

July 28 2006

FOURTH QUARTER ACTIVITIES REPORT – JUNE 2006

Jupiter Energy Limited (ASX: JPR) is pleased to present the following report on activities for the three months ending 30 June 2006. Also included in this report are details of subsequent events that have taken place in July 2006.

Activities:

- Jupiter Energy Limited (Jupiter) by way of its wholly owned subsidiary Jupiter Biofuels Limited is currently developing a business plan to pursue opportunities for the production and sale of Biodiesel in the Asia-Pacific region. Biodiesel is one of the fastest growing markets in alternative energy.
- Jupiter Biofuels Limited has completed the following activities in relation to this project:
 1. Creation of Jupiter Biofuels Sdn Bhd – a Malaysian entity that is controlled by Jupiter. All permits and land leases in relation to the biodiesel project in Malaysia will be progressed through this entity.
 2. Finalisation of an option to lease 6 hectares of land in Kuantan Port, Malaysia on which the biodiesel production facility will be built.
 3. Submission of an application to the Malaysian Industrial Development Authority (MIDA) for a license to produce biodiesel.
 4. Detailed negotiations regarding the supply of both Crude and Refined Palm Oil, the feedstock required to produce biodiesel.
 5. Negotiations regarding off take agreements for the sale of the biodiesel produced.
 6. Detailed negotiations with a technology provider and a Balance of Plant Contractor for the construction of the biodiesel plant in Malaysia
 7. The formation of a Due Diligence Committee for the development of a Prospectus to enable the Initial Public Offering (IPO) of Jupiter Biofuels Limited, subject to shareholder approval for the in specie distribution of 100% of the shares of Jupiter into Jupiter Biofuels Limited.
 8. The Development of a detailed Financial Model to support the financial projections that will be required for the Jupiter Biofuels Limited Prospectus.
- In relation to its core Oil & Gas exploration activities, Jupiter has also made a number of investments:
 1. Jupiter has carried out further detailed seismic work on PEP 163 of which Jupiter has earned a 50% interest.
 2. Jupiter 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.

- The Company finished the June quarter with 81,250,523 fully paid ordinary shares on issue and with over \$1.86 million in cash as at 30 June 2006.
- During the quarter 9,500,000 shares were placed at 6 cents per share to raise \$570,000 before costs.
- At a General Meeting of shareholders held on June 16 2006 approval was given to the Jupiter Board to place up to 40 million fully paid ordinary shares at 12.5 cents with a free attached option for every 5 shares issued, to a maximum of 8 million options. The unlisted options have an exercise price of 8 cents and expire on 31 December 2008. The Board has up to 3 months from the date of this approval to issue these shares and options and expects that all shares and options will be placed in that time frame. The funds are to be used to continue to develop the Jupiter Biofuels project as well as fund other activities within Jupiter including other potential acquisitions.
- To June 30 2006, 8,338,000 shares had been placed at 12.5 cents (with 1,667,600 free unlisted options attached) to raise \$1,042,250 before costs.
- At the same General Meeting, Jupiter shareholders also approved the issue of 9 million unlisted options, all with an exercise price of 12 cents and an expiry date of 30 June 2008, to consultants involved in the development of the biodiesel project in Malaysia. The options will only vest when agreed milestones are met in agreed timeframes. The milestones are all related to the successful completion of a number of integral aspects of the biodiesel project.
- At the same General Meeting, Jupiter shareholders also approved a range of incentive options to Jupiter Directors Eddie Smith and Geoff Gander. These unlisted options will have an exercise price of 20 cents and an expiry date of 30 December 2009 but may be subject to consolidation as a result of the in specie distribution that occurs with the spin off of Jupiter Biofuels Limited. The options will only vest when key milestones that involve the successful completion of integral parts of the biodiesel project are achieved.

Subsequent Events:

As foreshadowed above, the Company made an update announcement in July regarding its planned biodiesel project in Malaysia. This announcement was made to the ASX on July 26 2006 and contained a comprehensive update in terms of progress that has been made in relation to the planned building of a biodiesel facility in Malaysia.

The key elements of the announcement were:

- The granting of a licence by MIDA to Jupiter Biofuels to build a 250,000 tonnes per annum biodiesel plant in Malaysia.
- Significant progress being made with regards the preparation of a spin off of the biodiesel project from Jupiter Energy to Jupiter Biofuels Limited via an in specie distribution of shares to existing Jupiter Energy shareholders. This spin off will be subject to shareholder approval and will be fully documented in a Notice of Meeting that will be sent to shareholders at the same time as a Prospectus is lodged with ASX and ASIC seeking to raise \$70m to fund the building of the biodiesel facility and provide working capital. A copy of the update announcement is attached to this Quarterly Report and shareholders are encouraged to read the detailed announcement for full details on this exciting initiative.

In relation to the company's capital structure, the JPR Board expects the placement of 40 million shares and 8 million free attaching options to be completed in the next week and this will mean

that Jupiter Energy should have a total of 112,912,523 shares on issue with approximately \$5.5 million cash at bank. On completion of the placement, the total number of options (both listed and unlisted) on issue will stand at 35,338,004 and if all these options were to be exercised, there would be an additional cash injection into the Company of approximately \$5.6 million. Option holders will be sent a letter in the next few weeks and the letter will outline what actions need to be taken and by when to ensure they are in a position to participate in the in specie distribution of JPR shares into the Jupiter Biofuels Limited IPO.

If shareholders have any questions regarding this Quarterly 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 earned.

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% interest 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

Over the past seven months the Company has been working with a number of parties to advance a detailed business plan with a view to making an investment in the near term in Biodiesel.

As part of this process, Jupiter Biofuels Limited has retained industry specialist Arthur Blaquiére to assist with the development of the project as well as a team of engineers based in Kuala Lumpur. Jupiter has also engaged Deloitte Corporate Finance Pty Limited to assist with the preparation of a detailed financial model for the project and Merit Engineers Pty Ltd for assistance with contract negotiations with the preferred biodiesel plant technology provider and the Balance of Plant contractor. Jupiter has also engaged Steinepreis Paganin to work on legal aspects of the transaction and RSM Bird Cameron Corporate to work on other details of the planned Jupiter Biofuels Limited prospectus.

The Jupiter Board believe that Biodiesel has now become economically competitive due to:

- The price of oil moving above \$US70 per barrel and more analysts predicting it will continue to rise;
- New government regulations and commercial incentives to increase the use of biofuels in the European Union, the USA and Australia; and
- Increasing pressure to reduce greenhouse gases – biodiesel reduces CO2 emissions by 78% compared to conventional diesel.

Work on all of the key milestones associated with the biodiesel project are well advanced and shareholders are encouraged to read the detailed update on the status of the project that was made to the ASX on 26 July 2006. A copy of this update announcement is attached below.

Update on Biodiesel Activities

The Board of Jupiter Energy Limited (ASX: JPR) (**Jupiter Energy**) is pleased to provide shareholders with an update on the progress of its planned Malaysian based biodiesel project.

As already outlined in earlier shareholder announcements, there are a number of key milestones that the Board has been focused on achieving in recent months. Broadly speaking these can be categorized as follows:

- Location
- Plant Technology
- Supply of Feedstock
- Government Licences
- Off take Agreements
- Corporate Activities

This announcement will outline the progress made in each of these areas.

Plant Location

Jupiter Energy, through its 100% owned Malaysian subsidiary Jupiter Biofuels Sdn Bhd, has reached agreement with the Kuantan Port Authority to lease 6 hectares of land in Kuantan for a period of 30 years on ordinary commercial terms. Kuantan Port is an all weather, deep sea port and has significant existing infrastructure in terms of petro-chemical and palm oil process plants; bulk liquid cargo storage and liquid berth terminals and is located on the east coast of the Malaysian Peninsula.

Plant Technology

Jupiter Energy, through its 100% owned Malaysian subsidiary Jupiter Biofuels Sdn Bhd, (**Jupiter Biofuels**), is finalizing negotiations with the European based biodiesel technology provider, Desmet Ballestra Oleo, to acquire a biodiesel plant. Desmet Ballestra was founded in 1946 and currently employs over 600 people, located in offices in 17 countries. Desmet has built 5,700 plants in 148 countries around the world. The company has an annual turnover of Euro 250 million and is one of the leaders in terms of the manufacture and commissioning of biodiesel plants.

Desmet Ballestra is currently building plants in Western Europe, North and South America and South East Asia, including Malaysia. The Jupiter Biofuels plant is expected to have an initial capacity of 250,000 tonnes per annum (**TPA**) and will be based on a continuous transesterification process with the ability to use either Crude or Refined Palm Oil as its feedstock.

A 250,000 TPA plant has the capacity to produce some 280 million litres of biodiesel per annum, when running at full capacity.

Balance of Plant Contractor

Jupiter Biofuels has also entered negotiations with SMEC Malaysia Sdn Bhd in relation to the Balance of Plant contractor role. The Balance of Plant contract will cover all the other key elements to the construction phase including: site works; the tank farm; civil and structural works; mechanical; piping and electrical works; office buildings; service buildings and other key utilities.

Feedstock Supply

Jupiter Biofuels has received signed letters of intent to enter into supply arrangements from five organisations for the supply of various feedstocks for the production of biodiesel. These organizations are Tradewinds Plantation Bhd, Dominion Square Sdn Bhd, Sawira Bhd Sdn, Kilang Kelapa Sawit Jerantut Sdn Bhd and Pan-Century Edible Oils Sdn Bhd. The contracted quantities will be sufficient to fully support the plant being built in Kuantan and the arrangements will allow for additional supply if and when Jupiter Biofuels considers increasing its production capacity.

Government Licences

The building of a biodiesel plant in Malaysia requires a range of government licences. The cornerstone licence must come from the Malaysian Industrial Development Authority (**MIDA**) which is one of the key government bodies in Malaysia overseeing the development of the biodiesel industry.

Jupiter Energy is delighted to confirm that MIDA has approved the Jupiter Biofuels application to build a 250,000 TPA plant in Kuantan. Jupiter Biofuels, having obtained this approval, is now working with the other relevant agencies to obtain final approval for tax concessions and other relevant sign offs.

Offtake Agreements

The Board of Jupiter Energy is currently in discussions with several trading houses in Europe, the USA and South East Asia with respect to offtake agreements for the planned biodiesel production and will make a more detailed announcement on progress in this area in due course.

Corporate Activities

The Board of Jupiter Energy can confirm that it is their intention to seek shareholder approval to spin off the biodiesel project held within Jupiter Biofuels Limited via an in specie distribution.

A meeting of Jupiter Energy's shareholders will be called to consider and vote on the proposed in specie distribution. For this purpose, a Notice of Meeting will be sent to Jupiter Energy shareholders and this will contain all information required by shareholders to form an opinion on how to vote. The Notice of Meeting is expected to be dispatched in August 2006 for a meeting to be held in September 2006.

Jupiter Biofuels Limited will issue a Prospectus to raise the required capital to fund the construction of the plant in Kuantan and the necessary working capital.

The Jupiter Biofuels Limited Prospectus is expected to be lodged with the ASIC and ASX in August 2006 and it will be seeking to raise A\$70 million via the issue of 140 million shares at an issue price of \$0.50 per share. The Prospectus will be based on Jupiter Biofuels Limited having an implied value of \$40 million (ie 80 million shares) prior to the capital raising resulting in the shareholders of Jupiter Energy maintaining an approximate 36% interest in the project after the proposed \$A70 million raising.

In conjunction with advisors Deloitte Corporate Finance Pty Ltd, the Jupiter Energy Board is completing a detailed financial model of the project that will be used to support the financial forecasts to be disclosed in the Jupiter Biofuels Limited Prospectus. This model will be supported, where required, by binding agreements and/or Independent Expert Reports from leading industry consultants.

In terms of process, the Board of Jupiter Energy expects to nominate a record date which will be the date on which all shareholders of Jupiter Energy will be able to participate in the in specie distribution. Jupiter Energy shareholders will be allocated at total of 80 million Jupiter Biofuels Limited shares at an implied value of \$0.50 per share in recognition of the pre money value of the biodiesel project, being \$40 million. These shares will be allocated in proportion to the number of Jupiter Energy shares individual shareholders hold on the record date. The number of Jupiter Biofuels will be calculated by dividing the number of shares on issue in Jupiter Energy as at the record date (which will depend on the number of Jupiter Energy options exercised prior to the record date) by 80 million which is the number of shares in Jupiter Biofuels that will be issued in recognition of the \$40 million implied value of the project. The Board believes it is likely that Jupiter Energy shareholders will receive 1 share in Jupiter Biofuels Limited for every 1.61 to 1.88 shares held in Jupiter Energy as at the record date.

It is important to note that Jupiter Energy option holders MUST convert their options to shares in order to participate in the in specie distribution of Jupiter Biofuels. A letter will be sent to all Jupiter Energy option holders in due course notifying them of the requirement to exercise their options in order to participate in the in specie distribution.

The Jupiter Energy Board is also delighted to announce that the following new Directors have agreed to join the Jupiter Biofuels Limited Board as it prepares for its Initial Public Offering. These new Board members are:

Dato' Captain Ahmad Sufian (Independent Non Executive Director)

Dato' Captain Ahmad Sufian is the Chairman of WCT Engineering Berhad, Chairman of Alam Maritim Resources Berhad, a Director of Malaysian Bulk Carriers Berhad (a company listed on the main board of Bursa Malaysia) and the founder and Chairman of GD Express Carrier Berhad, a logistics company listed on the MESDAQ. He has over 35 years experience in the international maritime industry and he served as a Director of Kuantan Port Authority for 14 years. He also served as Kuantan Port Consortium's first Executive Director and CEO for 2 years.

Geoff Clifford (Finance Director)

Geoff Clifford holds a Bachelor of Business degree from Curtin University and undertook post graduate studies in Administrative and Secretarial Practice. He has more than 25 years experience in senior accounting, finance, administration and company secretarial roles in the mining, retail, and wholesale industries. He was admitted as a Fellow of the Australian Society of Certified Practising Accountants in 1989 and as a Fellow of the Institute of Chartered Secretaries and Administrators in 1995.

Geoff is also vice president of the Western Australian State Council of Chartered Secretaries Australia. He currently sits on the Board of Aztec Resources Limited and is also Chairman of Sino Gas and Energy Limited.

The Board is still in discussions with several parties regarding at least one other independent Non Executive Director position and looks forward to making an appointment in the near term.

In addition, the Jupiter Biofuels Limited Board will also be made up of:

Eddie Smith and Geoff Gander (Existing Jupiter Energy Directors)

Eddie Smith will remain on the Jupiter Biofuels Limited board as Non Executive Chairman and Geoff Gander will take on the role of Managing Director of Jupiter Biofuels Limited. Both Eddie and Geoff are existing Jupiter Energy shareholders and promoters of Jupiter Biofuels Limited and as a result will be subject to a 24 months escrow on all the shares they hold in Jupiter Biofuels Limited as a result of the in specie distribution from Jupiter Energy.

Any questions relating to this announcement should be directed to Executive Director, Geoff Gander, on 0417 914 137 or via email to geoff@highway1.com.au.

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