

25 January 2007

Update on Biofuels Project in Malaysia

Jupiter Energy Limited (ASX: JPR) is pleased to provide shareholders with an update on its biodiesel project in Malaysia, operating through its 100% owned subsidiary Jupiter Biofuels Limited.

Background:

- 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 released 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, prior to the plant being in production.
 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 Jupiter Biofuels Prospectus was being circulated.
- Over the past few months discussions have been held with a variety of local and international organisations regarding involvement with JPR in taking the biodiesel project forward. More recently, discussions have also been held with parties interested in purchasing the project outright 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.

Current Status:

The JPR Board is please to advise that the Company has entered into a letter of intent with FEI Resources (M) Sdn Bhd (FEI) whereby FEI will 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 has 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.

FEI will take over the MIDA licence and the lease on the 8.75 hectare site in Kuantan held within Jupiter Biofuels Sdn Bhd.

Settlement:

FEI will 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 due immediately
- \$A750,000 on or before 21 July 2007

An initial payment of \$A50,000 has been received by JPR.

Concluding Comments:

The Board of JPR is disappointed that what appeared to be a very robust project was not able to get support from the Australian capital markets. The Board has spent several months looking for alternative funding options without success and now believes that this outcome is in the best interests of JPR shareholders.

The Board is continuing to actively seek new projects and the Company has (taking into account full settlement by FEI) cash reserves/receivables of approximately \$A4 million.

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

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