directors subject to shareholder approval. Shareholders will be asked to approve the issue of these 3m shares at a General Meeting scheduled for 9 April 2010.

Summary:

Ultimately any oil explorer will be judged by the success of its exploration and drilling activities and the quantity of oil it is able to bring to surface for sale into the world market. As of today, JPR is on the crest of moving from explorer to producer and the next few months will be pivotal for the Company.

The Board is optimistic about the potential upside of the J-50 and NWZ 2 wells and the J-51 and J-52 commitment wells already planned for the Block 31 permit as well as future growth opportunities for the Company.

Subsequent Events

On 11 February, JPR announced a placement of 50,000,000 shares at \$0.045 per share to raise \$2.25m before costs to largely UK based institutions. On 19 February 47,000,000 shares were allotted, with a further 3,000,000 shares to be allotted after shareholder approval at a General Meeting to be held on 9 April 2010.

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from Ernst & Young, the consolidated entity's auditors. The independence declaration is included at page 6 of the financial report.

Dated at West Perth on 16 March 2010.

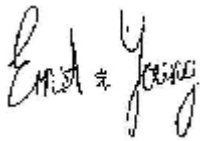
This report is signed in accordance with a resolution of the Board of Directors.



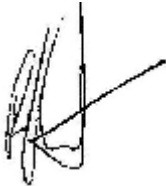
G A Gander
Executive Chairman

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

In relation to our review of the financial report of Jupiter Energy Limited for the half-year ended 31 December 2009, 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.



Ernst & Young



RJ Curtin
Partner
Perth
16 March 2010

To the members of Jupiter Energy Limited

Report on the Condensed Half Year Financial Report

We have reviewed the accompanying half year financial report of Jupiter Energy Limited which comprises the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity, statement of comprehensive income and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company 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 establishing and maintaining internal controls 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 Interim and Other Financial Reports 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 the consolidated entity's financial position as at 31 December 2009 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 and the entities it controlled during the half year, 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 complied with 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.

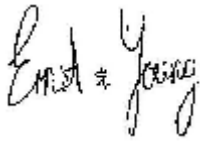
Conclusion

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:

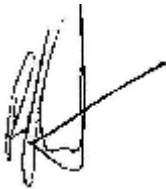
- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2 (c) in the financial report. As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



RJ Curtin
Partner
Perth
16 March 2010

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- a. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - I. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2009 and the performance for the half-year ended on that date, and
 - II. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b. Subject to the matters set out in Note 2 (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



G A Gander
Director

Signed in West Perth 16 March 2010.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

| | | Consolidated Entity | |
|---|-------------|----------------------------|-------------|
| | Note | 2009 | 2008 |
| | | \$ | \$ |
| Interest revenue | | 4,884 | 142,688 |
| Other income | 4 | 138,075 | 49,371 |
| Administration expenses | | (1,115,158) | (723,703) |
| Consulting fees | | (167,723) | (357,607) |
| Depreciation expenses | | (8,336) | (6,825) |
| Directors fees | | (176,422) | (161,865) |
| Legal fees | | (13,369) | (190,976) |
| Occupancy expenses | | (33,080) | (21,297) |
| Share based payments | | (735,994) | (158,496) |
| Total expenses | | (2,075,033) | (1,620,769) |
| Loss before tax | | (2,107,123) | (1,428,710) |
| Income tax expense | | - | - |
| Loss after income tax | | (2,107,123) | (1,428,710) |
| Other comprehensive income | | | |
| Foreign currency translation | | (954,906) | 699,854 |
| Total comprehensive loss for the period | | (3,062,029) | (728,856) |
| Loss per share attributable to ordinary equity holders of the parent (cents per share) | | | |
| Basic loss per share | | (0.34) | (0.40) |
| Diluted loss per share | | (0.34) | (0.40) |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

| | Note | Consolidated Entity | |
|--------------------------------------|------|---------------------|--------------|
| | | 31 December 2009 | 30 June 2009 |
| | | \$ | \$ |
| Current Assets | | | |
| Cash and cash equivalents | | 2,358,133 | 1,291,183 |
| Trade and other receivables | | 205,293 | 50,846 |
| Inventories | | 293,388 | - |
| Other current assets | 5 | 1,976,425 | 30,558 |
| Total Current Assets | | 4,833,239 | 1,372,587 |
| Non Current Assets | | | |
| Plant and equipment | | 44,069 | 24,433 |
| Mineral exploration expenditure | 6 | 15,119,317 | 15,177,137 |
| Total Non Current Assets | | 15,163,386 | 15,201,570 |
| Total Assets | | 19,996,625 | 16,574,157 |
| Current Liabilities | | | |
| Trade payables | 7 | 3,034,477 | 4,476,454 |
| Total Current Liabilities | | 3,034,477 | 4,476,454 |
| Total Liabilities | | 3,034,477 | 4,476,454 |
| Net Assets | | 16,962,148 | 12,097,703 |
| Equity | | | |
| Contributed equity | 8 | 36,911,195 | 29,720,713 |
| Share based payments reserve | | 1,658,891 | 922,899 |
| Foreign currency translation reserve | | (1,704,837) | (749,931) |
| Accumulated losses | | (19,903,101) | (17,795,978) |
| Total Equity | | 16,962,148 | 12,097,703 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

| CONSOLIDATED | Issued Capital | Share based payment reserve | Foreign currency translation reserve | Accumulated Losses | Total Equity |
|-------------------------------|----------------|-----------------------------------|---|-----------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| As at 1 July 2009 | 29,720,713 | 922,899 | (749,931) | (17,795,978) | 12,097,703 |
| Loss for the period | - | - | | (2,107,123) | (2,107,123) |
| Other comprehensive income | - | - | (954,906) | - | (954,906) |
| Total comprehensive income | 29,720,713 | 922,899 | (1,704,837) | (19,903,101) | 9,035,674 |
| Share based payments | - | 735,991 | - | - | 735,991 |
| Shares issued | 7,237,204 | - | - | - | 7,237,204 |
| Cost of share issue | (46,722) | - | - | - | (46,722) |
| As at 31 December 2009 | 36,911,195 | 1,658,891 | (1,704,837) | (19,903,101) | 16,962,148 |
| As at 1 July 2008 | 29,715,593 | 476,653 | (4,609) | (15,185,725) | 15,001,912 |
| Loss for the period | - | - | - | (1,428,710) | (1,428,710) |
| Other comprehensive income | - | - | 699,854 | - | 699,854 |
| | 29,715,593 | 476,653 | 695,245 | (16,614,435) | 14,273,056 |
| Shares issued | 5,120 | - | - | - | 5,120 |
| Share based payments | - | 158,496 | - | - | 158,496 |
| As at 31 December 2008 | 29,720,713 | 635,149 | 695,245 | (16,614,435) | 14,436,672 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

| | Consolidated Entity | |
|--|--|--|
| | 6 months to 31 December 2009 \$ | 6 months to 31 December 2008 \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 12,895 | 29,115 |
| Payments to suppliers and employees | (1,903,895) | (1,120,982) |
| Interest received | 4,884 | 142,688 |
| Net cash (used in) operating activities | (1,886,116) | (949,179) |
| Cash flows from investing activities | | |
| Payment for oil field extension | (1,299,590) | - |
| Payments for exploration expenditure | (3,042,787) | (3,549,296) |
| Payments for plant and equipment | (19,636) | (15,415) |
| Net cash (used in) investing activities | (4,362,013) | (3,564,711) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 7,237,204 | 605,120 |
| Transaction costs from issue of shares | (46,722) | - |
| Net cash provided by financing activities | 7,190,482 | 605,120 |
| Net increase/(decrease) in cash held | 942,353 | (3,908,770) |
| Cash at the beginning of the financial period | 1,291,183 | 6,009,381 |
| Foreign exchange gain/(loss) | 124,597 | 20,256 |
| Cash at the end of the financial period | 2,358,133 | 2,120,867 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The half year financial report of Jupiter Energy Limited for the period 31 December 2009 was authorised for issue in accordance with a resolution of the Directors on 16 March 2010.

Jupiter Energy Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed on Australian Securities Exchange. The registered office is Unit 9, 38 Colin Street, West Perth, Western Australia 6005.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Jupiter Energy Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Accounting policies

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2009, except as discussed below.

New and amending accounting standards and interpretations

Since 1 July 2009, the Group has adopted the following applicable Standards and Interpretations, mandatory for financial reporting periods beginning on or after 1 July 2009. Adoption of these Standards and interpretations did not have any material effect on the financial position or performance of the Group.

AASB 8 and AASB
2007-3

AASB 8 Operating Segments

This standard requires the disclosure of information about the Consolidated Entity's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Consolidated Entity.

AASB 101 (revised),
AASB 2007-8 and
AASB 2007-10

Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards

The revised standard separates owner and non-owner changes in equity and requires a statement of comprehensive income to be prepared which discloses all changes in equity during a period resulting from non-owner transactions. The Consolidated Entity has elected to present comprehensive income using the one statement approach.

(b) Changes in accounting policy (continued)

The following standards and interpretations and all consequential amendments, which became applicable on 1 July 2009, have also been adopted by the Group, but have had no impact on the financial position or performance of the Group, or on presentation or disclosure in its financial statements.

| | |
|------------------------------------|---|
| AASB 123 (revised) and AASB 2007-6 | Borrowing Costs and consequential amendments to other Australian Accounting Standards |
| AASB 2008-1 | Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations |
| AASB 2008-5 / AASB 2008-6 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project |
| AASB 2008-7 | Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| AASB 2009-2 | Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038] |
| AASB 2009-4 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16] |
| AASB 2009-7 | Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17] |
| AASB 3 (revised) and AASB 2008-3 | Business Combinations Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 |

The Group has not elected to early adopt any new standards or amendments.

New Accounting Policy

The Group has adopted the following policy in respect of its inventories:

Inventories

Consumables have been valued at cost less an appropriate allowance for obsolescence. Cost is determined on a first-in-first-out basis.

NOTES TO THE FINANCIAL STATEMENTS**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont.)****(c) Going Concern**

During the half-year ended 31 December 2009, the consolidated entity incurred net losses of \$2,107,123 (2008: \$1,428,710) and a net cash outflow from operations of \$1,886,116 (2008: \$949,179). As disclosed in Note 9, the Group also has commitments for expenditure payable within the year of \$6,382,119.

The condensed half year report has been prepared on the basis that the consolidated entity will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In arriving at this position, the directors are reviewing various funding alternatives including:

- The completion of a placement of \$2.25million before costs on 11 February 2010 via the issue of 50,000,000 shares at \$0.045;
- The possible exercise of 300,000,000 listed options expiring 30 June 2010 to raise a maximum of \$24 million before costs; and
- Further equity raisings if required.

The ability of the consolidated entity to achieve the abovementioned funding alternatives is based on the successful development of and production from the NWZ 2, J-50 Wells and/or other wells drilled by the consolidated entity. The NWZ 2 Well is currently suspended and production testing is expected to commence in the second half of the 2010 financial year. The J-50 Well is currently being drilled and production testing is expected to commence as soon as the well is completed. The directors consider it likely that initial production testing will meet expectations.

Accordingly, the Directors believe that the consolidated entity will obtain sufficient funding to enable them to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Should the consolidated entity not achieve the matters set out above, there is significant uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the consolidated entity not be able to continue as going concern.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**3. SEGMENT REPORTING**

The consolidated entity is exploring for oil and gas in Kazakhstan. Each activity has been aggregated as they have similar economic characteristics and are being conducted in one area of interest. The operations of the Consolidated Entity therefore present one operating segment under AASB 8 Operating Segments.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the interim financial report.

4. OTHER INCOME

| | Consolidated | |
|-----------------------|---|---|
| | 6 months to 31 December 2009 | 6 months to 31 December 2008 |
| | \$ | \$ |
| Other income | 12,895 | 49,371 |
| Foreign currency gain | 125,180 | - |
| | <u>138,075</u> | <u>49,371</u> |

5. OTHER CURRENT ASSETS

| | Consolidated Entity | |
|------------|----------------------------|---------------------|
| | 31 Dec 2009 | 30 June 2009 |
| | \$ | \$ |
| Prepayment | 1,888,307 | 3,690 |
| Bonds | 88,118 | 26,868 |
| | <u>1,976,425</u> | <u>30,558</u> |

During the period, a prepayment was made to Astra-Star LLP, the drilling contractors for J-50.

6. MINERAL EXPLORATION EXPENDITURE

| | Consolidated Entity | |
|-------------------------------------|----------------------------|---------------------|
| | 31 Dec 2009 | 30 June 2009 |
| | \$ | \$ |
| Opening balance | 15,177,137 | 8,629,935 |
| Additions | 1,218,829 | 6,549,785 |
| Foreign exchange translation | (1,276,649) | (2,583) |
| Balance at the end of the half-year | <u>15,119,317</u> | <u>15,177,137</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. OTHER PAYABLES

| | Consolidated Entity | |
|------------------|---------------------|------------------|
| | 31 Dec 2009 | 30 June 2009 |
| | \$ | \$ |
| Trade creditors | 190,140 | 14,532 |
| Accrued expenses | 73,154 | 133,646 |
| Biscra payable | 2,771,183 | 4,288,350 |
| Other payables | - | 39,926 |
| | <u>3,034,477</u> | <u>4,476,454</u> |

During the period, USD \$1,025,000 (AUD\$1,299,590) was paid to Biscra Holdings for the success fee of the extension of Block 31. As at 31 December 2009, a payable of USD \$2,475,000 is outstanding and is due before 30 June 2010.

8. CONTRIBUTED EQUITY

| | 31 Dec 2009 | 30 June 2009 |
|-----------------------|-------------------|-------------------|
| | \$ | \$ |
| <i>Issued Capital</i> | | |
| Ordinary shares (a) | 36,626,997 | 29,436,515 |
| Options (b) | 284,198 | 284,198 |
| | <u>36,911,195</u> | <u>29,720,713</u> |

(a) Movements in ordinary share capital

| | No. | \$ |
|--|--------------------|-------------------|
| Balance 30 June 2008 | 356,796,189 | 29,431,395 |
| Exercise of options – July 2008 | 64,000 | 5,120 |
| Issue of shares – share based payment | 5,000,000 | - |
| Balance 31 December 2008 | <u>361,860,189</u> | <u>29,436,515</u> |
| Issue of shares – rights issue 1 for 1 | 361,860,189 | 7,237,204 |
| Cost of share issue | - | (46,722) |
| Issue of shares – share based payment | 12,500,000 | - |
| Balance 31 December 2009 | <u>736,220,378</u> | <u>36,626,997</u> |

(b) Movements in options

| | | |
|--|--------------------|----------------|
| Balance 30 June 2008 | 340,628,000 | 284,198 |
| Exercise of options | (64,000) | - |
| Forfeit of options | (10,000,000) | - |
| Expiry of options – 31 Dec 08 - \$0.08 | (2,564,000) | - |
| Expiry of options – 31 Dec 08 - \$0.20 | (5,000,000) | - |
| Balance 31 December 2008 | <u>323,000,000</u> | <u>284,198</u> |
| Issue of options – share based payments | 10,000,000 | - |
| Issue of performance rights – share based payments | 30,000,000 | - |
| Balance 31 December 2009 | <u>363,000,000</u> | <u>284,198</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**9. SHARE BASED PAYMENTS**

During the period, the Company granted 10,000,000 unlisted options and 30,000,000 Performance Rights to Directors, which was approved at the 2009 AGM.

Terms and conditions of 31 December 2012 Unlisted Director options:

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Director Options will vest in the following proportions at the following times:
 - (i) for those Director Options with an Exercise Price of \$0.10, 12 months from the date of issue; and
 - (ii) for those Director Options with an Exercise Price of \$0.15, 24 months from the date of issue.
- (c) The Director Options will expire at 5.00 pm (WST) on 31 December 2012. Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The amount payable upon exercise of each Director Option will be:
 - (i) \$0.10 for the first 3,000,000 Director Options; and
 - (ii) \$0.15 for the next 2,000,000 Director Options,

Terms and conditions of Performance Rights:

The Performance Rights entitle the holder to Shares on the following terms and conditions:

- (b) Subject to the satisfaction of the vesting conditions set out in paragraph (c), each Performance Right vests to one Share.
- (c) The Performance Rights shall vest in the following proportions:
 - i. 10,000,000 upon the earlier of the market capitalisation of the Company being a minimum of \$100,000,000 for a period of 20 consecutive trading days or the Company achieving a cumulative production total of 150,000 barrels of oil;
 - ii. 10,000,000 upon the earlier of the market capitalisation of the Company being a minimum of \$200,000,000 for a period of 20 consecutive trading days or the Company achieving a cumulative production total of 300,000 barrels of oil; and
 - iii. 10,000,000 upon the earlier of the market capitalisation of the Company being a minimum of \$300,000,000 for a period of 20 consecutive trading days or the Company achieving a cumulative production total of 500,000 barrels of oil.
- (d) In the event the holder ceases to be a Director prior to the satisfaction of the Vesting Conditions, all Performance Rights shall automatically lapse unless the holder ceases to be a Director as a result of being removed from office by Shareholders other than for misconduct in which case the Board may, in its absolute discretion, determine that all or a specified number of a holder's Performance Rights automatically vest.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**9. SHARE BASED PAYMENTS (CONTINUED)**

- (e) The Performance Rights shall expire at 5.00 pm (WST) on:
- (i) that date which is 12 months from the date of issue of the Performance Rights issued with the vesting condition set out in paragraphs (c)i;
 - (ii) that date which is 24 months from the date of issue of the Performance Rights issued with the vesting condition set out in paragraphs (c)ii;
 - (iii) that date which is 36 months from the date of issue of the Performance Rights issued with the vesting condition set out in paragraphs (c)iii.

(Expiry Date). Any Performance Right not vested before the Expiry Date shall automatically lapse on the Expiry Date and the holder shall have no entitlement to Shares pursuant to those Performance Rights.

- (f) The Performance Rights will be issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights on the satisfaction of the Vesting Conditions.

10. CONTINGENT LIABILITIES

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

11. EVENTS SUBSEQUENT TO REPORTING DATE

On 11 February 2010, the Company announced a placement of 50,000,000 shares at \$0.045 per share to raise \$2.25m before costs to largely UK based institutions. On 19 February 2010 47,000,000 shares were allotted, with a further 3,000,000 shares to be allotted after shareholder approval at a General Meeting to be held on 9 April 2010.

Except as disclosed above, there are no matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group not otherwise disclosed in future financial years.

12. COMMITMENT FOR EXPENDITURE**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:

| | Consolidated Entity | |
|---|----------------------------|---------------------|
| | 31 Dec 2009 | 30 June 2009 |
| | \$ | \$ |
| not later than one year | 6,382,119 | 7,085,100 |
| later than one year but not later than five years | 19,034,390 | 28,216,100 |
| | <u>25,416,509</u> | <u>35,301,200</u> |