

Update for the September Quarter

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 planned to be 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.

19 October 2010

12mth Rating		SPEC BUY
Price	A\$	0.04
Target Price	A\$	0.13
12m Total Return	%	283.0

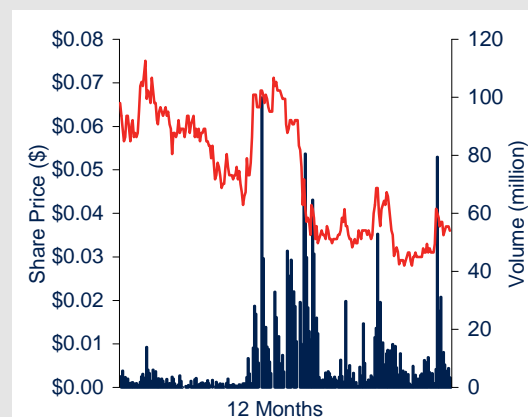
RIC: JPR.AX		BBG: JPR AU
Shares o/s	m	1511.4
Free Float	%	94.0
Market Cap.	A\$m	52.9
Net Debt (Cash)	A\$m	-9.1
Net Debt/Equity	%	na
3m Av. D. T'over	A\$m	0.30
52wk High/Low	A\$	0.08/0.03
2yr adj. beta		1.20

Valuation:		
Methodology		DCF
Value per share	A\$	0.13

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Year End June 30	2009A	2010A	2011F	2012F	2013F
Reported NPAT (\$m)	(2.6)	(5.9)	(7.0)	12.5	22.6
Recurrent NPAT (\$m)	(2.6)	(5.9)	(7.0)	12.5	22.6
Recurrent EPS (cents)	(0.7)	(1.0)	(0.5)	0.8	1.5
EPS Growth (%)	na	na	na	na	80.7
PER (x)	(4.9)	(3.4)	(7.6)	4.2	2.3
EBITDA (\$m)	(2.6)	(5.5)	(5.0)	20.5	36.3
EV/EBITDA (x)	(4.4)	(3.4)	(9.1)	2.0	0.2
Capex (\$m)	0.0	2.3	16.3	17.0	0.0
Free Cashflow	(5.1)	(13.7)	(21.3)	3.5	32.7
FCFPS (cents)	(1.4)	(2.4)	(1.4)	0.2	2.2
PFCF (x)	(2.5)	(1.5)	(2.5)	15.0	1.6
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

12 Month Share Price Performance



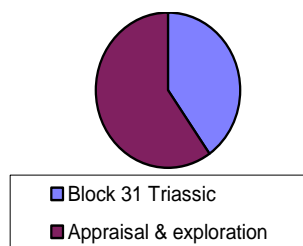
Performance %	1mth	3mth	12mth
Absolute	-27.5	-17.4	-29.3
Rel. S&P/ASX 300	-27.1	-19.6	-32.1

Jupiter Energy Ltd (JPR)

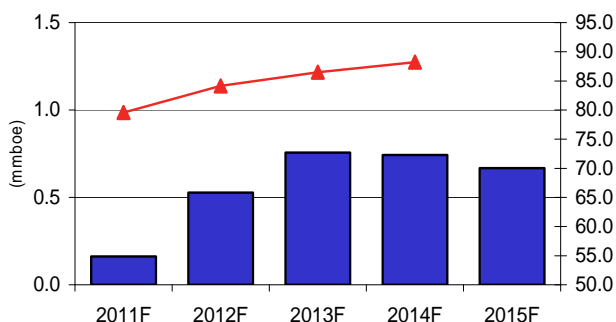
Valuation	A\$m	A\$/sh
Block 31 Triassic	103	0.06
Appraisal & exploration	152	0.08
Corporate	(21)	(0.01)
Cash	9	0.01
Debt	0	0.00
Total @ 10% Discount Rate	243	0.13
Price Target	243	0.13

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	0.13

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

Shareholder	Shares (m)	%
Waterford Group	404.6	27%

Year End June 30

Commodity Assumptions	2010A	2011F	2012F	2013F
A\$:US\$	0.89	0.88	0.88	0.86
Crude Oil - WTI (USD/bbl): (WTI)	75.43	79.56	84.17	86.49

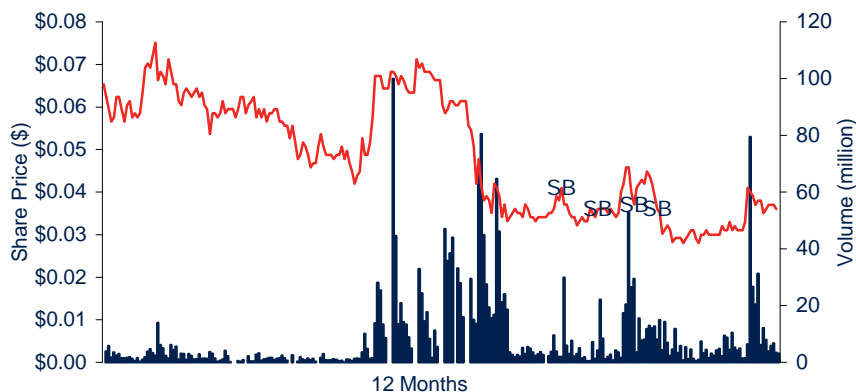
Profit & Loss (A\$m)	2010A	2011F	2012F	2013F
Sales Revenue	0.0	12.6	43.3	66.1
Other Income	0.1	0.5	0.0	0.0
Operating Costs	0.0	2.8	8.2	12.0
Royalties	0.0	3.2	10.5	15.7
Exploration Exp.	0.0	7.9	0.0	0.0
Corporate/Admin	5.6	4.1	4.0	2.2
Other	0.0	0.0	0.0	0.0
EBITDA	(5.5)	(5.0)	20.5	36.3
Depn & Amort	0.0	2.0	8.0	10.1
EBIT	(5.5)	(7.0)	12.5	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)	(7.0)	12.5	26.2
Tax expense	0.0	0.0	0.0	3.6
Minorities	0.0	0.0	0.0	0.0
Other	0.4	0.0	0.0	0.0
NPAT	(5.9)	(7.0)	12.5	22.6
Normalised NPAT	(5.9)	(7.0)	12.5	22.6

Cash Flow (A\$m)	2010A	2011F	2012F	2013F
Adjusted Net Profit	(5.9)	(7.0)	12.5	22.6
+ Interest/Tax/Expl Exp	0.0	7.9	0.0	3.6
- Interest/Tax/Expl Inc	10.4	7.9	0.0	3.6
+ Depn/Amort	0.0	2.0	8.0	10.1
+/- Other	4.9	0.0	0.0	0.0
Operating Cashflow	(11.4)	(5.0)	20.5	32.7
- 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)	(21.3)	3.5	32.7
- 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)	6.8	3.5	32.7
Exchange Rate Gains (losses)	0.1	(0.4)	0.0	0.0
Cash at End Period	1.3	7.7	11.2	44.0
Net Cash/(Debt)	1.3	7.7	11.2	44.0

Balance Sheet (A\$m)	2010A	2011F	2012F	2013F
Cash	1.3	7.7	11.2	44.0
Total Assets	25.1	48.2	60.7	83.2
Total Debt	0.0	0.0	0.0	0.0
Total Liabilities	1.7	3.6	3.6	3.6
Shareholders Funds	23.4	44.6	57.1	79.7
Ratios				
Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
Return on Equity (%)	na	na	21.9	28.4

Unit Revenue / Costs	2010A	2011F	2012F	2012F
Sales Revenue / boe (\$/boe)	0.0	77.5	81.9	87.4
Cash OPEX / boe (\$/boe)	0.0	17.5	15.5	15.8
Non-cash OPEX / boe (\$/boe)	0.0	105.8	42.7	37.0
EBIT / boe (\$/boe)	0.0	(33.8)	(13.2)	16.5
NPAT / boe (\$/boe)	0.0	(42.6)	23.7	29.9

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
23 Jun 10	Research Note	0.09	0.04	SB	
13 Jul 10	Research Note	0.16	0.04	SB	
02 Aug 10	Research Note	0.16	0.04	SB	
13 Aug 10	Research Note	0.13	0.04	SB	
	Current Share Price		0.04		-10.0%

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