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Update on Biodiesel Activities

The Board of Jupiter Energy Limited (ASX: JPR) (**Jupiter Energy**) is pleased to provide shareholders with a further 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:

- Plant Location
- Plant Technology
- Balance of Plant Contractor
- Supply of Feedstock
- Government Licences
- 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 (**Jupiter Biofuels**), has now signed a 30 year lease with the Kuantan Port Authority to lease a total of approximately 8.75 hectares (21.62 acres) of land in Kuantan. 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 and will be the site of the proposed biodiesel facility. This quantum of land will enable Jupiter Biofuels to extend its processing capacity beyond the initial plant size as and when the Board determine that it is financially prudent to do so and when the necessary approvals have been granted. The entry into the lease is subject to the obtaining of two standard regulatory approvals within 90 days. Jupiter Biofuels has no reason to believe these conditions will not be satisfied within the requisite time frame.

Plant Technology

Jupiter Biofuels has signed a contract with the European based biodiesel technology provider, Desmet Ballestra Oleo (**Desmet**), to acquire a 250,000 Tonnes Per Annum (TPA) biodiesel plant to be built in Kuantan. This is equivalent to an annual production of some 280 million litres of biodiesel when running at full capacity. The equipment for the plant shall be delivered progressively between seven (7) and nine (9) months from the date of the initial payment.

Desmet 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. Desmet 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 has provided warranties in relation to the quality of the equipment to be supplied and the performance of that equipment. The equipment warranty covers any breaches in the quality of the equipment supplied in the twelve (12) months following start-up of the biodiesel plant. Under the performance warranty, Desmet will perform all appropriate services to correct any defect in performance that is caused by Desmet. The maximum liability of Desmet under the agreement is limited to an amount of 5% of the value of the agreement.

The agreement is conditional upon Jupiter Biofuels Limited listing on ASX.

Balance of Plant Contractor

Jupiter Biofuels has also signed a contract with SMEC (Malaysia) Sdn Bhd to Engineer, Procure, Construct and Manage (EPCM) the Balance of the Plant. The Balance of Plant covers 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. The agreement is for a term of seventeen (17) months and is otherwise on ordinary commercial terms.

The agreement is conditional upon Jupiter Biofuels Limited listing on ASX.

Feedstock Supply

Jupiter Biofuels has signed agreements with Ditali Sdn Bhd for the supply of crude palm oil feedstock and refined palm oil to the plant. The contracted quantity 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 Approvals

As previously announced, Jupiter Biofuels has received its licence from the Malaysian Industrial Development Authority (**MIDA**) to build the biodiesel plant and has now also received confirmation that it has been granted tax pioneer status which will exempt 100% of Jupiter Biofuels operating income from taxation in Malaysia for an initial period of five (5) years from the date of commencing commercial operations.

No other approvals are currently outstanding in terms of what will be required to satisfy the requirements of proceeding to an Initial Public Offering of Jupiter Biofuels Limited.

Corporate Activities

As shareholders are aware, the Board of Jupiter Energy will be seeking shareholder approval to spin off the biodiesel project held within Jupiter Biofuels Limited via an in specie distribution of shares.

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 late September for a meeting to be held in late October 2006. There has been a delay of a few weeks from the original timetable due to the need to conclude all contracts to the full satisfaction of the JPR Board and its advisors.

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 mid September 2006 and it will be seeking to raise A$75 million via the issue of 150 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. Of the $75 million to be raised via the Prospectus, $5 million will be invested by Jupiter Energy and the 10 million shares will be held in Jupiter Energy under a mutually agreed voluntary escrow arrangement. Based on the $40 million implied valuation, the conversion rate from Jupiter Energy shares to Jupiter Biofuels Limited shares will be approximately 1 for 1.875.

This ratio is based on the capital structure of Jupiter Energy as at the Record Date being, in round figures:

- Total number of Jupiter Energy fully paid shares: 150,000,000
- Total number of Jupiter Biofuels Limited shares via the in specie distribution; 80,000,000
- Conversion Rate (150,000,000/80,000,000) = 1.875

The 150,000,000 fully paid shares assumes that by the Record Date all 8 cent and 20 cent options currently on issue are exercised, that Executive Director Geoff Gander exercises all 5 million of his 12 cent options and that Petro Technology Australia exercises 1.75 million of its 12 cent options. Any variation to this would mean a variation in the number of fully paid ordinary Jupiter Energy shares on issue as at the Record Date.

It is important to remind all Jupiter Energy option holders that they MUST convert their options to shares in order to participate in the in specie distribution of Jupiter Biofuels Limited. This conversion must happen by 31 October 2006 although the Board suggests that option holders submit their application monies earlier than this date to ensure there are no potential delays in the conversion process. A timetable is attached below to provide both shareholders and option holders with more information on the timing of the transaction. A letter will also be sent to all Jupiter Energy option holders in the next fortnight 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 additional Board members are:

Richard Beresford (Independent Non Executive Director)

Richard Beresford has over 23 years of experience in the international energy business (predominantly natural gas and renewables) spanning research, technology commercialisation, strategic planning, operations, consultancy, business development, capital raising, acquisitions, marketing and general management. Richard has had direct participation in the development of a broad cross-section of renewable and clean energy technologies and applications including fuel cells, wave power, PV, bioenergy and high-efficiency natural gas processes. Richard is experienced in corporate roles having served as a director of 2 listed companies including 1 as Chairman. He is also a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Energy.

David Quinlivan (Independent Non Executive Director)

David Quinlivan is a mining engineer with almost 30 years experience on projects throughout the world. David is familiar with all aspects of resources development from grass roots exploration through to bankable feasibility reviews and detailed mining programs. He recently oversaw (as a project management consultant) the expansion of the Perseverance Deeps nickel mine in Western Australia for BHP Billiton. He has just completed an assignment assisting the Administrators with the operation and corporate reconstruction of Sons of Gwalia Ltd.

David is a Fellow of the Australian Institute of Mining and Metallurgy, Member of the Australian Institute of Arbitrators & Mediators Australia and an Associate of the

Securities Institute of Australia. He is also a non-executive director of ASX-listed gold explorer Avoca Resources Ltd and Chairman of the AIM listed resources company Churchill Mining Plc.

In addition, the Jupiter Biofuels Limited Board will also be made up of Eddie Smith, Geoff Gander, Geoff Clifford, and Dato' Captain Sufian. Details of these gentlemen were outlined in an announcement made to shareholders on July 26, 2006.

The following indicative timetable outlines the important dates that shareholders and option holders need to be aware of, however these dates are indicative only and may change.

INDICATIVE TIMETABLE

Lodgement of Jupiter Biofuels Limited Prospectus with the ASIC	15 September 2006
Availability of Printed Prospectus	27 September 2006
Despatch of Notice of Meeting to approve the in specie distribution with a copy of the Prospectus attached	27 September 2006
General Meeting of Shareholders	30 October 2006
Final date for exercise of JPR options into shares *	31 October 2006
Trading in Jupiter Energy Shares starts on "ex return of capital basis"	31 October 2006
Record Date on which the in specie distribution will be based	5.00pm WST on 6 November 2006
Closing Date of Jupiter Biofuels Limited Prospectus **	5.00pm WST on 15 November 2006
Despatch of Holding Statements	20 November 2006
Trading of Shares on ASX expected to commence	23 November 2006

* The Board of Jupiter Energy recommends that shareholders send application forms for the exercise of options to the share registry by 15 October 2006 to avoid any potential for options not to be converted by the Record Date

** This date may change at the discretion of the Jupiter Biofuels Limited Board.

We trust shareholders and option holders now have a better understanding of the timing of the proposed transaction. 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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