

Solid Production to Underpin an Eventful Exploration Program

Investment Highlights

- Another outstanding quarter of production.** Net production from the company's cornerstone Cooper Basin assets was up 4% to 136,392bbls – an average of 1,495bopd. This provided revenue of A\$11.4m, finishing the quarter with a healthy \$94.8m in cash. The Sep Q production exceeded expectations, totalling 37% of the "no success" FY2010 production guidance of 368,000bbls. Note that Perlubie South and Butlers were discovered subsequent to the budget so COE is likely to better this estimate over the coming 9-months of production.
- Phase-2 drilling in the Cooper Basin.** PEL 92 will remain a key focus of COE with phase-2 expected to commence in mid-2010 following completion of the recently approved seismic surveys. In addition, COE is pushing the operator of PEL 92 to bring forward the drilling of a number of drill-ready exploration and appraisal targets.
- Exciting and material near-term drilling program.** A key value driver will be the drilling of the Fuchsia-1 exploration well (COE 35%) with recoverable oil estimates of 46mmbbls. Drilling will now likely be early 2010 following the need to complete a seafloor geotechnical review prior to spudding. COE is hoping to drill the Menzel Horr prospect (COE 100%) in 2010 after review of 2D seismic confirmed the validity of the 8mmbbl prospect. In Indonesia, preparations to drill the Grigir-East-1 well (COE 30%) are reportedly on-track for April 2010 with a recoverable gas estimate of 32bcf. COE estimates non-discretionary and desired commitments of \$28-\$54m over the next 5 years and is covered by existing cash.
- Good value with asset backing.** COE's healthy cash position underpins \$0.32/sh, with our valuation of producing reserves accounting for a further \$0.16/sh. Hence \$0.48/sh is asset backed.
- We maintain our BUY recommendation with a price target of \$0.67/sh.** COE presents a value investment with a solid backing to what looks to be an eventful 2010 drilling schedule, with a number of high impact wells. In addition, COE's large cash position provides potential for further value investment and acquisitions.

28 October 2009

12mth Rating

BUY

Price	A\$	0.46
Target Price	A\$	0.67
12m Total Return	%	45.5

RIC: **COE.AX**

BBG: **COE AU**

Shares o/s	m	293.9
Free Float	%	100.0
Market Cap.	A\$m	135.2
Net Debt (Cash)	A\$m	-94.8
Net Debt/Equity	%	na
3m Av. D. T'over	A\$m	0.35
52wk High/Low	A\$	0.50/0.21
2yr adj. beta		1.02

Valuation:

Methodology		NPV
Value per share	A\$	0.67

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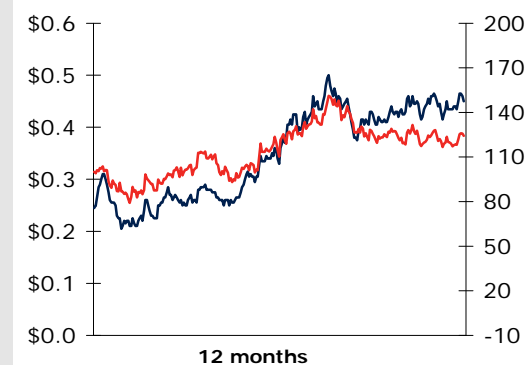
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Year End June 30	2008A	2009A	2010F	2011F	2012F
Reported NPAT (\$m)	6.4	(2.8)	7.6	6.6	3.4
Recurrent NPAT (\$m)	6.4	(2.8)	7.6	6.6	3.4
Recurrent EPS (cents)	320.3	(1.0)	2.6	2.3	1.2
EPS Growth (%)	15.7	na	na	(13.2)	(48.0)
PER (x)	0.1	(47.9)	17.7	20.4	39.2
EBITDA (\$m)	19.0	9.0	14.2	11.5	6.4
EV/EBITDA (x)	(3.3)	4.7	3.3	3.8	7.0
Capex (\$m)	8.7	5.3	0.6	0.6	0.6
Free Cashflow	(7.0)	12.4	(5.9)	3.4	(0.8)
FCFPS (cents)	(348.9)	4.2	(2.0)	1.2	(0.3)
PFCF (x)	(0.1)	10.9	(22.8)	39.5	(177.6)
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

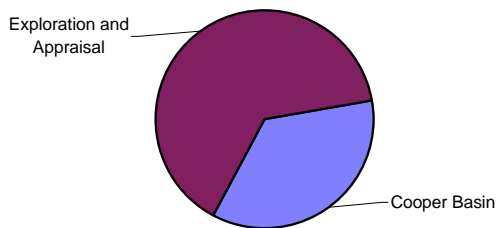
12 Month Share Price Performance



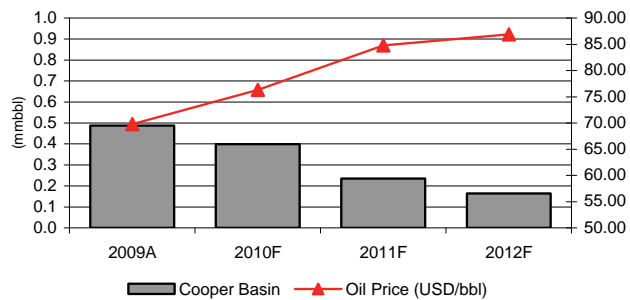
Performance %	1mth	3mth	12mth
Absolute	-1.1	7.0	87.8
Rel. S&P/ASX 300	-4.0	-10.1	48.7

Cooper Energy Ltd		\$0.46	
Valuation	A\$m	A\$/sh	
Cooper Basin	48	0.16	
Exploration and Appraisal	86	0.29	
Corporate	(32)	(0.11)	
Cash	95	0.32	
Debt	0	0.00	
Other	0	0.00	
Total @ 10% Discount Rate	197	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)	0.70	0.67	0.65

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

Substantial Shareholder	Shares (m)	%
Acorn Capital	19.4	6.7

Commodity Assumptions	Year End June 30			
	2009A	2010F	2011F	2012F
A\$:US\$	0.75	0.86	0.89	0.87
Crude Oil - WTI (USD/bbl)	69.78	76.29	84.82	86.92

Production Summary	2009A	2010F	2011F	2012F
Cooper Basin				
Production (bopd)	1335	1146	645	451
Production (mmbbl)	0.49	0.40	0.24	0.16

Profit & Loss (A\$m)	2009A	2010F	2011F	2012F
Sales Revenue	41.6	35.0	22.4	16.5
Other Income	4.2	5.1	4.9	5.0
Operating Costs	8.5	7.2	5.3	4.6
Exploration Exp.	20.5	11.9	4.6	5.0
Corporate/Admin	5.0	4.0	4.1	4.2
Royalties	2.9	2.8	1.8	1.3
EBITDA	9.0	14.2	11.5	6.4
Depn & Amort	4.0	3.3	2.0	1.5
EBIT	5.0	10.9	9.4	4.9
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	9.4	4.9
Tax expense	7.9	3.3	2.8	1.5
Minorities	0.0	0.0	0.0	0.0
Discontinued Operations	0.0	0.0	0.0	0.0
NPAT	(2.8)	7.6	6.6	3.4
Normalised NPAT	(2.8)	7.6	6.6	3.4

Cash Flow (A\$m)	2009A	2010F	2011F	2012F
Adjusted Net Profit	(2.8)	7.6	6.6	3.4
+ Interest/Tax/Expl Exp	28.4	15.1	7.5	6.5
- Interest/Tax/Expl Inc	14.7	27.0	12.1	11.6
+ Depn/Amort	4.0	3.3	2.0	1.5
+/- Other	2.9	0.0	0.0	0.0
Operating Cashflow	17.7	(0.9)	4.0	(0.1)
- Capex (+asset sales)	(11.1)	0.6	0.6	0.6
- Working Capital Increase	0.0	4.4	0.0	0.0
Free Cashflow	28.8	(5.9)	3.4	(0.8)
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	0.0	0.0	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	(5.9)	3.4	(0.8)
Exchange Rate effects	0.0	0.0	0.0	0.0
Cash at End Period	93.4	87.5	90.9	90.2
Net Cash/(Debt)	93.4	87.5	90.9	90.2

Balance Sheet (A\$m)	2009A	2010F	2011F	2012F
Cash	92.0	87.5	90.9	90.2
Total Assets	136.2	144.5	151.1	154.5
Total Debt	0.0	0.0	0.0	0.0
Total Liabilities	12.9	13.6	13.6	13.6
Shareholders Funds	123.3	130.9	137.5	141.0

Ratios

Ratio	2009A	2010F	2011F	2012F
Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
Return on Equity (%)	na	5.8	4.8	2.4

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