

## Encouraging Results but Progressing Slowly

### Investment Highlights

- Funding secured to progress block 31 development.** JPR has successfully completed a \$16.67m capital raising. The funding was secured via a placement to the Waterford Group and Soyuzneftgas Ltd and a fully underwritten rights issue. JPR will use the funds to continue the appraisal and development of block 31.
- Encouraging J-50 well results but slow progress.** The J-50 well produced 360bopd during July. This result is encouraging and with funding in place to appraise and develop a further two wells production could reach 1000bopd by mid-2011 (assuming future well performance is in line with J-50). However, the length of time it has taken to bring the J-50 well into production and complete the subsequent production testing is disappointing given the J-50 well was spudded at the end of 2009.
- Waterford Group now a cornerstone investor.** The Waterford Group (Waterford) now owns ~27% of JPR. Waterford has had previous success in oil and gas investments such as First Calgary Petroleum (sold to ENI in 2008 for ~\$900m) and has direct experience investing in the former Soviet Union (including Kazakhstan). Waterford have nominated Alastair Beardsall (Executive Chairman of AIM listed Sterling Energy Plc) and Baltabek Kuandykov (President of privately held Meridian Petroleum) to join the JPR board which will strengthen the JPR management team.
- Resource upgrade late 2010/early 2011.** JPR plans to drill the J-52 well (spud date in early November) in preference to the J-51 well. The reasoning behind this decision is that the J-52 well will appraise both the Jurassic and Triassic reservoir formations. If the Jurassic formation is assessed to contain commercial volumes of oil we expect a material resource upgrade by JPR.
- We maintain our "SPECULATIVE BUY" recommendation and price target of \$0.13/share but highlight the successful appraisal of the next two wells (J-52 and J-51) and the granting of a trial production license (allowing JPR to sell oil to the export market) as the key risks and catalysts.**

6 October 2010

12mth Rating

**SPEC BUY**

|                  |     |       |
|------------------|-----|-------|
| Price            | A\$ | 0.04  |
| Target Price     | A\$ | 0.13  |
| 12m Total Return | %   | 264.1 |

RIC: **JPR.AX**

BBG: **JPR AU**

|                  |      |           |
|------------------|------|-----------|
| Shares o/s       | m    | 1511.4    |
| Free Float       | %    | 94.0      |
| Market Cap.      | A\$m | 55.9      |
| Net Debt (Cash)  | A\$m | -1.3      |
| Net Debt/Equity  | %    | na        |
| 3m Av. D. T'over | A\$m | 0.29      |
| 52wk High/Low    | A\$  | 0.08/0.03 |
| 2yr adj. beta    |      | 1.17      |

**Valuation:**

|                 |     |      |
|-----------------|-----|------|
| Methodology     |     | DCF  |
| Value per share | A\$ | 0.13 |

**Analyst:**

**Edwin Bulseco**

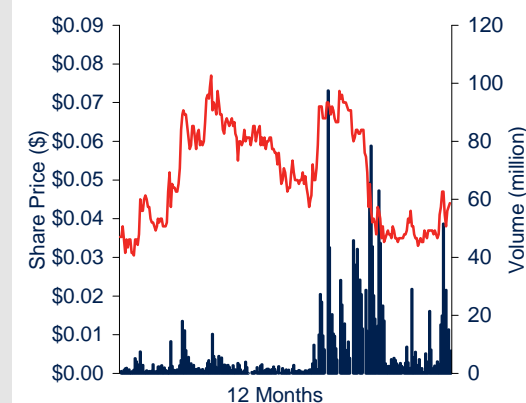
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### 12 Month Share Price Performance



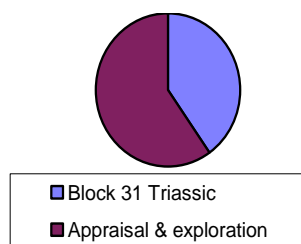
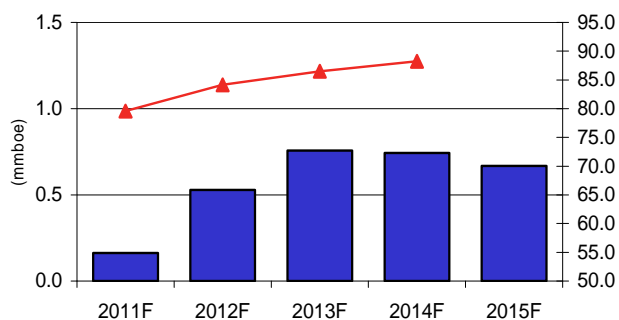
| Performance %    | 1mth | 3mth  | 12mth |
|------------------|------|-------|-------|
| Absolute         | 13.1 | -22.0 | -13.7 |
| Rel. S&P/ASX 300 | 8.0  | -25.5 | -16.8 |

| Year End June 30      | 2009A | 2010A  | 2011F  | 2012F | 2013F |
|-----------------------|-------|--------|--------|-------|-------|
| Reported NPAT (\$m)   | (2.6) | (5.9)  | (3.6)  | 15.3  | 23.5  |
| Recurrent NPAT (\$m)  | (2.6) | (5.9)  | (3.6)  | 15.3  | 23.5  |
| Recurrent EPS (cents) | (0.7) | (1.0)  | (0.2)  | 1.0   | 1.6   |
| EPS Growth (%)        | na    | na     | na     | na    | 53.8  |
| PER (x)               | (5.1) | (3.6)  | (15.4) | 3.7   | 2.4   |
| EBITDA (\$m)          | (2.6) | (5.5)  | (1.9)  | 22.2  | 36.3  |
| EV/EBITDA (x)         | (4.7) | (3.6)  | (23.6) | 1.8   | 0.2   |
| Capex (\$m)           | 0.0   | 2.3    | 15.0   | 17.0  | 0.0   |
| Free Cashflow         | (5.1) | (13.7) | (16.9) | 5.2   | 32.5  |
| FCFPS (cents)         | (1.4) | (2.4)  | (1.1)  | 0.3   | 2.2   |
| PFCF (x)              | (2.6) | (1.5)  | (3.3)  | 10.7  | 1.7   |
| 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   |

**Jupiter Energy Ltd (JPR)**

| Valuation                        | A\$m       | A\$/sh      |
|----------------------------------|------------|-------------|
| Block 31 Triassic                | 103        | 0.06        |
| Appraisal & exploration          | 152        | 0.09        |
| Corporate                        | (19)       | (0.01)      |
| Cash                             | 1          | 0.00        |
| Debt                             | 0          | 0.00        |
| <b>Total @ 10% Discount Rate</b> | <b>237</b> | <b>0.13</b> |
| <b>Price Target</b>              | <b>237</b> | <b>0.13</b> |

| 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) |
|-----------------------------|------------------|-----------|--------------|
| <b>2P Reserves</b>          |                  |           |              |
| J-51                        | 8.6              | 0         | 8.6          |
| <b>Total</b>                | <b>8.6</b>       | <b>0</b>  | <b>8.6</b>   |
| <b>Oil as % of Reserves</b> |                  |           | <b>100%</b>  |

**Directors & Key Management**

| Name               | Position                     |
|--------------------|------------------------------|
| Geoff Gander       | Executive Chairman           |
| David Thorpe       | Managing Director            |
| Baltabek Kuandykov | Executive Director           |
| Sanat Kassymov     | Chief Financial Officer      |
| 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  | 0.87  | 0.89  | 0.86  |
| Crude Oil - WTI (USD/bbl): (WTI) | 75.43 | 79.56 | 84.17 | 86.49 |

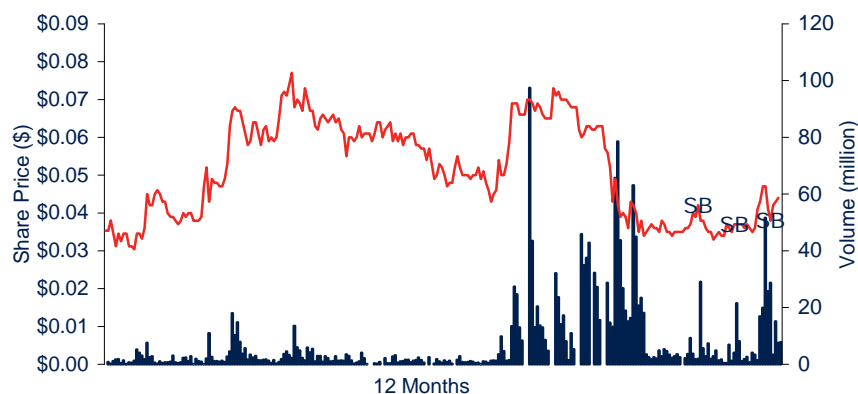
| Profit & Loss (A\$m)    | 2010A        | 2011F        | 2012F       | 2013F       |
|-------------------------|--------------|--------------|-------------|-------------|
| <b>Sales Revenue</b>    | <b>0.0</b>   | <b>12.9</b>  | <b>43.1</b> | <b>66.1</b> |
| Other Income            | 0.1          | 0.0          | 0.0         | 0.0         |
| Operating Costs         | 0.0          | 2.5          | 8.2         | 12.0        |
| Royalties               | 0.0          | 3.3          | 10.5        | 15.7        |
| Exploration Exp.        | 0.0          | 6.4          | 0.0         | 0.0         |
| Corporate/Admin         | 5.6          | 2.6          | 2.2         | 2.2         |
| Other                   | 0.0          | 0.0          | 0.0         | 0.0         |
| <b>EBITDA</b>           | <b>(5.5)</b> | <b>(1.9)</b> | <b>22.2</b> | <b>36.3</b> |
| Deprn & Amort           | 0.0          | 1.7          | 7.0         | 9.1         |
| <b>EBIT</b>             | <b>(5.5)</b> | <b>(3.6)</b> | <b>15.3</b> | <b>27.2</b> |
| Financing Cost          | 0.0          | 0.0          | 0.0         | 0.0         |
| Abnormals pre-tax       | 0.0          | 0.0          | 0.0         | 0.0         |
| <b>Operating Profit</b> | <b>(5.5)</b> | <b>(3.6)</b> | <b>15.3</b> | <b>27.2</b> |
| Tax expense             | 0.0          | 0.0          | 0.0         | 3.8         |
| Minorities              | 0.0          | 0.0          | 0.0         | 0.0         |
| Other                   | 0.4          | 0.0          | 0.0         | 0.0         |
| <b>NPAT</b>             | <b>(5.9)</b> | <b>(3.6)</b> | <b>15.3</b> | <b>23.5</b> |
| <b>Normalised NPAT</b>  | <b>(5.9)</b> | <b>(3.6)</b> | <b>15.3</b> | <b>23.5</b> |

| Cash Flow (A\$m)             | 2010A         | 2011F         | 2012F       | 2013F       |
|------------------------------|---------------|---------------|-------------|-------------|
| Adjusted Net Profit          | (5.9)         | (3.6)         | 15.3        | 23.5        |
| + Interest/Tax/Expl Exp      | 0.0           | 6.4           | 0.0         | 3.8         |
| - Interest/Tax/Expl Inc      | 10.4          | 6.4           | 0.0         | 3.8         |
| + Depn/Amort                 | 0.0           | 1.7           | 7.0         | 9.1         |
| +/- Other                    | 4.9           | 0.0           | 0.0         | 0.0         |
| <b>Operating Cashflow</b>    | <b>(11.4)</b> | <b>(1.9)</b>  | <b>22.2</b> | <b>32.5</b> |
| - Capex (+asset sales)       | 2.3           | 15.0          | 17.0        | 0.0         |
| - Working Capital Increase   | 0.0           | 0.0           | 0.0         | 0.0         |
| <b>Free Cashflow</b>         | <b>(13.7)</b> | <b>(16.9)</b> | <b>5.2</b>  | <b>32.5</b> |
| - Dividends (ords & pref)    | 0.0           | 0.0           | 0.0         | 0.0         |
| + Equity raised              | 13.8          | 26.0          | 0.0         | 0.0         |
| + Debt drawdown (repaid)     | 0.0           | 0.0           | 0.0         | 0.0         |
| + Other                      | (0.1)         | 0.0           | 0.0         | 0.0         |
| <b>Net Change in Cash</b>    | <b>(0.0)</b>  | <b>9.1</b>    | <b>5.2</b>  | <b>32.5</b> |
| Exchange Rate Gains (losses) | 0.1           | 0.0           | 0.0         | 0.0         |
| Cash at End Period           | 1.3           | 10.4          | 15.6        | 48.2        |
| Net Cash/(Debt)              | 1.3           | 10.4          | 15.6        | 48.2        |

| Balance Sheet (A\$m) | 2010A | 2011F | 2012F | 2013F |
|----------------------|-------|-------|-------|-------|
| Cash                 | 1.3   | 10.4  | 15.6  | 48.2  |
| Total Assets         | 25.1  | 49.8  | 65.0  | 88.5  |
| Total Debt           | 0.0   | 0.0   | 0.0   | 0.0   |
| Total Liabilities    | 1.7   | 4.0   | 4.0   | 4.0   |
| Shareholders Funds   | 23.4  | 45.8  | 61.0  | 84.5  |
| <b>Ratios</b>        |       |       |       |       |
| Net Debt/Equity (%)  | na    | na    | na    | na    |
| Interest Cover (x)   | na    | na    | na    | na    |
| Return on Equity (%) | na    | na    | 25.0  | 27.8  |

| Unit Revenue / Costs         | 2010F | 2011F  | 2012F | 2012F |
|------------------------------|-------|--------|-------|-------|
| Sales Revenue / boe (\$/boe) | 0.0   | 79.2   | 81.7  | 87.4  |
| Cash OPEX / boe (\$/boe)     | 0.0   | 15.3   | 15.5  | 15.8  |
| Non-cash OPEX / boe (\$/boe) | 0.0   | 86.3   | 37.2  | 35.6  |
| EBIT / boe (\$/boe)          | 0.0   | (33.8) | (6.9) | 20.2  |
| NPAT / boe (\$/boe)          | 0.0   | (22.3) | 28.9  | 31.0  |

## 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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