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## Jupiter Energy

*Strong catalysts in sight*

### Buy

12M target price, AUD	1.8
Current price, AUD	0.62
Upside potential	190%
Market cap (\$ mn)	71
Free float	57%
Fully diluted number of shares, mn	121
52-week range, AUD	0.5-1.2
Ticker	JPR AU

We initiate coverage of Jupiter Energy, a small-cap oil and gas exploration company operating in Kazakhstan, with a 12-month target price of AUD 1.8 and a "Buy" recommendation.

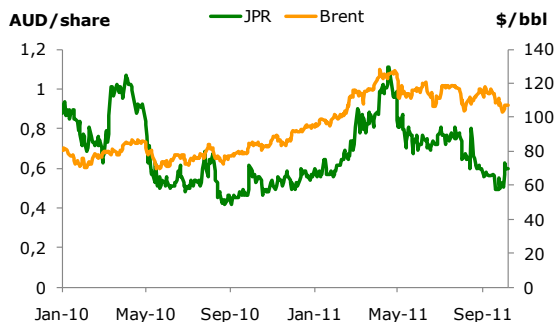
Jupiter Energy's license area covers 123 km<sup>2</sup> of Block 31 in Mangistau oil basin in western Kazakhstan. To date, the company has drilled three out of five commitment wells on the Block. The first two of them were commercial discoveries and will be put on trial production by the end of 2011. The third well indicated presence of oil and is now being prepared for testing. Jupiter Energy will complete drilling of the two remaining commitment wells in 2012. In 2012-2013, the new wells should quadruple Jupiter's current production capacity (600bopd), we assess.

We do not expect problems in Jupiter funding its \$60mn exploration and development capex over the next five years and estimate that the company needs to raise \$20mn in a mix of debt and equity in 2012-2013. Here, Jupiter Energy enjoys a strong backing from its two largest shareholders that, combined, hold a 40% of the firm. We calculate that beyond 2013 the company's cash flows should be large enough to finance the capex.

Jupiter Energy's 2P reserves, currently estimated at 24mmbbl, may be boosted to about 40mmbbl next year following completion of the three new wells. Even with the current 2P reserves, on the EV/2P multiple, the company's shares are traded at a large discount to other early-stage oil and gas firms operating in Kazakhstan. Listing of Jupiter's shares in London (AIM) next month should help improve liquidity of the shares and, over time, eliminate the valuation discount, we believe.

The full text of the report can be found at [eng.halykfin.kz/RESEARCH/Equity-research](http://eng.halykfin.kz/RESEARCH/Equity-research).

**JPR stock vs. Brent performance since January 2010**



Source: Bloomberg

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