

31 January 2010

UPDATE ON ACTIVITIES FOR THE PERIOD TO 31 DECEMBER 2009

HIGHLIGHTS

- **Successful re entry of the NWZ 2 well. Well is currently suspended and will be put onto production testing during Q1 2010.**
- **New J-50 well spudded on 29 December 2009 and is expected to be completed during February 2010 and put onto production testing during Q1 2010.**
- **Expectation is to have both wells on trial production by 1 July 2010. Sales into the export market are expected to commence at this time.**
- **Independent review of the Block 31 Triassic structure by Senergy confirms prospectivity of the permit with 2P of 8.6 mmbbls recoverable and 12.2 mmbbls P50 prospective resource. Figures are based on current drilling data available. The recoverable reserve and resource total of 20.8 mmbbls in the Triassic is consistent with JPR's previously announced guidance.**
- **JPR continues to believe that a P50 Probable Resource of 22.2 mmbbls is also present in the Jurassic. The 2010 commitment well (J-51) to be drilled in 2H 2010 will target both Jurassic and Triassic reservoirs and enable Senergy to carry out an independent assessment of the Jurassic structure as well as update their assessment of the Triassic.**
- **Block 31 Jurassic/Triassic potential still stands at ~ 43 mmbbls recoverable**

Jupiter Energy Limited (ASX: JPR) presents the following update on activities for the 3 month period ended 31 December 2009. Also included in this report are details of any subsequent events that have occurred up to the date of this announcement.

It has been a quarter of significant milestones, with JPR now well into the transition from an exploration company to that of an oil producer. The re entry of the NWZ 2 well provided the Company with the opportunity to build its operations team in Aktau, headed by David Thorpe who was appointed JPR's Managing Director, effective 1 January 2010.

The entire NWZ 2 re entry project provided a range of important learning experiences for JPR, ranging from the granting of local permits, building of roads, hiring of local contractors, gaining of a variety of government approvals through to the actual success of re perforating the well at

the Jurassic XIII, where the original logs from the 1969 Soviet drilling campaign had shown an oil discovery from a 30m nett sand.

The NWZ 2 well is currently suspended and will be put onto production test as soon as the current J-50 well activities are complete. Production testing is expected to commence in March 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 July 2010.

Flow performance of the NWZ 2 well will be determined during the 3 month production test phase and the Company is confident it should perform at a similar level to that of other Soviet era wells that are located on the adjoining oilfield and also producing from the Jurassic.

J-50 (SV Akkar) Well

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).

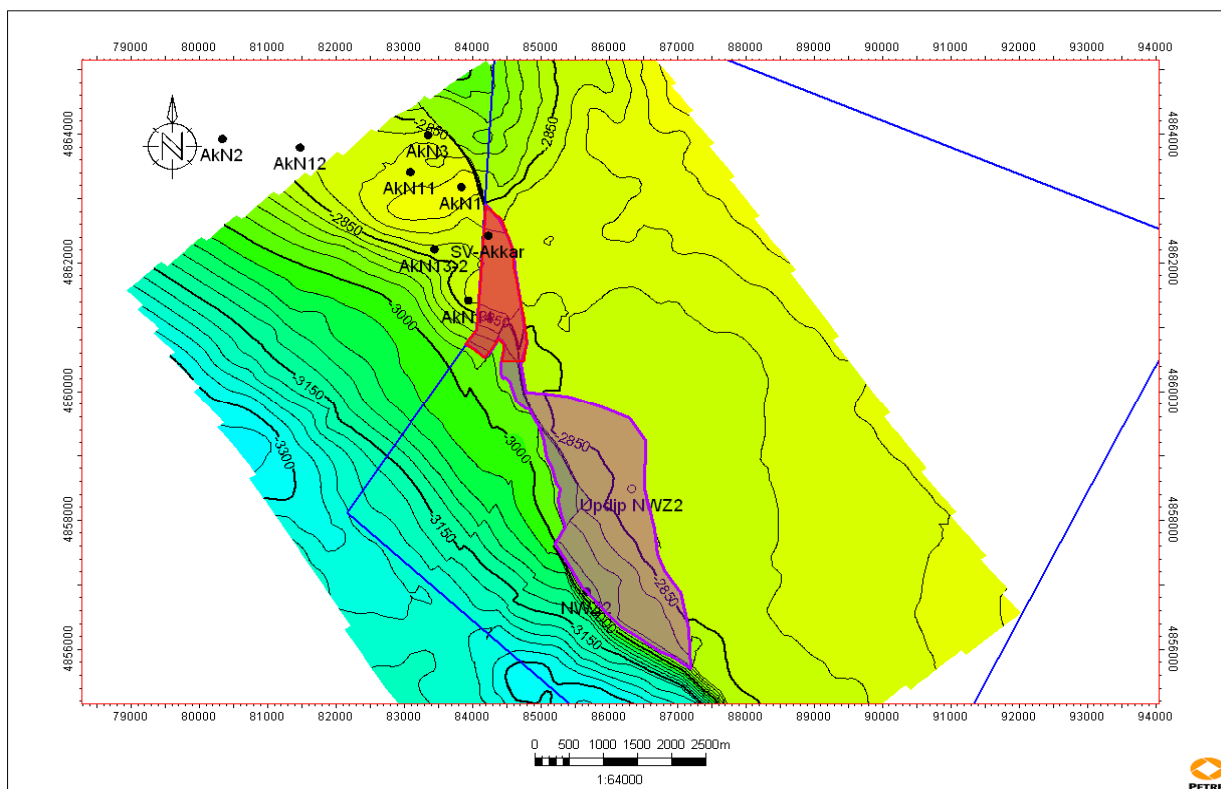
At the time of this report the J-50 well had reached 1551 metres and should reach Target Depth during February. This well is targeting the Triassic reservoir and the Company considers this to be an appraisal rather than an exploration well. The expectation is to put J-50 onto production test in March 2010 and, like the NWZ 2 well, bring it onto Trial Production by July 2010 after a 3 month production test period. 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.

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 Soviet style completion methodologies 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 ultimate 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 Soviet 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.

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 commence when the Company drills its 2010 commitment well (J-51) which should spud in July 2010.

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	Oil in Place (mmbbls)	Prospective Resource (mmbbls)
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, announced in November 2009.

Senergy did not provide a view of the potential reserves within the Jurassic structure because there is no recent drilling data available for this structure (the Soviet well data was deemed not to be recent 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 the July 2010 well (J-51) has been drilled. The J-51 well is located such that it should intersect both the Jurassic and Triassic structures present on Block 31.

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.

Capital Structure and Finances

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, 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 31/12/2011 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 \$A2.34m and these funds will be sufficient to complete the J-50 well. Going forward, the next milestone will be to bring the NWZ 2 and J-50 wells onto Trial Production.

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 NWZ 2 and J-50 wells, the new wells already planned for the Block 31 permit as well as future growth opportunities for the Company.

If anyone has any questions regarding this update report they are welcome to contact the Company on +61 8 9322 8222.

Geoff Gander
Executive Chairman

The information in this document which relates to Triassic oil reserves (2P) and prospective resource (P50) is based on information compiled by Senergy Limited, an international oil & gas consulting company that specialises in oil & gas reserve estimations. Senergy Limited has sufficient experience which is relevant to reserve estimations and to the specific exploration permit in Kazakhstan to qualify as competent to verify information pertaining to the Triassic oil reserves (2P) and prospective resource (P50). Senergy Limited has given and not withdrawn its written consent to the inclusion of its name and the Triassic 2P reserves and prospective resource (P50) figures in the form and context in which they appear. Senergy Limited has no material interest in the Company.

The information in this document which relates to Jurassic prospective resources (P50) is based on information compiled by Mr. Keith Martens who is a Director of Martens Petroleum Consulting Pty Ltd. Mr. Keith Martens has sufficient experience which is relevant to oil & gas reserve estimation and to the specific permit in Kazakhstan to qualify as competent to verify the information pertaining to the Jurassic prospective resource (P50). Mr. Keith Martens has given and not withdrawn his written consent to the inclusion of the Jurassic prospective resource (P50) figure in the form and context in which it appears. Keith Martens has no material interest in the Company.

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