

Jupiter Energy Limited JPR (\$0.03)

Recommendation: SPECULATIVE BUY

Critical Exploration Program Underway

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OUR VIEW

JPR is an Australian exploration and production company with operations focused in Kazakhstan. JPR's primary asset is Block 31 (100% JPR) located in the Mangistau Basin in South West Kazakhstan. JPR's year has been highlighted by the transformation from explorer to producer by bringing the J-50 well onstream which production tested at 360bopd. Unfortunately, the success of J-50 has not lead to value accretion for JPR. In our view, 1) the length of time it took to get J-50 onstream (drilling commenced late 2009), 2) further funding requirements to develop Block 31, 3) the restriction of only being able to sell oil to the domestic market at a discount (relative to export prices) until a trial production license is granted and 4) the need for the market to see further results to de-risk Block 31 have all acted as a ceiling to JPR's share price. The funding barrier has recently been removed with the introduction of the Waterford Group as a major shareholder (along with a capital raising) but a lot will depend on JPR's future exploration/appraisal success (J-52 was spudded in early November) and the granting of a trial production license (expected by year end). If these pieces were to fall in place there will be significant upside.

INVESTMENT HIGHLIGHTS

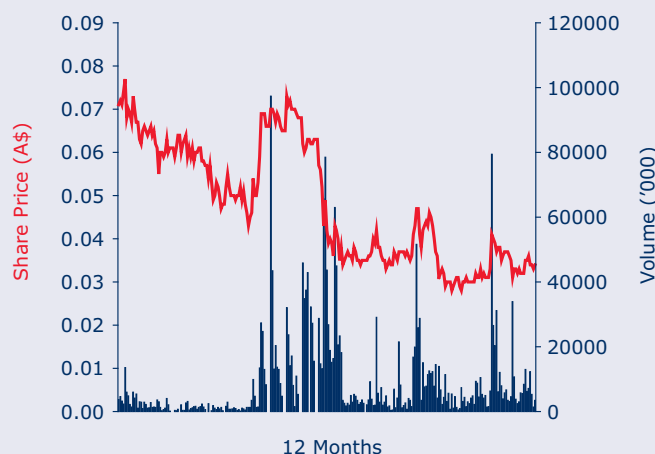
- Strategic investor secured.** After the successful \$16.67m capital raising, the Waterford Group (Waterford) now has a ~27% equity stake in JPR. We believe the introduction of Waterford is a significant milestone for JPR given the success of some of Waterford's past transactions, including First Calgary Petroleum (sold to ENI in 2008 for ~\$900m). We expect Waterford to provide strong support to JPR on a financial, strategic and operational level.
- Changes to the Board.** With the introduction of Waterford as a substantial shareholder, Alastair Beardsall and Baltabek Kuandykov have joined the JPR Board in place of Andrew Childs and Erkin Svanbayev. Alastair is currently Chairman of AIM listed Sterling Energy Plc while Baltabek is currently President of Meridian Petroleum, a privately held Kazakh oil and gas company.
- J-50 well tests at 360bopd.** The J-50 well completed the maximum 3 month production test and produced 360bopd during July. This was an encouraging result however, the well is currently shut-in while JPR applies for a trial production licence for J-50 which will allow JPR to sell oil to the export market (expected by year-end). The length of time it has taken JPR to spud the J-50 well and complete production testing is disappointing given the well was spudded at the end of 2009.
- J-52 well to drive resource upgrade.** The J-52 well is was spudded in early November. J-52 has the potential to prove up an additional 22mmbbls of oil resources in the shallower Jurassic reservoir and confirm the eastern extent of the East Akkar Middle Triassic structure. The well is expected to take 70 days to drill, evaluate and suspend.
- We maintain our "SPECULATIVE BUY" on JPR and price target of \$0.13/share.** We are encouraged that JPR is fully funded to complete 3 more wells (J-52, J-51 and NWZ 2) but highlight future value will be driven by the outcome of the J-52 (early 2011) and J-51 (end 1Q 2011) wells and the granting of a trial production licence (year end) allowing JPR to sell oil to the export market.

Investment Summary

Year End June 30	2010A	2011F	2012F	2013F
Reported NPAT (\$m)	(5.9)	(7.7)	11.4	22.9
Recurrent NPAT (\$m)	(5.9)	(7.7)	11.4	22.9
Recurrent EPS (cents)	(1.0)	(0.5)	0.8	1.5
EPS Growth (%)	na	na	na	100.9
PER (x)	(3.3)	(6.7)	4.5	2.2
EBITDA (\$m)	(5.5)	(5.7)	19.4	36.3
EV/EBITDA (x)	(3.3)	(7.7)	2.2	0.2
Capex (\$m)	2.3	16.3	17.0	0.0
Free Cashflow	(13.7)	(22.1)	2.4	33.0
FCFPS (cents)	(2.4)	(1.5)	0.2	2.2
PCF (x)	(1.4)	(2.3)	21.5	1.6
DPS (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

Company Statistics & Performance

Shares on issue (m)	1511.4	3mth ADT (\$m)	0.30
Market Cap. (\$m)	51.4	Debt est (\$m)	0.0
52 week range	\$0.03 - \$0.08	Cash est (\$m)	9.1



Jupiter Energy Limited

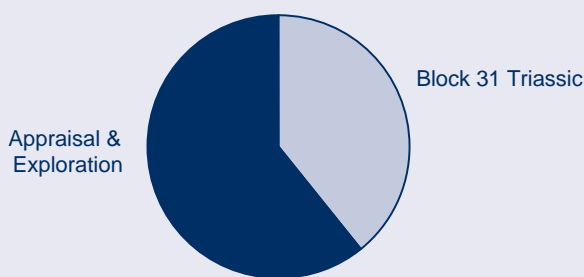
\$0.03

Year End June 30

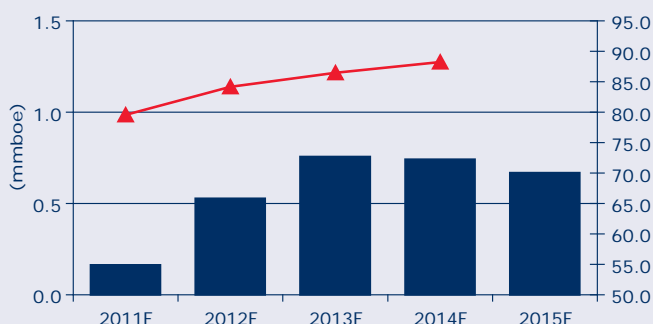
Valuation	A\$m	A\$/sh
Block 31 Triassic	98	0.05
Appraisal & exploration	152	0.08
Corporate	(21)	(0.01)
Cash	9	0.01
Debt	0	0.00
Total @ 10% Discount Rate	238	0.13
Price Target	238	0.13

Price Target Sensitivity	-10%	0%	+10%
Oil Price Sensitivity (A\$/sh)	0.13	0.13	0.14
Exchange Rate Sensitivity (A\$/sh)	0.14	0.13	0.12

Valuation Summary of Operating Assets



Oil Sales Summary- Financial Year



Reserves & Resources

Reserves - Net JPR	Oil/Cond (mmbbl)	Gas (bcf)	Total (mboe)
2P Reserves			
J-51	8.6	0	8.6
Total	8.6	0	8.6
Oil as % of Reserves			100%

Directors & Key Management

Name	Position
Geoff Gander	Executive Chairman
David Thorpe	Managing Director
Baltabek Kuandykov	Non-Executive Director
Alastair Beardsall	Non-Executive Director
Ian Tchacos	Special Advisor to the Board
Scott Mison	Company Secretary

Substantial Shareholders	Shares (m)	%
Waterford Group	404.6	27

Commodity Assumptions	2010A	2011F	2012F	2013F
A\$:US\$	0.89	0.95	0.93	0.86
Crude Oil - WTI (USD/bbl) (WTI_PRICE)	75.43	79.56	84.17	86.49

Profit & Loss (A\$m)	2010A	2011F	2012F	2013F
Sales Revenue	0.0	11.7	41.8	66.1
Other Income	0.1	0.5	0.0	0.0
Operating Costs	0.0	2.8	8.2	12.0
Royalties	0.0	3.0	10.2	15.7
Exploration Exp.	0.0	7.9	0.0	0.0
Corporate/Admin	5.6	4.1	4.0	2.2
Other	0.0	0.0	0.0	0.0
EBITDA	(5.5)	(5.7)	19.4	36.3
Depn & Amort	0.0	2.0	8.0	10.1
EBIT	(5.5)	(7.7)	11.4	26.2
Financing Cost	0.0	0.0	0.0	0.0
Abnormals pre-tax	0.0	0.0	0.0	0.0
Operating Profit	(5.5)	(7.7)	11.4	26.2
Tax expense	0.0	0.0	0.0	3.4
Minorities	0.0	0.0	0.0	0.0
Other	0.4	0.0	0.0	0.0
NPAT	(5.9)	(7.7)	11.4	22.9
Normalised NPAT	(5.9)	(7.7)	11.4	22.9

Cash Flow (A\$m)	2010A	2011F	2012F	2013F
Adjusted Net Profit	(5.9)	(7.7)	11.4	22.9
+ Interest/Tax/Expl Exp	0.0	7.9	0.0	3.4
- Interest/Tax/Expl Inc	10.4	7.9	0.0	3.4
+ Depn/Amort	0.0	2.0	8.0	10.1
+/- Other	4.9	0.0	0.0	0.0
Operating Cashflow	(11.4)	(5.7)	19.4	33.0
- Capex (+asset sales)	2.3	16.3	17.0	0.0
- Working Capital Increase	0.0	0.0	0.0	0.0
Free Cashflow	(13.7)	(22.1)	2.4	33.0
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	13.8	28.1	0.0	0.0
+ Debt drawdown (repaid)	0.0	0.0	0.0	0.0
+ Other	(0.1)	0.0	0.0	0.0
Net Change in Cash	(0.0)	6.1	2.4	33.0
Exchange Rate Gains (losses)	0.1	(0.4)	0.0	0.0
Cash at End Period	1.3	7.0	9.4	42.3
Net Cash/(Debt)	1.3	7.0	9.4	42.3

Balance Sheet (A\$m)	2010A	2011F	2012F	2013F
Cash	1.3	7.0	9.4	42.3
Total Assets	25.1	47.4	58.8	81.6
Total Debt	0.0	0.0	0.0	0.0
Total Liabilities	1.7	3.6	3.6	3.6
Shareholders Funds	23.4	43.8	55.2	78.1

Ratios	2010A	2011F	2012F	2013F
Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
Return on Equity (%)	na	na	20.6	29.3

Unit Revenue / Costs	2010A	2011F	2012F	2013F
Sales Revenue / boe (\$/boe)	0.0	71.5	79.2	87.4
Cash OPEX / boe (\$/boe)	0.0	17.5	15.5	15.8
Non-cash OPEX / boe (\$/boe)	0.0	104.4	42.1	37.0
EBIT / boe (\$/boe)	0.0	(33.8)	(14.6)	15.0
NPAT / boe (\$/boe)	0.0	(47.3)	21.6	30.2

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