

Solid Backing with Substantial Fuchsia Upside Potential

Investment Highlights

- COE posts Half-Yearly Profit of A\$7.9m.** COE's profit was up A\$22m on last years result with an improved A\$7.9m versus a loss of A\$14.1m. The result was attributable to a successful 2009 drilling campaign resulting in increased production and no major exploration write-offs and is testament to COE's balanced approach to exploration and appraisal. Production of 267kbbbls generated revenue of A\$22.4m up from 213kbbbls and A\$18.9m in 2008. COE finished the quarter with zero debt and cash of A\$95.4m.
- We maintain our BUY recommendation with a price target of \$0.67/sh.** COE presents a lower risk investment opportunity, leveraged to substantial upside via a busy 2010 exploration campaign. The share price is underpinned by \$0.32/sh in cash with our valuation of producing 2P reserves a further \$0.16/sh.
- 2010 drilling campaign commencing in Indonesia in April.** COE is looking to spend close to A\$30m throughout its 2010 campaign which commences in April with the drilling of Gigir East-1 (COE 30%). Gigir East is a modest gas target and if successful should deliver an attractive project due to a relatively straight forward development and existing tax offsets.
- Active drilling and seismic program in the Cooper Basin.** Phase II of the program is expected to commence in June targeting low cost, 0.2-0.3mmbbl opportunities. A 229km 2D seismic survey commenced in December and will be followed by the acquisition of 211km² of 3D this quarter. The data will be used to mature exploration targets for Phase III drilling in the Dec Q 2010.
- Tunisia provides considerable upside potential.** The JV is currently seeking a suitable rig to drill the Fuchsia well following a delay due to softer than expected soils onsite. COE is spending \$12-15m to fund its share of this 46mmbbls target with upside of ~\$0.55/sh. In the Bargou Permit (COE 100%), drilling of the 24mmbbls onshore Menzel Horr target is anticipated in the Dec Q 2010 and is subject to an ongoing farm-out process. Hence the second half of 2010 will provide some considerable price catalysts.

1 March 2010

12mth Rating

BUY

Price	A\$	0.47
Target Price	A\$	0.67
12m Total Return	%	43.1

RIC: COE.AX

BBG: COE AU

Shares o/s	m	293.9
Free Float	%	100.0
Market Cap.	A\$m	136.7
Net Debt (Cash)	A\$m	-95.4
Net Debt/Equity	%	na
3m Av. D. T'over	A\$m	0.34
52wk High/Low	A\$	0.54/0.25
2yr adj. beta		0.98

Valuation:

Methodology		NPV
Value per share	A\$	0.67

Analyst:

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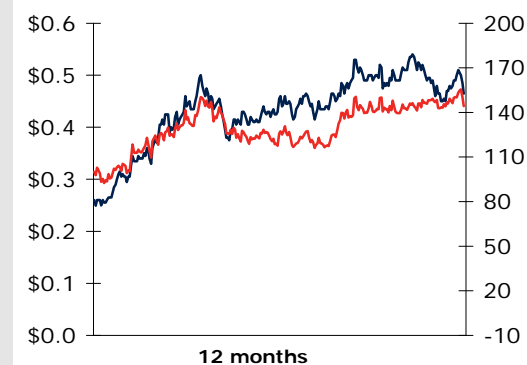
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Year End June 30	2008A	2009A	2010F	2011F	2012F
Reported NPAT (\$m)	6.4	(2.8)	7.1	5.8	1.2
Recurrent NPAT (\$m)	6.4	(2.8)	7.1	5.8	1.2
Recurrent EPS (cents)	320.3	(1.0)	2.4	2.0	0.4
EPS Growth (%)	15.7	na	na	(17.9)	(79.5)
PER (x)	0.1	(48.4)	19.2	23.4	114.3
EBITDA (\$m)	19.0	9.0	15.0	8.8	3.5
EV/EBITDA (x)	(3.3)	4.9	3.2	5.1	13.4
Capex (\$m)	8.7	5.3	1.9	0.6	0.6
Free Cashflow	(7.0)	12.4	(5.8)	3.3	(2.6)
FCFPS (cents)	(348.9)	4.2	(2.0)	1.1	(0.9)
PFCF (x)	(0.1)	11.0	(23.7)	40.9	(52.0)
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

12 Month Share Price Performance

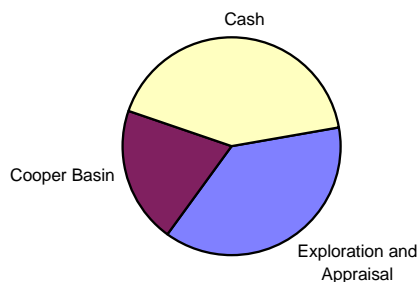


Performance %	1mth	3mth	12mth
Absolute	1.0	2.0	88.7
Rel. S&P/ASX 300	2.3	3.5	34.3

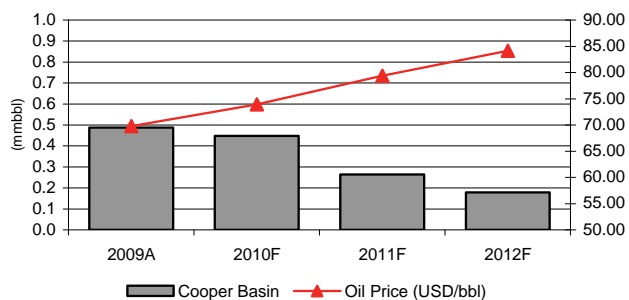
Cooper Energy Ltd		\$0.47	
Valuation	A\$m	A\$/sh	
Cooper Basin	46	0.16	
Exploration and Appraisal	86	0.29	
Corporate	(31)	(0.11)	
Cash	95	0.32	
Debt	0	0.00	
Other	0	0.00	
Total @ 10% Discount Rate	196	0.67	
Price Target		0.67	

Price Target Sensitivity	-10%	0%	+10%
Oil Price Sensitivity (A\$/sh)	0.64	0.67	0.69
Exchange Rate Sensitivity (A\$/sh)	0.69	0.67	0.64

Valuation Summary of Operating Assets



Production Summary



Reserves & Resources

2P Reserves	Oil/Cond (mmbbl)	Gas (bcf)	Total (mboe)
Cooper Basin	1.9	0.0	1.9
Total	1.9	0.0	1.9

Directors

Name	Position
Laurence Shervington	Non-Executive Chairman
Michael Scott	Managing Director
Gregory Hancock	Executive Director
Christopher Porter	Non-Executive Director
Stephen Abbott	Non-Executive Director
Ian Gregory	Company Secretary

Substantial Shareholders

	Shares (m)	%
Acorn Capital	19.4	6.7
Aviva Investors Australia Ltd	14.9	5.1
Kinetic Investment Partners Ltd	14.7	5.0

Commodity Assumptions	Year End June 30			
	2009A	2010F	2011F	2012F
A\$:US\$	0.75	0.90	0.91	0.89
Crude Oil - WTI (USD/bbl)	69.78	73.91	79.38	84.17

Production Summary	2009A	2010F	2011F	2012F
Cooper Basin				
Production (bopd)	1335	1287	724	487
Production (mmbbl)	0.49	0.45	0.26	0.18

Profit & Loss (A\$m)	2009A	2010F	2011F	2012F
Sales Revenue	41.6	37.1	22.9	16.9
Other Income	4.2	4.5	5.0	5.0
Operating Costs	8.5	7.9	5.7	4.7
Exploration Exp.	20.5	9.0	4.5	5.0
Corporate/Admin	5.0	7.0	7.1	7.2
Royalties	2.9	2.7	1.8	1.4
EBITDA	9.0	15.0	8.8	3.5
Depn & Amort	4.0	4.0	2.6	1.8
EBIT	5.0	10.9	6.1	1.7
Interest	0.0	0.0	0.0	0.0
Abnormals Pre-Tax	0.0	0.0	0.0	0.0
Operating Profit	5.0	10.9	6.1	1.7
Tax expense	7.9	3.8	0.3	0.5
Minorities	0.0	0.0	0.0	0.0
Discontinued Operations	0.0	0.0	0.0	0.0
NPAT	(2.8)	7.1	5.8	1.2
Normalised NPAT	(2.8)	7.1	5.8	1.2

Cash Flow (A\$m)	2009A	2010F	2011F	2012F
Adjusted Net Profit	(2.8)	7.1	5.8	1.2
+ Interest/Tax/Expl Exp	28.4	12.8	4.8	5.6
- Interest/Tax/Expl Inc	14.7	25.6	9.4	10.6
+ Depn/Amort	4.0	4.0	2.6	1.8
+/- Other	2.9	(1.8)	0.0	0.0
Operating Cashflow	17.7	(3.4)	4.0	(2.0)
- Capex (+asset sales)	(11.1)	1.9	0.6	0.6
- Working Capital Increase	0.0	0.0	0.0	0.0
Free Cashflow	28.8	(5.3)	3.3	(2.6)
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	0.0	0.1	0.0	0.0
+ Debt drawdown (repaid)	0.0	0.0	0.0	0.0
+ Other	0.0	0.0	0.0	0.0
Net Change in Cash	28.8	(5.2)	3.3	(2.6)
Exchange Rate effects	0.0	0.0	0.0	0.0
Cash at End Period	93.4	88.3	91.6	89.0
Net Cash/(Debt)	93.4	88.3	91.6	89.0

Balance Sheet (A\$m)	2009A	2010F	2011F	2012F
Cash	92.0	88.3	91.6	89.0
Total Assets	136.2	143.9	149.8	151.0
Total Debt	0.0	0.0	0.0	0.0
Total Liabilities	12.9	12.4	12.5	12.4
Shareholders Funds	123.3	131.5	137.3	138.5

Ratios

Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
Return on Equity (%)	na	5.4	4.3	0.9