

January 29 2007

HALF YEARLY ACTIVITIES REPORT – DECEMBER 2006

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

Activities:

- Jupiter Energy Limited (ASX: JPR) by way of its wholly owned subsidiary Jupiter Biofuels Limited lodged 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 to be used to build a biodiesel plant in Kuantan, Malaysia. At that time, Biodiesel was seen as one of the fastest growing markets in alternative energy and the Board believed that this project would add significant value to the value of Jupiter Energy.
- The Board believed that Jupiter Biofuels Limited had a comprehensive business model and one that would be supported by the capital markets. The key features 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 producing an NPAT of c \$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:
 1. 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.
 2. 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.
 3. The lacklustre performance of an Initial Public Offering of a similar biodiesel project in Malaysia that took place just as the 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 JPR, not surprisingly, fell after news of the withdrawal of the Jupiter Biofuels Prospectus. However, the ultimate fall in the JPR share price was more dramatic than had been initially anticipated and it soon became apparent that a substantial raising within the Jupiter Energy 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.
- Over the past few months discussions have been held with a variety of local and international organizations regarding involvement with JPR in taking the project forward. More recently, discussions have also been held with parties interested in purchasing the project in total from JPR.
- During this time, JPR has had to keep the project moving forward in order to preserve value and ensure all the various contracts and licences remained in place. Whilst the work was reduced from what had been originally planned, the monetary impact of supporting the project has still been significant and the Board has always been conscious of managing the issues of cash preservation versus preserving value in the project.
- As at December 31 2006, discussions were still continuing with several organizations regarding involvement and investment in the project.

In relation to its core Oil & Gas exploration activities, JPR has made a number of investments:

1. JPR has carried out further detailed seismic work on PEP 163 of which Jupiter 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 Jupiter 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 Jupiter 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 Jupiter Energy Board will make a decision on the future of PEP 163 and the option on PEP 164 at that time. The report is expected during the January to March 2007 quarter.
- The Company finished the December 2006 half year with 117,861,389 fully paid ordinary shares on issue and with approximately \$3.3 million in cash.
 - As at 31 December 2006, all 22,326,338 listed 20 cent options with an expiry date of 30 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 seek new projects and the Company has (taking into account full settlement by FEI) cash reserves/receivables of approximately \$A4 million.

If shareholders have any questions regarding this Half Yearly Report, they can contact the JPR office on (08) 9322 8222 or myself on 0417 914 137 or via email – geoff@highway1.com.au

Geoff Gander
Executive Director

EXPLORATION ACITIVITIES - PEP 163 and PEP 164

PEP 163 and 164 cover a total area of 3,888 square kilometers of the eastern Otway Basin and are located 10 kilometers from the city of Geelong and 50 kilometers 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 April 26 2005 with Lakes Oil NL, Jupiter 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 earnt.

The Operator of the drilling at PEP 163 (Lakes Oil NL) subsequently presented detailed findings of the drilling program to Jupiter and concluded that there was strong evidence of gas shows to 1000m and using technologies that are available including Formation Micro Image and Sonic Scanner, it would be prudent to re examine the hole to 1000m to ascertain whether economic gas quantities are available. As a result, further seismic work has been carried out on PEP 163 and Jupiter is awaiting the results of this work.

In relation to PEP 164, Lakes Oil NL, who hold 100% of the permit, informed Jupiter 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. Jupiter 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 Jupiter 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.

BIODIESEL PROJECT

A Prospectus providing a comprehensive overview of the Biodiesel project was sent to all shareholders. Whilst the Prospectus was withdrawn on 16 October 2006, the underlying aspects of the project are provided in the document. As outlined in the subsequent events section of this report, the Company withdrew from this project as at 25 January 2007.

OTHER PROJECTS

The Board continues to look for suitable projects that will improve shareholder value in the Company.