

12/06/2024

Jupiter Energy Limited (ASX: JPR) is an oil exploration and production company operating primarily in Kazakhstan since 2008. With its headquarters in Aktau, Jupiter Energy Limited (Jupiter Energy or the Company) focuses its operations on Block 31, located within the Mangistau Basin in West Kazakhstan. Within this area, Jupiter Energy controls two oilfields currently in full commercial production, with its third oilfield scheduled to transition to its full commercial licence by September 2024.

The Company manages a diverse workforce engaged in various aspects of oil production, including drilling, geoscience, and legal affairs. Jupiter Energy's most recent activity has been focussed on developing its gas utilization infrastructure via the integration of its oilfields with a neighbouring major producer, under the guidance of the Kazakh Ministry of Energy. This work will achieve the 100% utilization of associated gas produced during oil production, ensuring the Company meets Kazakhstan's firm carbon emission guidelines.

Work on the integration of the two sets of infrastructure is expected to commence during 2Q 2024 and is scheduled to be completed during 4Q 2024. This project will coincide with the Company's plans for drilling new wells in 2024. With a production licence secured until 2045-2046, Jupiter Energy aims to significantly boost its oil production via the drilling of at least 24 additional wells, across all three oilfields, between 2024 and 2030.

Jupiter Energy's valuation has been determined by using a blended approach of both the Discounted Cash Flow (DCF) method and market approach.

The DCF analysis suggests a per-share value of \$AU0.029. This valuation assumes a terminal growth rate of 4.0% and discounts future cash flows at a weighted average cost of capital (WACC) of 13.6%.

The market approach is calculated by taking peer companies' EV/2P reserves value and arriving at a target price of \$AU0.14. Our valuation methodology assigns 60% weight to the income approach and 40% to the market approach, resulting in a weighted average target price of \$AU0.074 per share. This reflects a substantial 194.1% premium over its current market price of \$AU0.025.

We believe this approach was most suitable to JPR's current situation of having a large reserve, with plans to substantially increase future incomes through the Company's strategic plans to drill additional wells and increase production.

Share Price \$AU0.02

Target price \$AU0.074

Upside/(Downside) 194.1%

Share Price of JPR

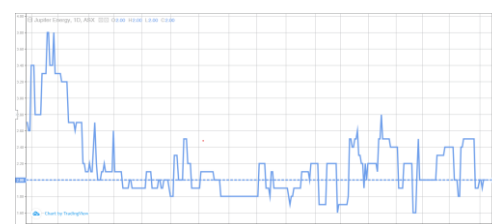


Figure 1: Share Price of JPR

Share Information

Market Capitalization	\$AU25.47
52 Week Change	-4.76%
52 Week Range (\$AU)	0.0160 - 0.0380
Average traded volume (90 days)	73.93K
Average traded volume (10 days)	30.76K
ISIN	AU000000JPR6
Share Description	Ordinary Fully Paid
Shares outstanding	1,273,652,188
Listed on	2003

Table 1: JPR Share Information

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1. Investment Thesis

Jupiter Energy Limited emerges as a compelling investment opportunity, characterized by its undervalued status, strong management, and favourable government initiatives in Kazakhstan's oil and gas sector. Jupiter Energy's resilient financial performance, strategic positioning, and significant reserves potential make it an attractive prospect for investors seeking exposure to the energy sector.

1. **Strategic Market Position in Kazakhstan's Expanding Oil Frontier:** Jupiter Energy is strategically located in the Mangistau region of Kazakhstan, known for its significant oil reserves. This area benefits from robust governmental support and strategic infrastructure enhancements, such as the modernization of the Aktau terminal and the potential development of new oil pipelines, such as the Trans-Caspian route. These factors collectively strengthen Jupiter Energy's ability to expand its market share and improve profitability amidst Kazakhstan's growing oil production, which has increased nearly four-fold over the past 30 years.
2. **Supportive Regulatory Environment:** The Government of Kazakhstan has launched several initiatives aimed at bolstering the oil and gas sector. These initiatives are designed to enhance production capacity, attract investments, and support industry growth. Jupiter Energy's operations benefit from these favourable policies, the most recent being the support offered to the Company by the Kazakh Ministry of Energy in addressing its gas utilisation requirements. These initiatives have provided access to essential resources and infrastructure, enhancing the Company's operational stability and capacity for growth.
3. **Operational and Financial Stability:** Jupiter Energy has maintained stable operations through strategic management of its production wells and financial resources. In April 2024, the Company reported unaudited oil sales revenue for the 1st quarter of 2024 of approximately \$AU3.23 million, with cash reserves as at 31 March 2024 of approximately \$AU2 million. In late 2022, the company effectively restructured its debt, reducing its total debt balance to \$AU25.15 million with favourable repayment terms extended to 2026, interest-free. The company's oil production returned to optimal levels during 1H 2023 and currently the Company produces approximately 640 barrels of oil per day. The Company is cashflow positive, with operating margins expected to rise to 21% by 2028, indicating improved daily production through the drilling of new wells and continued tight financial management.
4. **Effective Sales Channel and Market Adaptability:** Jupiter Energy optimizes its revenue through strategic use of domestic and mini-refinery sales channels. This flexible sales strategy allows the Company to adapt efficiently to market dynamics and pricing fluctuations, ensuring sustained revenue generation. Despite occasional halts in export sales due to external pricing pressures, the Company's agile market positioning allows for rapid adaptation to changing market conditions.
5. **Reserve Growth and Development Strategy:** The Company's 2024 work program is focused on increasing production and maximizing the potential of its existing reserves. A Competent Persons Report (CPR) prepared by Sproule International Limited recently highlighted a significant increase in recoverable reserves, with proven 3P reserves now exceeding 46 million barrels. The CPR supports a robust Field Development Plan that is expected to substantially enhance the Company's long-term production capabilities and shareholder value.
6. **Experienced Management and Governance:** Jupiter Energy is guided by a management team with over 150 years of combined experience in resource development and operational optimization. This depth of experience is crucial for strategic decision-making and effective management, particularly in the complex regulatory and operational landscape of Kazakhstan.

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2. Business Model and Strategy

Company Overview

Jupiter Energy Limited, listed as "JPR" on the Australian Stock Exchange, is an oil exploration and production entity with a primary operational focus in Kazakhstan since 2008. Based in Aktau, Jupiter Energy has a significant presence in Block 31 A 100% owned production permit area within the Mangistau Basin, West Kazakhstan. This area houses two oilfields in full commercial production and a third oilfield, current producing in its "Preparatory Period" and poised to transition to its full commercial licence by September 2024. Jupiter Energy is strategically positioned, managing a diverse workforce involved in various aspects of oil production, including drilling, geoscience, and legal affairs.

The Company's successful exploration drilling campaign, carried out between 2010 and 2014, identified the three oilfields that are currently in production. The oilfields - Akkar North (East Block), Akkar East and West Zhetybai - have a combined recoverable reserve base that has been approved by the Kazakh Ministry of Energy and confirmed by independent western oil & gas consultants. The most recent independent reserves was carried out by Sproule International, with the results released in January 2024.

The Kazakh authorities have estimated Jupiter's recoverable reserves at ~52 mmbbls using the GOST C¹/C² classification methodology and Sproule estimated 3P recoverable reserves at ~47 mmbbls under the classifications and definitions of the PRMS.

Recently, Jupiter Energy marked a significant operational achievement by completing infrastructure that supports 100% gas utilization at its oilfields, thereby optimizing production levels. Presently, the Company produces roughly 640 barrels of oil per day. The Company returned to optimal production in April 2023 and has been able to build its revenue stream since that time and is currently cashflow positive.

Operating from Aktau, just 80 kilometres from Block 31, Jupiter Energy efficiently administers daily operations through a skilled team of approximately 40 employees, alongside local subcontractors. The Aktau Management Team, under the Group CEO's leadership, ensures robust governance and smooth operational management. The Company's commitment to integrating global and local expertise highlights its strategic operational philosophy, reinforcing its adherence to stringent governance standards, which are crucial for sustained growth and operational success.

Jupiter Energy represents a promising investment opportunity within the energy sector, leveraging its strategic asset base, operational excellence, and proactive governance framework to navigate market dynamics effectively and enhance long-term shareholder value.

Business Strategy

- **Market Access and Export Strategy:**

The Company, operating under a full production licence, possesses the entitlement to export oil to international markets. This grants access to multiple avenues for sales, including domestic refineries and overseas markets. Monthly quotas issued by the Kazakh Ministry of Energy dictate the volume of oil allocated for sale to major domestic refineries

- **Sales Obligations and Joint Venture Collaboration:**

Upon receiving quotas, the Company is mandated to fulfil its obligations, particularly towards major domestic refineries, through a joint venture vehicle established with its trader. This collaboration ensures the effective management of sales obligations and compliance with regulatory requirements

- **Decision-Making Process:**

The Company's decision-making process for allocating oil sales is multifaceted, considering various factors beyond top-line revenue. While export oil typically commands higher prices, the Company evaluates the net benefits by factoring in discounts to Brent, logistical costs, and additional Kazakh taxes associated with export oil

- **Preference for Local Refineries:**

Presently, geopolitical tensions and associated discounts to Brent make export oil less attractive for the Company. Consequently, the Company prioritizes selling the remainder of its oil to local mini-refineries. This strategy is driven by favourable cost structures, with mini refineries directly picking up oil from the field, thereby minimizing logistics and tax-related expenses

- **Flexibility in Strategy:**

The Company acknowledges the dynamic nature of the market and remains adaptable to changes. If geopolitical circumstances shift or operational considerations alter, the Company may reassess its export strategy. Such flexibility ensures agility in responding to market dynamics and optimizing revenue streams.

Overall, the Company's business strategy underscores a balanced approach to oil sales, integrating regulatory compliance, cost optimization, and responsiveness to market conditions. Collaboration with partners and a nuanced understanding of market dynamics position the Company for sustainable growth and profitability in the Kazakhstan oil & gas sector.

3. Reserves & Production Overview

Reserves Summary

- Current combined production from the Akkar North (East Block), Akkar East, and West Zhetybai oilfields is approximately 640 barrels per day.
- Ongoing evaluation of existing wells with planned enhancements, including workovers, aim to raise production to around 750 barrels per day.
- January 2024 Independent Reserve Report by Sproule: 2P Recoverable Reserves estimated at approximately 36.5 million barrels, with an after-tax NPV of the Project (using a discount rate of 20%) of around \$US180 million.
- Kazakh Committee of Geology approval for Final Reserve Reports: C¹ + C² Reserves totalling approximately 52 million barrels, contrasting with Sproule's 3P estimates of around 47 million barrels recoverable.
- The 2024 Drilling Program focuses on augmenting production, with plans for drilling another two Production Wells, indicating a strategic initiative to enhance operational efficiency and maximize shareholder value.

M&A Activity in the Mangistau Basin

In recent years, the Mangistau Basin has attracted significant interest in Mergers and Acquisitions (M&A) of companies operating within the region. Deal activity has markedly increased with notable transactions including:

1. The 2021 sale of OMV Petrom production assets in Kazakhstan, including the Komsomolskoe, Aktas, Tasbulat, and Turkmenoi oilfields, to Magnetic Oil Limited for €EU94 million (approximately \$AU112 million).
2. The sale of TotalEnergies' 60% stake in the Dunga field to the Kazakhstan state-owned KazMunayGas (KMG) for \$US330 million (2023).
3. The acquisition of CS Energy LLP, which held the licenses for the West Shalva area by Caspian Sunrise for a maximum consideration of \$US15 million (2024).
4. The recent proposed sale of Caspian Sunrise's MJF and South Yelemes structures within the BNG Contract Area to Absolute Resources LLP for \$US83 million - with the sale including an exclusivity period valid until August 8, 2024.

The broader M&A activity in the region highlights the significant potential for JPR to unlock value-accretive deals for investors and opens the possibilities for strategic partnerships. With JPR's significant acreage within the Mangistau Basin and known oil reserves, these transactions highlight the substantial opportunity for the company to capture lucrative ventures and strategic shifts within the sector.

Licence area and Production levels

Total reserves for the Mangistau basin are estimated to be more than 5 billion barrels including two large oil fields, Uzen and Zhetybai



Figure 2: Mangistau Basin Kazakhstan
Source : Company Data

Production Levels:

- Currently producing ~640 barrels per day
- The focus is to increase to ~750 barrels per day via the workover of existing wells
- Additional production will come through further drilling planned for 2024 - 2030

A summary of the oil produced from all production wells during the financial year, broken down by quarter, is as follows (as per the 2023 annual report and 2024 half-yearly and quarterly financials)

Well Number	Production (1Q23) (bbls)	Production (2Q23) (bbls)	Production (3Q23) (bbls)	Production (4Q23) (bbls)	Total bbls 2023
J-50	5,600	5,600	5,300	11,300	27,800
J-51	4,800	4,800	6,400	-	16,000
J-52	4,800	4,800	6,400	14,500	30,500
Well 19	4,800	4,800	6,400	14,500	30,500
J-58	-	-	10,300	17,700	28,000
Total	20,000	20,000	34,800	58,000	132,800

Table 2: Production Wells

Source: Jupiter Energy Annual Report 2023

Well Number	Production (1Q24 and 2Q24) (bbls)	Production (3Q24) (bbls)	YTD Total bbls 2024
J-50	23,000	8,800	31,800
J-51		-	
J-52			
Well 19	62,000	31,200	93,200
J-58	28,000	15,200	43,200
Total	103,000	55,200	158,200

Table 3: Production Wells

Source – Jupiter Energy: Half Yearly Report Dec 2023, Jupiter Energy: Quarterly Activities Report March 2024

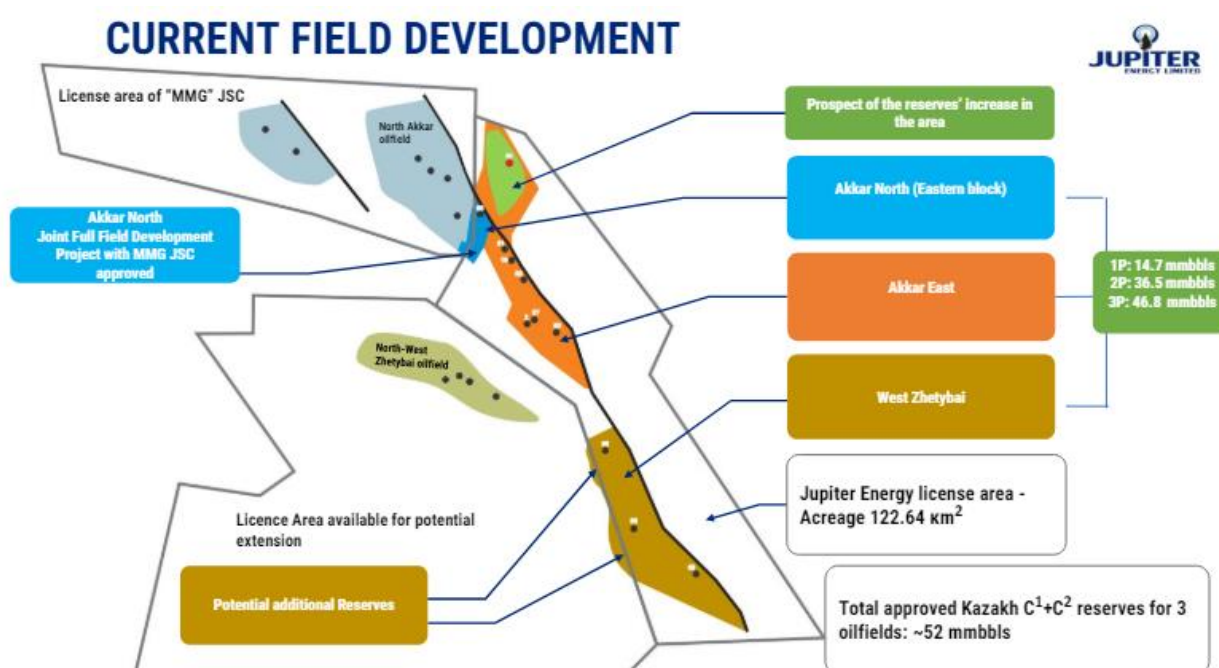


Figure 3: Current Field Development

Source: Company Data

3. Current Status of Field Development

Akkar North (East Block) & East Akkar:

- 6 wells at 1-2km apart
- All oil produced from the Triassic (T2B) horizon
- T2A and Jurassic have shown in all wells, but the Company has not produced from intervals other than T2B
- Final Reserve Reports for Akkar E and Akkar N (East Block) have been approved by the Kazakh authorities
- Both fields have the requisite infrastructure in place to achieve 100% gas utilization.

West Zhetysai:

- 3 wells at 4km apart
- The best performing well is within this area (J-58)
- Final Reserve Report approved by the Kazakh authorities
- Requisite infrastructure in place to achieve 100% gas utilization

(Source – Jupiter Energy Corporate Update 2024)

4. Further Development Potential



Figure 4: Development Potential

Source :Company Data

5. Timeline and History

From 2008 to 2024, Jupiter Energy introduced 9 wells into its operations. These wells collectively contributed to the production of 158,200 barrels of oil (as of YTD 2024), showcasing a significant growth trajectory in the Company's exploration and production activities over the specified period.

Year	Timeline & History
2008	Acquisition of a subsoil use licence from Kazakhstani licence holder. Conducted study analysis of licence block. Acquired 3D seismic acquisition Geological allotment of the licence block #1 was expanded to 133,3 sq. km
2009	3D seismic data was processed and interpreted Exploration projects for oil and gas within licence blocks #1 and 2 were designed and approved. The first well (J-50) was spudded
2010	<ul style="list-style-type: none"> • TD-ed the first well (J-50) and discovered oil during the test • Spudded, TD-ed second well (J-52). Discovered oil during the test • Prepared Operative Reserves Report of Akkar North (eastern block) and Akkar East fields • Returned 69,93 sq. km. of the licence area. Partial return of licence block #1 and full return of licence block #2

Year	Timeline & History
2011	<ul style="list-style-type: none"> Spudded and TD-ed the third well (J-51) Exploration project for oil and gas within the licence block #1 designed and approved Prepared Operative Reserves Report of Akkar East field based on J-52 test results Expansion of licence block for 59,29sq.km., reaching total area of licence block of 122,64sq.km. Completion of 3D seismic acquisition (140sq.km.) Trial Production Project design and approval for two fields TD-ed fourth well (J-53)
2012	<ul style="list-style-type: none"> Addendum to Exploration Project Operative reserves report was designed based on J-51, J-53 and seismic reinterpretations jobs. As a result, an Addendum to the Trial Production Project was introduced Spudded and TD-ed fifths (J-55) and sixth (J-58) wells. Well seventh (J-59) was spudded Extension of Exploration Contract period till 29.12.2014
2013	<ul style="list-style-type: none"> TD-ed the J-59 West Zhetybai oil field was discovered based on test results Operative reserves report was designed and approved
2014	<ul style="list-style-type: none"> Extension of exploration period till 29.12.2016 for Akkar East and West Zhetybai fields. The extension of the exploration period for Akkar North (eastern block) till 29.12.2016 was not approved and all operations stopped in Akkar North (eastern block). Spudded the eighths well (J-19)
2015	<ul style="list-style-type: none"> TD-ed the well J-19
2016	<ul style="list-style-type: none"> Extension of exploration period for appraisal jobs till 29.12.2019. Approval of the work program for the period 2016-2019
2017	<ul style="list-style-type: none"> Akkar North (eastern block) field reserves were booked
2018	<ul style="list-style-type: none"> Addendum#2 to Trial Production of Akkar North (eastern block) was designed and approved Spudded and TD-ed the ninths well (J-57)
2019	<ul style="list-style-type: none"> Reinterpretation of 3D seismic data; The final reserve estimation report for the Akkar East field was approved and booked
2020	<ul style="list-style-type: none"> Obtained Mining allotment for Akkar East field. Designed and approved the Development Project for the Akkar East field. Nominated and signed Production Contract till 2045 Extension of exploration period of West Zhetybai field till 01.09.2021 Extension of exploration period of Akkar North (eastern block) field till 23.12.2020 The final reserves estimation report for the Akkar North (eastern block) field was approved and booked
2021	<ul style="list-style-type: none"> Obtained Mining allotment for Akkar North (eastern block) field with the Preparatory period effective till 02.03.2023 The final reserves estimation report for the West Zhetybai field was approved and booked Obtained Mining allotment for West Zhetybai field with the Preparatory period effective till 01.09.2024 The Development Project of Akkar North (eastern block) was approved
2022	<ul style="list-style-type: none"> Production Contract for Akkar North (eastern block) was signed effective till 05.03.2046 The Development Project of West Zhetybai was approved
2023	<ul style="list-style-type: none"> Installation and activation of Stage 1 infrastructure for 100% gas utilization enabled optimal production recovery across all fields the Company made its first sale of export oil Completion of CPR confirming perspective of the fields A joint venture was established with two local traders, offering the chance to jointly benefit from profits generated by the sale of refined oil products Commencement of Stage 2 infrastructure for 100% gas utilisation – involves integration into existing infrastructure of a larger neighbouring producer
2024	<ul style="list-style-type: none"> Application to transition West Zhetybai oilfield to a Full Commercial Licence lodged. Once approved the Production Contract for West Zhetybai field will be for the period from 01.09.2024 till 01.09.2049

6. Strategic outlook from 2024-2030

Construction of infrastructure that will see the integrating of Jupiter’s current gas infrastructure with a neighbouring major producer, following guidance from the Ministry of Energy

- This integration will facilitate the effective management of all associated gas from newly drilled wells
- Collaboration with the Ministry is ongoing to align with Kazakh Green Guidelines
- Completion of this new infrastructure is anticipated by the 4Q 2024
- Drilling of 2 new wells is planned for 2024

Production

- Production licence secured until 2045-2046 (Akkar North (EB) and Akkar East and 2049 (West Zhetybai)
- Plans include drilling additional wells across all three oilfields, with a total of 24 scheduled between 2024 and 2030
- Targeting production increase from approximately 640 barrels per day in 1H 2024 to about 2,600 barrels per day by 4Q 2026, reaching approximately 3,750 barrels by 4Q 2028, with a goal of up to 4,500 barrels per day by 4Q 2030

(Source: Jupiter Energy Corporate Update Feb 2024)

Jupiter Energy Limited, operating in Kazakhstan's oil exploration and production sector, is a significant player with headquarters in Aktau. The Company, owning 100% of the Block 31 licence area, manages operations across departments, integrating international and local expertise. Notable achievements include successful gas utilization infrastructure installations, inaugural export sales, and final reserve report approvals. Looking forward, Jupiter Energy Limited is focused on further enhancing its gas infrastructure, integrating these improvements with existing facilities, and boosting production levels to achieve its strategic objectives by 2030.

7. Organizational Structure

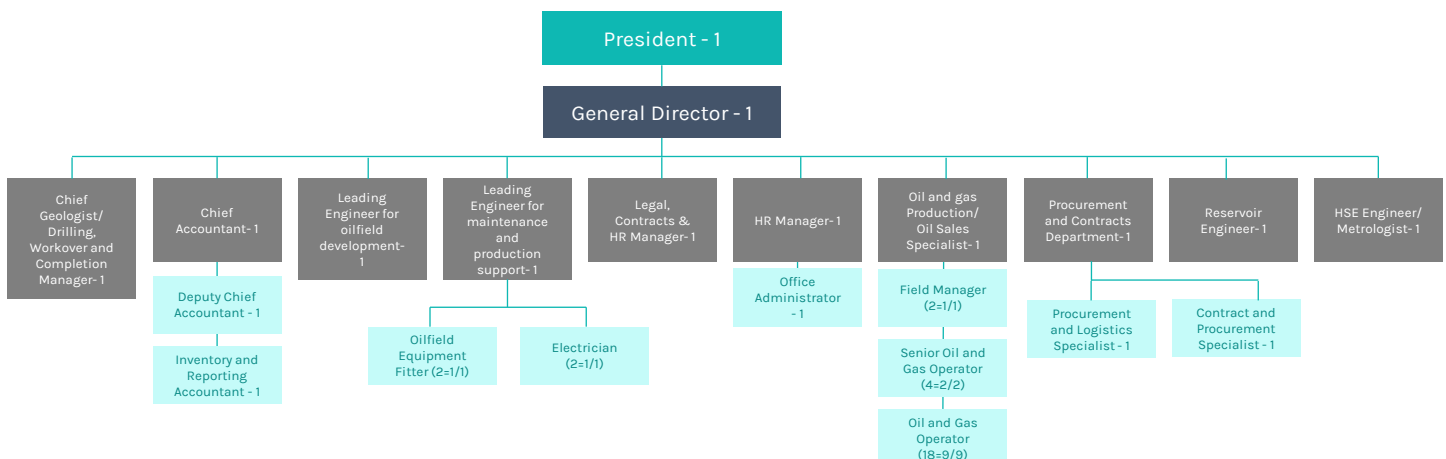


Figure 5: Organizational Potential

Source: Company Data

4. Competitive Landscape

Company	Ticker	Focus Area	Key Projects/Assets	Market Presence	Notable Achievements
Jupiter Energy	JPR.L	Exploration and production	Mangistau Basin exploration and production sites	Established presence in Kazakhstan	<ul style="list-style-type: none"> Successfully developed oil and gas reserves in the Mangistau Basin
Caspian Sunrise	CASP.L	Exploration and production	BNG (Baskuduk, Airshagyl, and Munaily) fields	Focused on the Caspian region	<ul style="list-style-type: none"> Significant oil discoveries in the BNG fields
Tethys Petroleum Limited	TPLTO	Exploration and production	Doris oil field, Kazakhstan; various exploration licences	Operations in Kazakhstan and Tajikistan	<ul style="list-style-type: none"> Acquisition of Doris oil field
Zenith Energy	ZEN.L	Exploration and production	Development and production assets in Azerbaijan and Italy	Expanding presence in Azerbaijan and Europe	<ul style="list-style-type: none"> Acquisition of significant production assets in Azerbaijan and Italy

Table 4: Competitive Landscape
Source: Vested Equities

In comparison to its competitors, Jupiter Energy stands out for its proficiency in oil and gas exploration and production, particularly in the Mangistau Block of Kazakhstan. While other companies focus on renewable energy projects Jupiter has demonstrated success in a challenging environment, showcasing its capability in effectively drilling and producing oil and gas in Kazakhstan's Mangistau Block. This underscores Jupiter's expertise and adaptability in operating within complex reservoir structures, distinguishing it from competitors with different focus areas.

Caspian Sunrise's recently announced agreement with Absolute Resources LLP, to grant exclusivity for the proposed sale of the MJF and South Yelemes structures at the BNG Contract Area for a consideration of \$US83 million (less historical costs of \$US15m) presents a strategic move aimed at optimising resources and maximising shareholder value. In an industry ripe with potential, this transaction underscores the immense upside opportunity for lucrative deals and strategic realignment within the sector. For Jupiter Energy, this signals a broader trend of market activity and potential opportunities for strategic partnerships or asset acquisitions that could enhance its position and capitalise on industry dynamics. The expected sale sets a precedent for adaptability and agility in navigating the evolving energy landscape, presenting potential avenues for growth and synergies that Jupiter Energy could explore in the future thus presenting a significant upside while calculating Jupiter's asset values as well.

5. Industry / Market Overview



Figure 6: Hydrocarbon Basins
Source: Company Data

5.1 Overview About Kazakhstan

Kazakhstan has made significant progress towards creating a market economy since gaining its independence from the Soviet Union in 1991. Kazakhstan is the 12th country in the world by proven oil reserves (1.8% of the world's oil reserves). Oil deposits are mostly concentrated in the western part of Kazakhstan near the Caspian Sea, in the Pre-Caspian and the Mangistau basins.

Jupiter's licence area is located in the Mangistau basin. Kazakhstan boasts a vast territory exceeding 2.7 million square kilometres, surpassing the landmass of Western Europe. With an estimated population of around 16 million, predominantly ethnic Kazakhs, the nation is home to a diverse population comprising approximately 130 nationalities and 46 religious denominations.

Strategically located in Central Asia between Russia and China, Kazakhstan stands out as the most stable and economically developed state in the region. This favourable positioning allows it to leverage its abundant natural resources and tap into the burgeoning Chinese market. China alone holds approximately 20% of Kazakhstan's oil production.

Kazakhstan's robust economy has experienced consistent growth in its Gross Domestic Product (GDP) over the last five years, with annual increases exceeding 9%. This growth is attributed to systematic reforms, foreign investment, and rises in agricultural production and commodities prices.

The country boasts a significant number of large reserves of natural resources globally, including substantial oil and gas reserves estimated at 30² billion barrels, with an additional 100 billion barrels in the Caspian oilfields. The oil and gas sector accounts for a significant portion of foreign investments, tax revenues, and government funds.

The oil and gas sector of the country accounts for 58 per cent of all foreign investments and the industry provides more than 30 per cent of all tax proceeds and over 40 per cent of the available funds of the country

Around 80%³ of Kazakhstan's oil production is exported. Almost all exports pass through Russia, mainly via the (CPC) pipeline to the Black Sea port of Novorossiysk. A smaller pipeline to China is currently underused, while minor volumes are sent by tanker across the Caspian Sea to Azerbaijan, where they can enter the Baku-Tbilisi-Ceyhan pipeline

¹<https://www.worldometers.info/oil/oil-reserves-by-country/>

²<https://www.privacyshield.gov/ps/article?id=Kazakhstan-Oil-and-Gas#:~:text=Kazakhstan%20has%20the%20Caspian%20Sea's,part%20of%20the%20Caspian%20Sea.>

³<https://www.trade.gov/country-commercial-guides/kazakhstan-oil-gas-equipment-and-services>

Foreign Investment

The country has attracted significant foreign investment to develop its abundant mineral, petroleum, and natural gas resources. As of January 2023, the stock of foreign direct investment (FDI) totalled \$US169.2 billion, including \$US43.83 billion from the U.S., according to official central bank statistics. Publicly available information indicates that U.S. investments in the hydrocarbons sector alone far exceed these official statistics.

Given Kazakhstan's long border and extensive economic ties with Russia, Russian aggression against Ukraine and ensuing sanctions against Russia affect Kazakhstan's investment climate. Some investors may be deterred from investing in Kazakhstan, while others may find Kazakhstan an attractive alternative to doing business in Russia or Belarus. The GOK continues expressing a commitment to complying with Western sanctions against Russia and facilitating the relocation of Western investors from Russia to Kazakhstan.

For more than one year since the January 2022 unrest and Russia's invasion of Ukraine, Kazakhstan's economy has proven resilient, mostly due to favourable prices for its commodity exports. In the meanwhile, the war and sanctions not only caused supply chain distortion and fuelled double-digit inflation but also opened new trade and investment opportunities for the country. The government announced an electronic system for tracking trucking exports to EAEU countries, which was implemented in April 2023, and enacted a new law on export control of dual-use goods in March 2023, both of which could address risks of sanction and export control evasion.

Kazakhstan's Energy Sector Development and Collaborative endeavours

Over 40 major projects with foreign participation to launch in Kazakhstan in 2024. On the instructions of the former Prime Minister of Kazakhstan, in further work, Kazakh Invest will focus on attracting investors in promising projects on deep grain processing, production of demanded types of plastics, localisation of oil and gas equipment and other products with high added value. The Head of State has set a task to increase the volume of the economy to \$US450bn by 2029."At least \$US150bn of foreign investment must be attracted during this period. In this regard, every effort should be made to find and attract major investors to our country. Bold and non-standard solutions are needed."

The Government of Kazakhstan, under the leadership of former Prime Minister Alikhan Smailov, has endorsed a comprehensive plan aimed at advancing major oil, gas, and petrochemical projects from 2023 to 2027. This strategic initiative targets 20 significant ventures in the oil and gas sector, oil refining, and petrochemical industry, with an anticipated investment of \$US37.3 billion. The plan prioritizes enhancing production capacities at key fields like Tengiz, Karachaganak, and Kashagan, to elevate oil production to 105.5 million tons and gas production to 82.1 billion m³ by 2027. Additionally, expansions in gas processing facilities are anticipated to bolster domestic market requirements. Furthermore, initiatives to augment petroleum product supply to the domestic market, such as increasing production capacity at the Shymkent refinery and expanding oil pipeline infrastructure, are outlined. Notably, the plan also underscores the development of the oil and gas chemical industry through projects like the construction of a gas chemical complex and gas separation infrastructure, leveraging the abundant resources of the Tengiz field. Geological exploration and field development projects, including ventures at Kalamkas-more, Khazar, Urikhtau, and Karaton-Podsolovoye, are also earmarked, with total investments reaching approximately \$US10 billion.

Reflecting on the project's accomplishments to date, Smailov noted the production of 90 million tons of oil, 55 billion cubic meters of gas, and the attraction of over \$US60 billion in investments. Furthermore, the project has significantly contributed to local content development, generating employment opportunities for thousands of individuals.

Looking to the future, Smailov outlined ambitious plans to maximize Kashagan's production potential, with projections indicating a capacity of up to 75 million tons of oil annually. Additionally, he emphasized the imperative of developing gas processing facilities to support the field's full-scale development.

Reaffirming the government's commitment to supporting the North Caspian project, Smailov expressed readiness for constructive dialogue with stakeholders to advance joint plans and ensure the project's success.

The event also witnessed the presentation of state awards, including orders and medals, to veterans and key contributors to the North Caspian project, recognizing their invaluable contributions to Kazakhstan's socio-economic development and the oil and gas industry.

In conclusion, Smailov reiterated the government's appreciation for the North Caspian Operating Company's (NCOC) efforts and underscored the commitment to fostering long-term cooperation for the dynamic development of Kazakhstan.

Prime Minister Olzhas Bektenov of Kazakhstan recently held discussions with Peter Costello, the Executive Vice President of Shell PLC, focusing on advancing joint oil and gas projects. The meeting highlighted the priority of maintaining and enhancing production levels at key fields like Karachaganak and Kashagan. Measures to ensure the operational efficiency of these projects, including the timely commissioning of additional infrastructure, were deliberated. Emphasis was placed on increasing local content in project implementation, with plans to revise the Local Content Development Programme to foster collaboration with domestic manufacturers. The meeting concluded with a reaffirmation of mutual commitment to long-term cooperation and recognition of the positive impact of Shell's social and educational initiatives in Kazakhstan.

Kazakhstan emerges as a significant player in the global oil and gas sector, boasting substantial reserves and a strategic geographical position between Russia and China. The country's stable economy, characterized by consistent GDP growth and extensive foreign investment, underscores its attractiveness to investors. Kazakhstan's commitment to advancing major oil, gas, and petrochemical projects through comprehensive government initiatives reflects a proactive approach towards economic development and energy sector expansion. The endorsement of ambitious plans, such as increasing production capacities and enhancing domestic market supply, demonstrates a clear vision for the future of the country's energy industry. Moreover, collaborative efforts with international partners, exemplified by discussions between Prime Minister Olzhas Bektenov and executives from Shell PLC, highlight the importance of long-term cooperation and mutual benefit in driving sustainable growth. Overall, Kazakhstan's strategic initiatives and partnerships position the country as a key player in shaping the global energy landscape and fostering socio-economic development for years to come.

Source: Kazakhstan Overview: Jupiter Energy Investor Centre

Source: Foreign Investment: State Gov: Investment Climate Statements Kazakhstan 2023

Source: Kazakhstan's Energy Sector Development and Collaborative Endeavors: Prime minister.kz: Over 40 Major Projects with Foreign Participation in Kazakhstan 2024)

5.2 Historical Oil Exploration Trends and Future Strategy

Over the span of 30 years, Kazakhstan has increased its oil production by almost 3.8 times, reaching an annual output of 84.2 million tons. The majority of this production is attributed to three major oil and gas projects – Tengiz, Karachaganak, and Kashagan

Kazakhstan's energy landscape, marked by notable oilfields such as Tengiz, Kashagan, and Karachaganak, experienced dynamic shifts in production trends in 2023. Despite challenges, including weather-related disruptions and maintenance activities, the nation showcased resilience and adaptability, achieving a commendable 7% increase in oil and gas condensate output. This growth underscores Kazakhstan's commitment to leveraging its energy resources for economic development and solidifying its position in global energy markets.

Production at the Tengiz oilfield, led by Chevron, witnessed a marginal 1% decline in 2023, averaging 630,100 bpd. Conversely, output at the Kashagan offshore field surged impressively by 48% to 407,400 bpd, in line with recent plans. Additionally, the Karachaganak field recorded a notable 7% increase, reaching 259,770 bpd. These production dynamics highlight the diverse contributions of key oilfields to Kazakhstan's overall output.

Approximately 80% of Kazakhstan's oil exports are transported via the Caspian Pipeline Consortium's Black Sea terminal, with additional volumes routed through another Russian pipeline and smaller quantities shipped to China. Despite challenges in export infrastructure and disruptions, Kazakhstan's production resilience underscores its significance as a major energy exporter and contributor to global energy security.

Kazakhstan's heightened production levels have significant implications for its economy and the broader energy landscape. As a major energy exporter, increased output contributes to global energy security and stability, mitigating supply fluctuations from other producing nations. Moreover, the surge in production presents new opportunities for partnerships and investment in Kazakhstan's energy sector, driving further growth and development.

Kazakhstan's energy sector continues to demonstrate resilience and adaptability, achieving notable growth in production amidst challenges. The nation's commitment to leveraging its energy resources for economic development positions it as a key player in global energy markets. With opportunities for partnerships and investment, Kazakhstan's energy sector remains poised for sustained growth and development in the foreseeable future.

Source : Astana Times: Kazakhstan Oil and Gas Industry Prospects-Trends Look into Future 2023

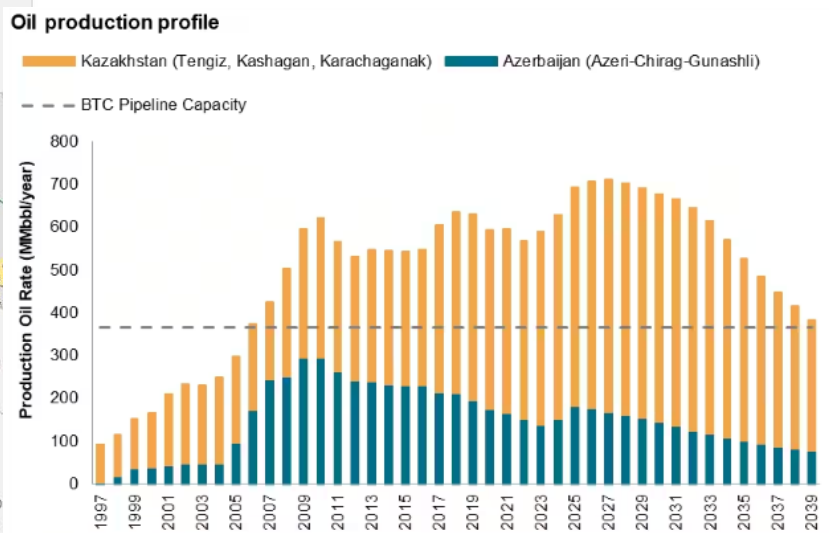
5.3 Distribution Channels

Figure 7: Kazakhstan Export Routes



Source: SP Global Commodity Insights:

Figure 8: Oil Production Profile



Source :SP Global Commodity Insights:

- In 2022, Kazakhstan produced 84.2 million tons of oil, exporting 64.3 million tons (~76% of the total), primarily through the Caspian Pipeline Consortium (CPC), the Atyrau-Samara pipeline, and various smaller routes such as the Kazakhstan-China pipeline and maritime routes across the Caspian Sea.
- To diversify export routes, Kazakhstan is exploring the Trans-Caspian route via the Baku-Tbilisi-Ceyhan (BTC) pipeline, agreeing to transfer 1.5 million tons annually. However, challenges arise due to differences in oil quality and costs, making increased export volumes via this route concerning.
- Expansion of the Trans-Caspian route necessitates modernization of Caspian Sea ports, including acquiring new tankers and enhancing oil loading capacity at the Aktau terminal. However, high costs and logistical constraints make it unlikely to fully replace the CPC pipeline.
- Kazakhstan also transports oil through Russian transit routes, such as the Atyrau-Samara pipeline, with potential expansions aiming to increase delivery capacity to Europe via the "Druzhba" system or Baltic and Black Sea ports. However, challenges include fluctuating volumes and uncertainty about available tankers.
- Reorienting oil supplies to Asia through the Atasu-Alashankou route (Kazakhstan-China pipeline) faces challenges due to preferences for European refineries by companies with Kazakh oil fields and China's increasing reliance on Russian oil.

Kazakhstan's substantial oil production of 84.2 million tons in 2022, with approximately 76% exported, underscores its pivotal role in the global oil market. Utilizing various export routes like the Caspian Pipeline Consortium and Kazakhstan-China pipeline, Kazakhstan demonstrates a commitment to diversifying channels and ensuring reliable transportation. Efforts to explore the Trans-Caspian route and modernize infrastructure reflect proactive steps toward optimizing export capabilities. These figures, coupled with strategic initiatives, support a compelling investment thesis, underlining the potential for sustained growth and profitability in Kazakhstan's oil sector.

Source : SPGlobal Commodity Insights: Kazakhstan Oil Reshaping Is there a viable Alternative 2023

5.4 Government Support

- The Government of Kazakhstan has approved a comprehensive plan for the development of large-scale oil and gas projects in the country for the period 2023-2027. The adopted plan provides for the development of the largest oil gas projects on the Tengiz, Karachaganak, and Kashagan oil fields, and is intended to raise oil production to 105.5 Mt and gas production up to 82.1 bcm by 2027
- The adopted package plan will allow the implementation of 20 significant projects in oil and gas, oil and gas processing and petrochemical industries with expected investments up to KZT37.3bn (US\$81m). In addition, the Shymkent refinery will double its production capacity from 6 Mt/year to 12 Mt/year, the throughput capacity of the Kenkiyak-Atyrau pipeline will be expanded from 6 Mt/year to 15 Mt/year, and the throughput of the Kenkiyak-Kumkol pipeline will be doubled from 10 Mt/year to 15 Mt/year

(Source: Prime minister.kz: Comprehensive Plan for Future Development of Major Oil and Gas and Petrochemical Projects in Kazakhstan Approved by Government 2023)

5.5 Regulations

In Kazakhstan, the oil and gas industry is governed by various regulations and compliance requirements

- **Subsoil Use Law:** The Subsoil Use Law governs the exploration, development, and production of oil and gas resources in Kazakhstan. It establishes the legal framework for obtaining licences and permits for these activities.
- **Licensing and Permitting:** Companies operating in the oil and gas sector must obtain licences and permits from the relevant authorities in Kazakhstan. These licences typically cover exploration, production, and transportation activities.
- **Local Content Requirements:** Kazakhstan imposes local content requirements to promote the participation of local companies and workforce in the oil and gas industry. Companies are often required to source goods and services locally and engage local labour.
- **Environmental Regulations:** Environmental regulations in Kazakhstan require oil and gas companies to comply with standards for minimizing the environmental impact of their operations. This includes measures for waste management, emissions control, and restoration of land affected by exploration and production activities.
- **Taxation:** The tax regime for the oil and gas industry in Kazakhstan includes various taxes and royalties payable to the government. Companies must comply with tax laws and regulations, which may include corporate income tax, production royalties, and value-added tax (VAT).
- **Health and Safety Regulations:** Kazakhstan has regulations in place to ensure the health and safety of workers in the oil and gas sector. This includes requirements for workplace safety standards, emergency response planning, and employee training.
- **Contractual Obligations:** Companies involved in oil production in Kazakhstan often operate under production-sharing agreements (PSAs) or other contractual arrangements with the government. These agreements outline the rights, obligations, and revenue-sharing arrangements between the parties involved.
- **State Control and Monitoring:** The government of Kazakhstan exercises significant control and oversight over the oil and gas industry through regulatory agencies such as the Ministry of Energy and the Committee of Geology and Subsoil Use. These agencies monitor compliance with regulations and enforce applicable laws.
- **Gas Shortage Despite Abundant Reserves:** Despite having significant gas reserves, Kazakhstan faces a shortage of natural gas due to increasing domestic consumption driven by population growth, construction, and industrial development.

- **Price Regulation and Market Mechanisms:** The policy of price containment, inherited from the Soviet Union, has constrained the development of the gas industry. Low gas prices set by the government have made gas production unprofitable for companies, hindering investment in exploration and development.
- **Dependency on Oil-Associated Gas:** Marketable gas sold in Kazakhstan is mainly associated with gas extracted during oil production, particularly from fields like Tengiz, Kashagan, and Karachaganak. This dependency limits the diversification and development of the gas sector.
- **Subsidization and Financial Burden:** The national operator of gas sales in Kazakhstan is subsidized and heavily dependent on export revenues. Between 2015 and 2021, the operator subsidized the domestic market by a significant amount, indicating a financial burden on the government.
- **Liquefied Petroleum Gas (LPG) Production Decline:** Despite increasing domestic consumption, LPG production has decreased due to low investment attractiveness for producers. This decline contributes to challenges in meeting domestic demand for household cooking, heating, and fuel.
- **Slow Progress in Gasification:** While gasification of regions, particularly those heavily dependent on coal, is on the national agenda, progress has been slow. Implementation of gas projects and expansion of gas supply to rural settlements face challenges in terms of funding and infrastructure development.
- **Market Transition and Price Fluctuations:** The transition to electronic trading platforms for LPG trading, initiated in 2019, has faced challenges, including unexpected price hikes leading to protests. Ensuring stable and affordable prices for liquefied gas remains a challenge for the government.
- **Infrastructure Development:** Despite efforts to expand gas supply to rural areas, challenges in infrastructure development and funding allocation persist, hindering the government's targets for gasification and expansion of gas access to remote regions.
- **OPEC+ Quotas Compliance:** Kazakhstan's oil production growth plans are constrained by its commitments to the OPEC+ alliance. The country may struggle to comply with quota levels, which could lead to disagreements within the alliance, especially as S\$AUi Arabia aims to assert control over oil markets.
- **Threats to Black Sea Shipping:** Recent military strikes in the Black Sea, including attacks near oil loading facilities, pose a significant risk to Kazakhstan's oil exports. Concerns about the security of the Caspian Pipeline Consortium (CPC) terminal, which handles most of Kazakhstan's oil exports, raise fears of disruptions and potential diversification of buyers away from CPC Blend.
- **Reliance on International Oil Companies (IOCs):** Kazakhstan heavily relies on IOCs for the development of its oil fields, particularly in complex and challenging environments. This reliance may influence Kazakhstan's ability to strictly adhere to OPEC+ quotas and navigate geopolitical tensions affecting its exports.

Kazakhstan's oil and gas industry operates within a comprehensive regulatory framework governed by laws covering subsoil use, licensing, local content, environmental protection, taxation, health and safety, and contractual obligations. Despite abundant reserves, Kazakhstan faces challenges such as gas shortages, price regulation, dependency on oil-associated gas, and slow progress in infrastructure development. The country's reliance on international oil companies and threats to Black Sea shipping pose additional risks to its energy sector.

Sources: Point 1-8: ICLG: Oil and Gas Regulations 2023

Point 9-16: Astana Times: Gas Dilemma Abundant Gas Industry in Kazakhstan Faces Critical Challenges

Point 17-19: SPGlobal Commodity Insights: Kazakhstan's Oil Ambitions Face Challenge of Opec Quotas Black Sea Export Risk

5.6 Factors Driving the Oil Industry Boom in Kazakhstan

- **Abundant Oil Reserves:** Kazakhstan has proven crude oil reserves of 30 billion barrels, making it the largest proven oil reserves in the Caspian Sea region. The country's vast hydrocarbon resources, including both onshore and offshore reserves, present significant opportunities for oil production and export.
- **Export Opportunities:** Around 80% of Kazakhstan's oil production is exported, mainly through pipelines to Russia and China. The country's strategic location allows for easy access to global markets, enhancing its position as a major oil exporter.
- **Increased Production:** Over the years, Kazakhstan has significantly increased its oil production, reaching an annual output of 84.2 million tons by expanding its refining capacity and developing new fields like Tengiz, Karachaganak, and Kashagan.
- **Economic Contribution:** The oil and gas industry plays a crucial role in Kazakhstan's economy, contributing substantial revenue to the National Fund and state budgets. In 2022 alone, the sector contributed nearly nine trillion tenge (\$18.9 billion) to support social assistance, healthcare, education, and infrastructure development.

(Point 1-2 Source - Privacyshield.gov: Kazakhstan Oil and Gas)

(Point 3-4 Source - Astana Times: Kazakhstan Oil and Gas Industry Prospects-Trends Look into Future 2023)

5.7 Overview of Kazakhstan's Investment Support Measures and Tax Reforms

Kazakhstan views investment activity as pivotal for fostering dynamic economic growth and, thus has outlined ambitious goals to attract investment. In 2024, the country aims to inject 22.1 trillion tenge into fixed assets, marking a substantial 22% surge from the previous year. This includes the implementation of 234 projects valued at 2.3 trillion tenge under the Unified Pool of Investment Projects. To entice investors, Kazakhstan offers various tools, including agreements on investment commitments, guaranteeing tax legislation stability for a decade. Moreover, efforts are directed towards bolstering investment in geological exploration and fortifying the mineral resource base of the oil and gas sector. Simultaneously, the government is diligently updating the Investment Policy Concept until 2029, emphasizing regional and sectoral investment needs while benchmarking against international best practices.

As part of comprehensive reforms, Kazakhstan is poised to introduce a new Tax Code featuring a service-oriented administration model, aiming to streamline processes and alleviate fiscal burdens. Envisaged within this framework is a "single package" of benefits tailored to investors, strategically differentiated based on investment volume and production complexity. Moreover, plans are underway to develop a draft program for state support measures, particularly subsidizing new projects, primarily within the manufacturing sector. Concurrently, national entities like Baiterek are spearheading initiatives to bolster entrepreneurship across diverse sectors such as agriculture, manufacturing, infrastructure, transport, logistics, and housing construction. Embracing digitalization, the government is advancing efforts to reduce bureaucratic hurdles, aiming to expedite application processes, create digital business profiles, and enhance integration with government databases, thus fostering a conducive environment for investment and economic growth.

The oil industry boom in Kazakhstan is driven by several key factors. Firstly, the country boasts abundant oil reserves, particularly in the Caspian Sea region, providing significant opportunities for production and export. Kazakhstan has also witnessed increased production through the expansion of refining capacity and the development of new fields. This industry plays a crucial role in the country's economy, contributing substantial revenue to support various sectors such as social assistance, healthcare, and education.

Furthermore, Kazakhstan's strategic location enables easy access to global markets, enhancing its position as a major oil exporter. To further stimulate economic growth and attract investment, Kazakhstan has implemented investment support measures and tax reforms aimed at streamlining processes, providing stability, and offering incentives to investors. These efforts underscore the government's commitment to fostering a conducive environment for investment and sustaining the momentum of the oil industry boom.

(Source - Kabar.kg: Kazakhstan to Develop over 200 Investment Projects 2024)

6. Valuation Summary

The equity valuation analysis for the Company considers both the Income Approach and the Market Approach. Under the Income Approach, the estimated equity value stands at \$AU37,452,009, weighted at 60%, resulting in an adjusted equity value of \$AU22,471,205. Concurrently, the Market Approach yields an equity value of \$AU177,908,046, weighted at 40%, leading to an adjusted equity value of \$AU71,163,218.

The income approach carries greater significance in our valuation methodology, accounting for 60% of the overall assessment, compared to the market approach, which contributes 40%. This emphasis is deliberate due to certain factors. The peer companies selected for valuation span diverse geographical regions and operate at varying stages of exploration and carries different 2P reserves values. Consequently, direct comparisons based solely on market metrics present challenges in achieving accurate assessments. Given these considerations, we have opted to assign less weight to peer comparison, ensuring that our final valuation is driven by the income approach, which offers a more nuanced and comprehensive evaluation of the Company's financial performance and future earning potential.

Combining both approaches, the total adjusted equity value amounts to \$AU93,634,424. With a total outstanding shares count of 1,273,652,188, the calculated value per share stands at \$AU0.074. Comparing this with the current market share price of \$AU0.025 reveals a premium of 194.1%. This premium reflects the potential upside for investors based on the valuation analysis conducted.

	Equity Value	Weights	Adjusted Equity Value
Income Approach	37,452,009	60%	22,471,205
Market Approach	177,908,046	40%	71,163,218
Total			93,634,424
No. of shares outstanding			1,273,652,188
Value per share			\$0.074
Current share price			\$0.020
% premium			194.1%

Table 5: Valuation Summary
Source: Vested Equities

6.1 DCF Analysis – Income Approach

	For the year ending June 30						Terminal
	2024 6/30/2024	2025 6/30/2025	2026 6/30/2026	2027 6/30/2027	2028 6/30/2028	Value	
Total revenue	8,215,767	12,077,177	17,119,399	23,367,979	31,897,292	33,173,183	
y-o-y % growth		47%	42%	37%	37%	4%	
Cost of goods sold	5,178,863	7,612,928	10,791,326	14,730,160	20,106,669	20,910,935	
% Total revenue	63%	63%	63%	63%	63%	63%	
Gross profit	3,036,904	4,464,249	6,328,073	8,637,819	11,790,623	12,262,248	
% Total revenue	37%	37%	37%	37%	37%	37%	
Operating expenses	3,032,755	3,425,936	3,907,918	4,480,797	5,220,101	5,428,905	
% Total revenue	37%	28%	23%	19%	16%	16%	
EBITDA	4,149	1,038,313	2,420,154	4,157,022	6,570,522	6,833,343	
% margin	0%	9%	14%	18%	21%	21%	
Less: Depreciation	170,317	-	-	-	-	-	
EBIT	(166,168)	1,038,313	2,420,154	4,157,022	6,570,522	6,833,343	
Taxes	-	-	-	-	-	-	
After tax cash flows	(166,168)	1,038,313	2,420,154	4,157,022	6,570,522	6,833,343	
Cash flow adjustments							
Capital expenditure	-	-	-	-	-	-	
% of Total revenue	0%	0%	0%	0%	0%	0%	
Increase/(Decrease) in working capital	(520,462)	965,353	1,260,555	1,562,145	2,132,328	1,326,927	
Terminal value working cap	-6%	8%	7%	7%	7%	4%	
Add: Depreciation	170,317	-	-	-	-	-	
Terminal value %	2%	0%	0%	0%	0%	4%	
Free cash flows	(516,313)	2,003,665	3,680,710	5,719,167	8,702,850	8,160,271	
Terminal value	4%					85,376,340	
Percent of year remaining	1.00	1.00	1.00	1.00	1.00	1.00	
Mid-year discounting	0.50	1.50	2.50	3.50	4.50	4.50	
Present value factor @	14%	0.94	0.83	0.73	0.64	0.56	
Present value of cash flows	(484,512)	1,655,765	2,678,473	3,664,973	4,911,133	48,178,994	

Source :Vested Equities

We assumed a terminal growth rate of 4.0%. We discounted cash flows at a weighted average cost of capital of 13.6% to arrive at an enterprise value of \$AU60.60mn. We arrived at a fair value of 0.029 per share after adjusting for a cash balance of \$AU2.0mn and debt balance of \$AU25.15mn. The debt borrowing rate stands at 0.0% as all Noteholders signed a Variation Agreement confirming that this debt is now repayable on (or before) 31 December 2026 and continues to be provided interest free.

WACC Calculation			
Particulars	Weight %	Cost	Value
Debt	0%	0.0%	0.0%
Equity	100%	13.6%	13.6%
WACC			13.6%
Cost of Equity			
10Yr T-Bill			4.3%
Unlevered Beta			0.9
Relevered Beta			1
Market Risk Premium			4.6%
Company Risk Premium			5.0%
Cost of Equity			13.6%
Cost of Capital			
Debt borrowing rate %			0.0%
Inc. tax rate			0.0%
After-tax Cost of debt			0.0%

Table 6: WAAC Calculation
Source: Vested Equities

The WACC calculation validates the Company's cost of capital, indicating that investors are adequately compensated for the risks associated with Jupiter Energy's operations. Overall, these findings support a positive outlook for Jupiter Energy, underpinned by strong financial performance and prudent management, positioning the Company for sustained growth and value creation.

Valuation Analysis Based on DCF Method

Based on the computation of enterprise value, which factors in the present value of cash flows totalling \$AU 12,425,831 and the present value of the terminal value at \$AU48,178,994, Jupiter Energy's enterprise value stands at \$AU60,604,825. After adjusting for the Company's cash reserves of \$AU2,000,000 and considering outstanding debt of \$AU25,152,816, the equity value amounts to \$AU37,452,009. With 1,273,652,188 shares outstanding, the computed value per share is \$AU 0.029.

Additionally, after evaluating Jupiter Energy's potential, we have arrived at a target price of \$AU0.029 per share. This target price represents a substantial 26.08% increase over the current market price of \$AU0.023, reflecting the Company's promising growth prospects and inherent value.

Computation of enterprise value	\$AU
Present value of cash flows	12,425,831
Present Value of Terminal value	48,178,994
Enterprise value	60,604,825
Less: Total Debt (as of 31st March, 24)	(25,152,816)
Add: Cash	2,000,000
Equity value	37,452,009
No. of shares outstanding	1,273,652,188
Value per share	0.029

Table 7: Computation of Enterprise Value

Source: Vested Equities

6.2 Peer Comparison – Market Approach

Another approach is peer-to-peer comparison, wherein we gathered EV/2P data of peer/companies operating in the industry from publicly available reports to arrive at JPR asset value.

We have considered peers, Strike Energy, Central Petroleum, Byron Energy and ADX Energy to arrive at the average of EV/2P reserves value.

Company	Ticker	EV (\$AU Mn)	2P	Units	EV/2P
			2023		
Strike Energy	STX	632.06	211	mmbbls	3.00x
Central Petroleum	CTP	53.98	12.9	mmboe	4.18x
Byron Energy	BYE	76.61	17.7	mmboe	4.33x
ADX Energy	ADX	43.23	4.1	mmboe	10.54x
Average					5.51x

Table 8: Peer Comparison
Source: Vested Equities

Valuation Analysis Based on Peer Comparison Method

Based on the Sproule CPR report shared by the management, we infer that the total value of Jupiter Energy 2P reserves is 36.5 mmbbls.

We assessed the EV/2P multiple of peer companies in the exploration stage, factoring in millions of barrels of oil reserves, and determined the average EV/2P multiple to be 5.51x. This average serves as a pivotal benchmark for evaluating JPR's total equity value.

Cash reserves are valued at \$AU2.0 million and debt is outstanding at \$AU25.15 million as of March 31, 2024

Consequently, the total equity value amounts to \$AU177.91million, with 1,274 Mn shares on issue, yielding a value per share of \$AU0.14.

Asset Value	\$AUM
2P	36.5
Average EV/2P reserves multiple	5.51x
Enterprise value	201.06
Less: Total Debt (as of 31st March, 24)	(25.2)
Add: Cash	2.0
Equity Value	177.91
No. of shares outstanding	1,274
Value per share	0.14

Table 9: Peer Comparison Calculation
Source: Vested Equities

7. Key Risks

When making decisions, Jupiter encounters a spectrum of risks, both general and specific. The following list outlines the different types of risks associated with Jupiter Energy's situation:

Market Price Fluctuation Risk

- The fluctuation in Jupiter's share price is influenced by various external factors, such as economic conditions, regulatory changes, geopolitical events, and market perceptions. These influences might lead Jupiter's shares to trade below the issue price due to market dynamics and external conditions

Varying Economic Conditions

- Jupiter's share trading price can be negatively affected by diverse factors like government measures and economic impacts. Past share price performance of Jupiter doesn't indicate its future price performance
- Economic downturns could heavily impact Jupiter's business and share price. Unforeseen risks may emerge from market stress, leading to unexpected outcomes. The equity markets tend to experience significant volatility

Dividend Distribution Risk

- Jupiter's dividend decisions are subject to the board's discretion, considering various factors such as profits, cash flow, and economic conditions. There's no assurance of future dividends, or if paid, they may not match historical levels

Liquidity Risk

- Jupiter's shares' marketability depends on their turnover rate, influenced by its size and the collective investment interest of current and potential investors at any given time

Dilution Risk

- Current shareholders of Jupiter who don't participate in the Offer risk dilution of their percentage shareholding. Future capital raisings or new equity issuances by Jupiter to finance activities could also dilute the value of existing shareholders' interests

Regulatory and Political Risks

- Kazakhstan's oil & gas industry is subject to government regulations and policies, which can change suddenly and significantly impact operations. Political instability or changes in government could also affect the Company's operations and profitability

Price Volatility

- Oil & gas prices are subject to significant volatility due to factors such as supply and demand dynamics, geopolitical events, and economic conditions. Fluctuations in oil prices can directly impact the Company's revenues and profitability

Geopolitical Risks

- Kazakhstan's proximity to geopolitical hotspots and its relationships with neighbouring countries can pose risks to the Company's operations. Any conflicts or tensions in the region could disrupt production, transportation, or market access

Market Risks

- The Company's performance may be affected by changes in market conditions, including shifts in demand for oil & gas products, competition from other energy sources, or changes in consumer preferences

Environmental and Social Risks

- The oil & gas industry is subject to increasing scrutiny regarding its environmental and social impacts. Compliance with environmental regulations, community relations, and managing the environmental footprint of operations are critical considerations.

Technological Risks

- The Company may face technological challenges related to exploration, production, and extraction techniques. Failure to adopt or invest in new technologies could result in cost overruns or loss of competitiveness.

Jupiter Energy faces a diverse spectrum of risks spanning market dynamics, economic conditions, regulatory constraints, and geopolitical uncertainties. These risks include market price fluctuations, varying economic conditions, dividend distribution uncertainties, liquidity concerns, dilution risks, and regulatory and political challenges in Kazakhstan's oil & gas industry. Additionally, price volatility, geopolitical tensions, market dynamics, environmental and social impacts, and technological challenges add complexity to Jupiter's risk landscape. To navigate these risks effectively, Jupiter must adopt a proactive and adaptive approach, focusing on prudent financial management, regulatory compliance, stakeholder engagement, and technological innovation. By addressing these risks strategically, The Company can mitigate potential threats and capitalize on emerging opportunities, ensuring sustainable growth and long-term success in the volatile oil & gas market.

8. SWOT Analysis

Strengths:

Effective Reservoir Management: Jupiter Energy has consistently shown expertise in efficiently drilling within the complex reservoir structures of Mangystau, particularly at the Triassic level. This skill has not only propelled successful drilling initiatives but also sustained production excellence, setting Jupiter apart from its competitors.

Desirable Oil Quality: the Company's oil production comprises light, sweet crude with minimal water content, which is highly valued in the market. This desirable oil quality facilitates easy market penetration and ensures consistent demand for Jupiter's product.

Local Workforce Expertise: Jupiter boasts a skilled and committed Kazakh workforce, contributing to operational efficiency and facilitating smoother interactions with local authorities, including the Ministry of Energy. The Company's emphasis on employing local talent strengthens its position within the Kazakhstani business landscape.

Weaknesses:

Limited Resource Expansion: Jupiter has traditionally prioritized reaching operational efficiencies and production milestones over aggressive resource base expansion. This conservative approach to resource development might limit the Company's potential for tapping into new market growth opportunities.

Dependence on Regulatory Quotas: Jupiter's sales strategies are heavily influenced by monthly production and sales quotas set by the Kazakh Ministry of Energy. This reliance on regulatory approvals may restrict the Company's market agility and revenue maximization efforts.

Opportunities:

Asset Acquisition: The Kazakh oil & gas market presents opportunities for asset acquisition, with several struggling companies and assets becoming available for sale. Jupiter can leverage its financial stability and operational expertise to capitalize on strategic acquisitions and expand its resource portfolio.

Transition of Assets: With the changing political landscape and the availability of assets from entities associated with figures like Timor Kulibayev, Jupiter has the opportunity to acquire assets that could offer logistical synergies or strategic market advantages.

Threats:

Geopolitical Uncertainty: Ongoing geopolitical tensions, particularly in neighbouring regions like Ukraine and Russia, pose risks to market dynamics and oil pricing. Fluctuations in geopolitical conditions may impact export profitability and market access for Jupiter, necessitating a cautious approach to international market expansion.

Language and Cultural Barriers: Dealing with Kazakh regulatory authorities requires fluency in the local language and cultural nuances, as preferences for local engagement grow stronger. Companies lacking a predominantly Kazakh workforce or effective communication strategies may face challenges in navigating regulatory processes and stakeholder relations.

In conclusion, Jupiter Energy's strategic management of reservoirs, premium oil quality, and local workforce expertise distinctly position it within the competitive landscape of Kazakhstan's oil and gas industry. However, the Company must navigate challenges related to its conservative resource development strategy and dependence on regulatory quotas. Looking ahead, Jupiter could significantly benefit from seizing asset acquisition opportunities and adapting to the shifting political affiliations of asset owners. Additionally, mitigating risks associated with geopolitical shifts and enhancing local engagement strategies will be vital for sustaining its market presence and fostering long-term growth.

9. ESG Impact

Environmental Impact:

Gas Utilization Strategy: Jupiter Energy operates under stringent environmental regulations in Kazakhstan, with a specific focus on gas utilization and flaring. The Company's commitment to environmental compliance and operational efficiency is evident in its proactive gas management strategy, which is executed in two key stages:

- 1) Stage One: the Company initially invested in low-cost Chinese gas-to-electricity generators located at each wellhead. This approach enabled the achievement of 100% gas utilization from five production wells, facilitating the transition to full commercial production through a cost-effective solution. While not scalable in the long term, this approach allowed the Company to overcome initial infrastructure challenges efficiently.
- 2) Stage Two: Under the new governmental regime, which emphasizes sustainable and coordinated gas usage, Jupiter has developed a more integrated gas management solution. This phase benefits from regulatory support, aligning the Company's operations with national environmental goals. The strategy is designed not only to comply with regulations but also to leverage associated gas for community and environmental benefits, showcasing Jupiter's commitment to responsible energy practices.

Integration with Neighbouring Infrastructure: Jupiter plans to integrate its gas management infrastructure with that of MMG, a major industry player in the region. This strategic move is aimed at reducing Jupiter's environmental impact and operational costs by utilizing MMG's established facilities. By leveraging MMG's established infrastructure, the Company aims to minimize its environmental footprint and operational costs while contributing to regional energy stability.

In conclusion, Jupiter Energy's structured approach to gas utilization underscores its strategic foresight and adaptability in managing environmental impacts. By transitioning from a temporary, cost-effective solution to a more sustainable and integrated strategy, the Company not only adheres to stringent regulatory demands but also positions itself as a responsible stakeholder in Kazakhstan's energy sector.

Social Impact:

Community Engagement: the Company's approach to gas utilization aligns with broader social objectives, including maximizing the positive impact on local communities. By prioritizing responsible gas management and integrating with existing infrastructure, the Company aims to enhance economic development and support the well-being of surrounding communities.

Government Collaboration: the Company's engagement with the government underscores its commitment to regulatory compliance and sustainable development. Collaborative efforts with governmental authorities have facilitated the implementation of effective gas utilization strategies, contributing to broader national objectives.

In essence, Jupiter Energy's strategic approach to social engagement through community benefits and government collaboration reflects its commitment to creating a positive impact within its operational footprint. This strategy not only meets regulatory expectations but also enhances the Company's standing as a responsible corporate citizen in Kazakhstan's evolving energy landscape.

Governance Practices:

Regulatory Compliance: the Company's proactive approach to regulatory compliance reflects sound governance practices. By adhering to environmental regulations and working closely with regulatory authorities, the Company mitigates operational risks and enhances long-term sustainability.

Stakeholder Alignment: the Company's strategy of integrating with neighbouring infrastructure demonstrates alignment with stakeholder interests, including those of shareholders, local communities, and government entities. By prioritizing collaborative solutions, the Company strengthens relationships with key stakeholders and promotes sustainable value creation.

10. Investment Summary

Jupiter Energy's strategic move to integrate with the existing gas infrastructure, aiming for 100% Gas Utilization infrastructure, is poised to yield significant long-term benefits. This initiative is expected to have a positive impact on Jupiter Energy valuation, aligning with its commitment to sustainability and efficiency in energy utilization.

Employing a Discounted Cash Flow (DCF) valuation model, we have meticulously evaluated Jupiter Energy's potential, resulting in a target price of \$AU0.029 per share. While leveraging a peer-to-peer comparison methodology, we've meticulously assessed The Company potential against industry counterparts and arrived at a target price of \$AU0.14 per share. We have assigned 60% weight to income approach and 40% weight to market approach, which yields a weighted average target price of \$AU0.074 per share, which represents a 194.1% premium over its current market price of \$AU0.025, indicating a significant upside potential for investors.

Jupiter Energy's strategic emphasis on leveraging existing infrastructure to maximize resource efficiency places it advantageously within the competitive landscape. The Company's forward-thinking approach and ongoing commitment to sustainable practices are expected to drive its growth trajectory, enhancing its ability to generate shareholder value in the foreseeable future. This combination of strategic foresight and operational resilience underpins our positive outlook on Jupiter Energy's market performance.

11. Appendix

Management Information

Geoff Gander - Chairman/CEO Kazakhstan & Australia

- 28+ years' experience in the management of publicly listed companies
- In charge of overall operational management in Kazakhstan
- Focused on Kazakh business development, trading, shareholder relations and funding

Alexey Kruzhkov - NED - Cyprus

- 10+ years' of oil & gas experience with a focus on finance and investments
- Involved with several listed and private companies
- Sits on the Executive Team of Waterford Investment & Finance

Baltabek Kuandykov - NED - Kazakhstan

- 40 years experience in local and international oil & gas companies
- Kazakh representative on the original Tengiz deal with Chevron
- Former President of TSX-listed Nelson Resources

Alexander Kuzev - NED - Moscow

- 26+ years' experience in the oil sector with a focus on oilfield management
- Involved in the Kazakh oil sector since the late 1990s

Keith Martens - NED - Australia

- 40+ years' experience as an oil finder around the world
- Instrumental in discovering Jupiter's 3 oilfields in Kazakhstan
- Has held Board roles with several ASX-listed companies and is currently Non-Executive Chairman with GGE

(Source - Jupiter Energy Corporate Profile)

Income Statement

Table 10: Income Statement

Particulars	Historical Period>>>		Projection Period>>>				
	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28
Revenue	4,126,946	5,588,957	8,215,767	12,077,177	17,119,399	23,367,979	31,897,292
COGS (excluding Depreciation and Amortisation)	2,150,987	3,523,036	5,178,863	7,612,928	10,791,326	14,730,160	20,106,669
Gross Profit	1,975,959	2,065,921	3,036,904	4,464,249	6,328,073	8,637,819	11,790,623
Gross Profit Margin %	48%	37%	37%	37%	37%	37%	37%
Operating Expenses							
General & Administration Expenses (excluding Depreciation and Amortisation)	1,983,011	2,321,299	2,437,364	2,559,232	2,687,194	2,821,553	2,962,631
Impairment of Exploration and Evaluation Assets	367,892	-	410,788	603,859	855,970	1,168,399	1,594,865
Impairment of Trade Receivables	-	96,978	164,315	241,544	342,388	467,360	637,946
Other Expenses	21,684	19,321	20,287	21,301	22,366	23,485	24,659
Total Operating Expenses	2,372,587	2,437,598	3,032,755	3,425,936	3,907,918	4,480,797	5,220,101
EBITDA	(396,628)	(371,677)	4,149	1,038,313	2,420,154	4,157,022	6,570,522
EBITDA Margin %	-10%	-7%	0%	9%	14%	18%	21%
Other Income/Expenses							
Depreciation	486,036	445,084	-	-	-	-	-
Charged to COGS	476,899	436,646	-	-	-	-	-
Charged to G&A Expenses	9,137	8,438	-	-	-	-	-
Taxes							
Total Other Income/Expenses	486,036	445,084	-	-	-	-	-
Net Income	89,408	73,407	4,149	1,038,313	2,420,154	4,157,022	6,570,522
Net Income Margin %	2%	1%	0%	9%	14%	18%	21%

in \$AU		Historical Period>>>		Projection Period>>>				
		Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28
Barrels of Oil	Units	91,000	132,800	185,920	260,288	351,389	456,805	593,847
Growth Rate	%		45.9%	40.0%	40.0%	35.0%	30.0%	30.0%

Source: Company Data

The table presents an overview of the Company's oil production volume in barrels from June 2022 to June 2028. Beginning with 91,000 units in June 2022, the production steadily escalates, reaching 132,800 units in June 2023. Notably, the growth rate during this period stands at 45.9%.

Looking ahead, the Company is poised for continued growth in production volumes. We project the output to reach approximately 185,920 barrels by June 2024, which translates to a 40.0% increase compared to the 2023 number. The YTD figure for 2024 stands at 158,200 barrels. This upward trend is expected to sustain, with production projected to rise to 260,288 barrels by June 2025, 351,389 barrels by June 2026, 456,805 barrels by June 2027, and finally peaking at 593,847 barrels by June 2028.

Overview of the Mangistau Sub-Basin, Kazakhstan

The Mangistau Sub-basin, situated in western Kazakhstan along the Caspian Sea, encompasses both onshore and offshore areas. The onshore component spans 300 kilometres in length and 100 kilometres in width. This region is characterized by vast, sparsely populated Asian steppe terrain, featuring minimal vegetation due to low precipitation levels. Extreme temperatures fluctuate from highs of +40 to lows of -40 degrees Celsius. Despite these harsh climate conditions, the surface characteristics offer favourable conditions for seismic activities and field development, with relatively flat terrain and minimal impact on cultural and environmental landscapes.

In terms of petroleum geology, the sub-basins geological formations can be simplified into two main components. Firstly, there's a Triassic failed NW-SE rift structure, which has resulted in the formation of horsts and grabens. Secondly, there's a syn-rift Jurassic clastic sequence overlaid by a Tertiary to Cretaceous shale cover.

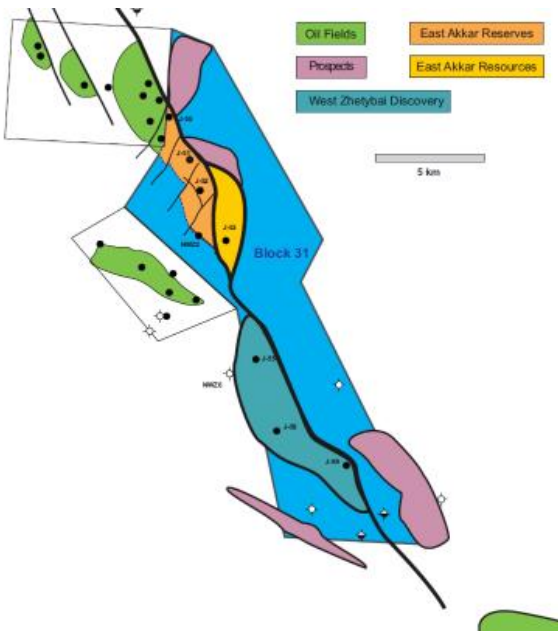


Figure 9: Geology of the Mangistau

Source: Company Data

USGS Regional Cross Section highlighting the Zhetybai Area

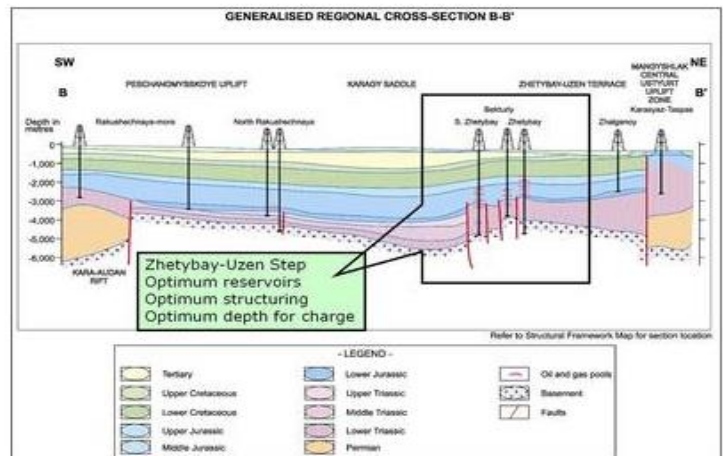


Figure 10: Geology of the Mangistau

Source: Company Data

d. Mid Triassic Northeast Akkar Oil Field with a line of section: J-50 Dip Section

J-50 and J-52 drilled 100-120m Mid Triassic Carbonate sections fully saturated with oil. J-51 penetrated a 160m section. J-53 confirmed 87m gross and 56m net pay in the Middle Triassic carbonate reservoir. Half of the section in all wells shows productivity. The field extends over ~14 sq km.

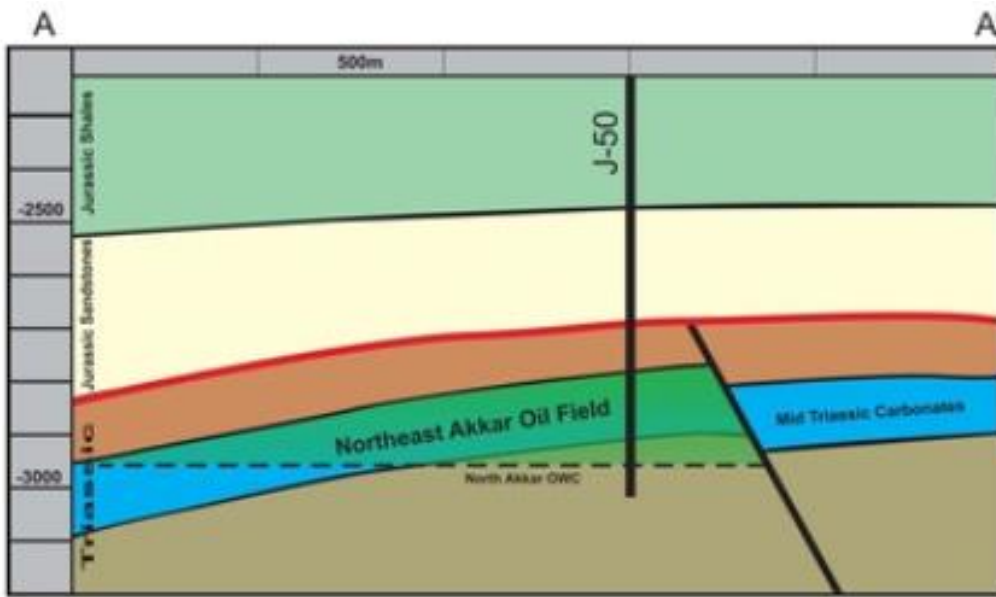


Figure 11: Prospectivity of Block 31

Source: Company Data

NWZ#2 to J-52 Dip Section

J-52 discovered the Lower Jurassic with oil-saturated 25m sand in NWZ#2, but viability for commercial production remains uncertain after flow testing. Further testing is planned in future drilling programs.

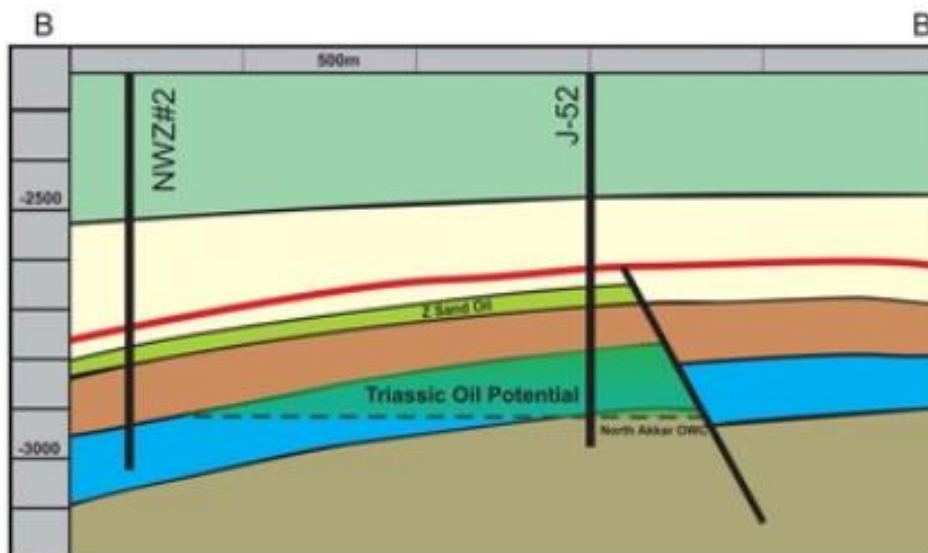


Figure 12: Prospectivity of Block 31

Source: Company Data

Field Development Analysis and Resource Assessment for East Akkar and West Zhetybai Fields

The Company's strategic initiatives entail the development of the East Akkar and West Zhetybai fields through the drilling of vertical/deviated wells, aimed at primary reservoir recovery. The determination of the required well count is predicated on a 40-acre spacing development model. The field's development blueprint encompasses leveraging the existing five operational wells and the prospect of drilling a total of 29 locations in East Akkar, comprising 13 proved and 16 probable sites, along with 69 locations in West Zhetybai, encompassing 23 proved and 46 probable sites. Notably, governmental approval has been secured to drill four East Akkar locations in 2024.

Assessment of developed technically recoverable oil resources has been facilitated through decline analysis, while undeveloped resources have been allocated by drawing parallels to existing producing wells. This involves scaling the technically recoverable volumes for each location based on estimated volumetric parameters derived from the geological model.

The areal extents of proved and probable technically recoverable oil volumes for East Akkar and West Zhetybai are delineated in Figures 1 and 2. The identification of undeveloped locations has been predicated on a drainage area of 40 acres per well, determined by average geological parameters and the ultimate recoverable oil of developed producing wells. Furthermore, there exists additional recovery potential towards the peripheries of the reservoirs. The distribution of wells with 40-acre spacing suggests the feasibility of drilling more wells within the identified Resource area.

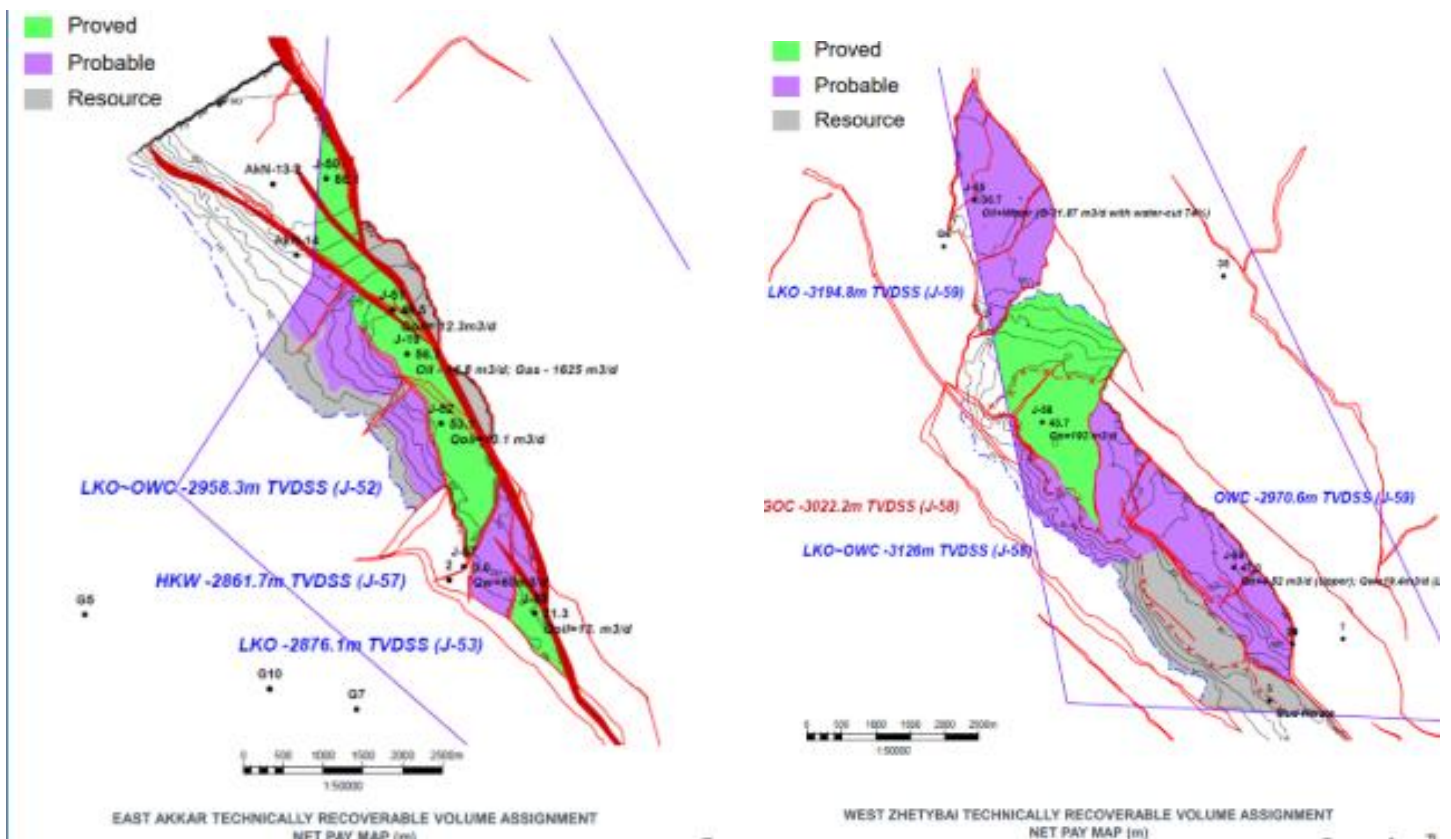


Figure 13: Summary of Competent Person's Report for Kazakhstan Block 31, as of December 31, 2023

Source: Company Data

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