Bow Energy Limited

Reserve targets and RSPT

26 May 2010

$1.18

BUY

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Price Performance

Security/Capital Details

ASX Code	BOW
Market Cap (dil)	$352 M
Issued Shares (dil)	298.6 M
Avg Mth T'over	26.62 M
12 Mth High – Low	$1.58 - $0.77

Key Data/Ratios – FY 2010

EBITDA / Sales	-33.3%
EBIT / Sales	-429.2%
Debt / Equity	0.0%
Interest Cover	-3,297.0 x
ROE	-14.4%
EPS Growth	-679.6%
DCF	$2.00
12 Mth Price Target	$2.15

Important Disclosure

Wilson HTM Corporate Finance Ltd acted as lead manager and underwriter of the November 2009 placement and share purchase plan for Bow Energy Limited and will earn fees for acting in this capacity.

Recommendation

We have revised our price target to reflect substantial upgrades to BOW's reserve targets and the impact of the Resource Super Profits Tax (RSPT). We retain our Buy recommendation, and have increased our price target to $A2.15 /share (previously $A2.10). BOW expects to achieve 6,200 PJ of 3P reserves and 1,250 PJ of 2P reserves by year end CY11. The 2011 3P target represents sufficient gas to supply a 4 Mtpa LNG train for over 25 years, should the gas be economically recoverable. This is materially significant with respect to the proposed Gladstone LNG industry will be of interest to LNG project proponents seeking gas supply for extra trains.

Key Points

- **Event:** BOW has increased its calendar year end 2010 3P reserves target by 50% to 4128 PJ and retained its 2010 2P target of 455 PJ. It has also published calendar year end 2011 targets of 6,200 PJ for 3P reserves and 1,250 PJ of 2P and stated that it is fully funded to deliver these targets.
- The Australian Government has proposed introducing a 40% RSPT from 1 July 2012 that will replace existing state royalties. Corporate tax rates will be reduced from 30% to 28% by 2014/15 and a refundable tax offset will be offered for resource exploration. The RSPT will tax profits above a return on capital equivalent to the long term government bond rate, currently 5.7%.
- **Impact:** The 2011 3P target represents sufficient gas to supply a 4 Mtpa LNG train for over 25 years, should the gas be economically recoverable. In energy terms 6,200 PJ of 3P reserves is equivalent to 1 billion barrels of oil. In LNG revenue terms this is equivalent to in excess of $A60 billion.
- The RSPT and corporate tax changes will increase effective tax rates for the CSG sector from 37% currently to 45-50%, after allowing for a return on capital (56.8% before return on capital). We have assessed the impact on BOW both from the NPV impact on CSG production projects and the change in market trading multiples post the announcement of the RSPT.
- We estimate that the taxation changes will reduce the value of BOW's CSG reserves and resources by approximately 15-20%, assuming Australian east coast gas prices increase to $A6-7 /GJ in today's $ terms from 2015 as we expect due to the linking of Australian gas prices to global energy prices.
- **WHTM view:** The increase in targeted reserves is a positive sign of the potential within BOW's tenements. We continue to believe that significant share price rerating will be dependent upon demonstration of commerciality of the reserves. This will be evidenced by conversion of 3P to 2P reserves, which we expect to commence later this year.

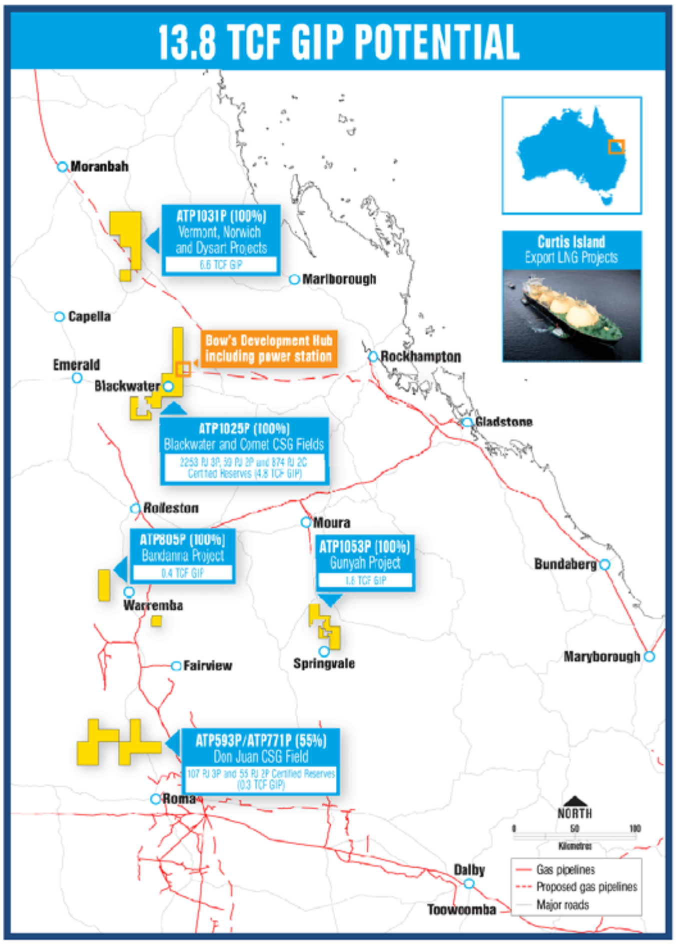
Year to June	NPAT (Rep) $M	NPAT (PSig) $M	EPS (PSig) c	EPS Growth %	PER x	CFPS c	P/CF x	DPS c	Div Yld %	Franking %
2009a	-0.8	-0.8	-0.5	-4.3	-169.4	-0.5	-180.4	0.0	0.0	0
2010e	0.1	-11.4	-3.8	-679.6	-30.9	0.4	318.9	0.0	0.0	0
2011e	-9.9	-9.9	-3.3	12.8	-35.4	0.9	138.8	0.0	0.0	0
2012e	5.2	5.2	1.7	152.0	68.2	2.8	41.5	0.0	0.0	0

Reserves and reserves targets

- BOW has increased its 2P and 3P reserve targets based on continued positive drilling results achieved at Norwich Park combined with the independent assessment of GIP estimates across its CSG tenements.

BOW's current reserves and reserve targets by project area

Project (all 100% unless stated otherwise)	Current Certified Reserves		End 2010 Reserve Targets		End 2011 Reserve Targets	
	3P Reserves (PJ net to Bow)	2P Reserves (PJ net to Bow)	3P Reserves (PJ net to Bow)	2P Reserves (PJ net to Bow)	3P Reserves (PJ net to Bow)	2P Reserves (PJ net to Bow)
Blackwater CSG Field (Comet Block)	1,382	59	1,750	200	1,750	450
Comet CSG Field (Comet Block)	871	-	871	100	1,000	200
Norwich Park Projects (3 prospects)	-	-	1,200	100	2,500	400
Gunyah Project	-	-	200	-	600	100
Bandanna Project	-	-	-	-	200	-
Don Juan Project (55%)	107	55	107	55	150	100
Total Reserves (net PJ to Bow)	**2,360**	**114**	**4,128**	**455**	**6,200**	**1,250**



Source: Bow Energy Limited, ASX release, 11th May 2010

RSPT

Current Tax System

- Mineral resources within Australia and its exclusive economic zone are owned by the Australian community (with the exception of a few deposits that are directly owned by private interests or indigenous communities).
- Typically companies pay a royalty to state or territory governments for access to resources onshore Australia, and excise, royalty or profit charges to the federal government for access to offshore resources.
- The legislative framework for resource taxation and the four secondary petroleum taxation regimes are covered in our technical note on Australian petroleum taxation of 15th May 2008.
- The Queensland CSG industry is currently subject to a 10% net wellhead royalty based on gas revenues and 30% corporate tax rate. Royalty is deductible for income tax purposes.

Tax System Changes

- Following the Henry Tax Review the Australian Government has proposed introducing a 40% Resources Super Profits Tax (RSPT) from 1 July 2012 that will provide a refundable credit to resource entities for existing state royalties (but not for future increases in state royalties that were not contemplated at 2nd May 2010 when the RSPT was announced). There will be a staged consultation process to determine detailed design issues and the transition for existing projects. Corporate tax rates will be reduced from 30% to 28% for all companies (not just resource companies).
- The Government states that "In effect, the Australian community will share in the costs of, and returns from, realising the value of resource deposits". Thus the RSPT envisages the Australian community becoming a silent partner in the resource projects, paying the long term bond rate (currently 5.7%) on invested capital to receive a 19.8% increase in the share of profits from the projects (19.8% being the difference in the tax take between the current and proposed regimes).
- The Government intends to return a "significant portion of the funds raised from the RSPT" through a new resource exploration rebate and investments in infrastructure.

RSPT

- The RSPT is explained in "The Resources Super Profits Tax, a fair return to the nation", www.futuretax.gov.au, 2 May 2010.
- The government acknowledges that full details have not been finalized and that extensive consultation on technical design issues will be required before the scheme commences.
- How the RSPT will be applied is not completely clear from the government materials. To our knowledge no spreadsheet templates have been provided by the government and the worked examples provided in the documentation do not appear to adequately cover the features of the system.
- We have developed models reflecting how we believe the system will operate based on documentation and answers from Treasury to our questions. However, we expect interpretation may differ between various analysts, advisers, investors and companies, which may explain the difference in estimated impacts reported in the media.

RSPT impact on CSG assets

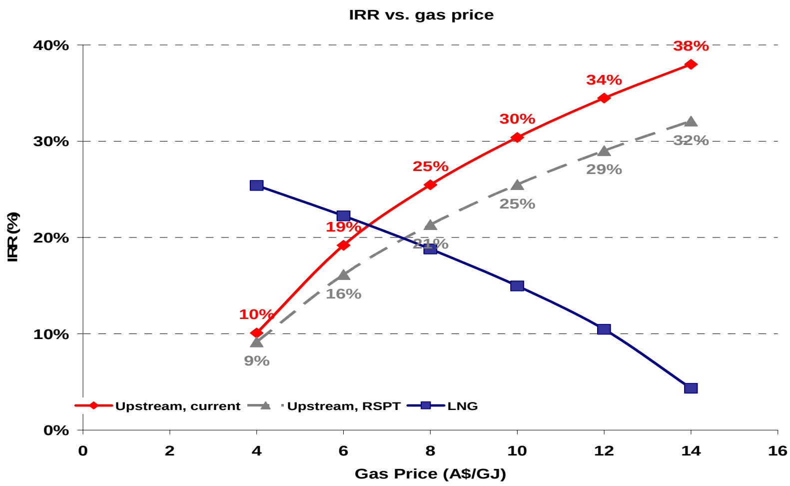
- We have estimated the impact of the RSPT and lower corporate income tax rate on the IRR and NPV of CSG assets versus the current fiscal regime (10% royalty and 30% corporate tax rate). We estimate a reduction in NPV of ~16% at gas prices which are based on IRR parity between Upstream (gas production) and Downstream (LNG liquefaction) business segments (~$A6.60/GJ from 2015+ under the current regime, increasing to ~$A7.40 /GJ under the RSPT regime).
- We have also examined the market impact on trading multiples associated with the announcement of the RSPT. We estimate a reduction in EV/3P trading multiples of ~15-20%, with the industry average reducing from ~$A0.44 /GJ to ~$A0.36.
- We now base our valuation of undeveloped 3P reserves at $A0.25/GJ (on an unrisked basis), down 20% from our pre-RSPT value of $A0.30 /GJ.
- The current design of the RSPT regime reduces the value of the Upstream segment (CSG production), while leaving the Downstream (Liquefaction) segment unchanged, assuming Gladstone gate gas prices do not change as a result of the RSPT.
- This will reduce the value of CSG resources being appraised and developed by independent gas producers. Hence the burden of the RSPT will fall disproportionally on independent gas producers who cannot access liquefaction returns, relative to the companies participating in the LNG liquefaction segment.
- Our analysis of the impact of the RSPT on CSG production as a function of gas prices, taxing points (wellhead vs. wharf / ship) and comparison with the PRRT regime is discussed in our Arrow Energy research note of 24th May 2010.

NPV impact

- We have assessed the impact for Real gas prices of $A4 /GJ to $A12 /GJ from 2015+, following the expected commencement of production from a large scale export LNG industry.
- Key assumptions common to all cases are:
  - Real 2010 oil prices of $US87 /bbl in perpetuity.
  - LNG prices reflect 80% of the oil price (a slope of 80%, equivalent to 0.138 times the oil price).
  - NPV discount rate of 11.5% nominal. NPV valuation as of 30th June 2010.
  - $US/$A forex rate declining from 0.90 to a long run rate of 0.75 by 2015.
  - Corporate tax rate of 30% decreasing to 29% in 2013/14 and 28% in 2014/15. Hence the following analysis is directed at understanding the impact of the RSPT independently of the corporate tax change. (Our analysis indicates that the impact of the tax change is small in comparison to the RSPT impact).
- In the following charts, the gas price is expressed as the gas price in Gladstone at the inlet to the LNG liquefaction plant in 2015 constant real $. The “wellhead” or field gate gas price is equal to the Gladstone price less transportation of ~$A0.70-1.00 /GJ. Hence a 2015 gas price of $4.30/GJ in Gladstone is equivalent to a field gate price of ~$A2.70/GJ in current (2010) dollars.

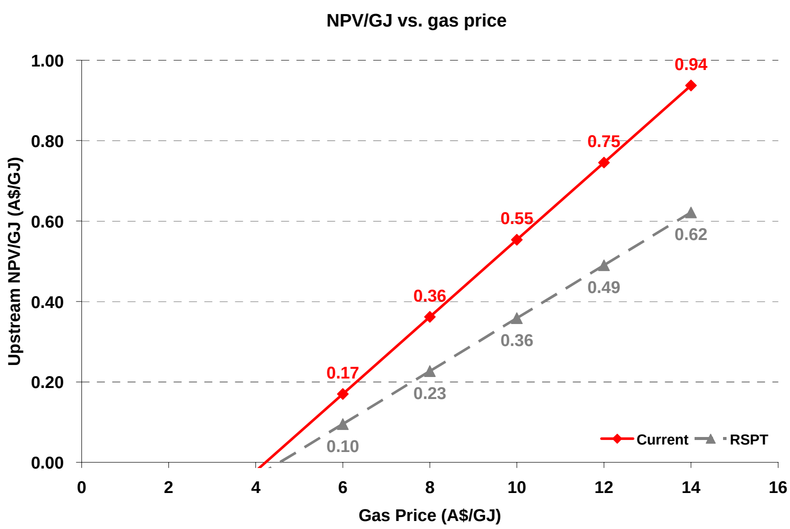
Project IRR

- The internal rate of return of the Upstream (CSG production) segment is reduced by the introduction of the RSPT. The impact is greater at higher gas prices: the reduction is 1 percentage point at $4/GJ gas (10% → 9%), 3 points at $8/GJ gas and 4 points at $12/GJ.
- There is no impact on the Downstream (LNG liquefaction) segment as it sits outside the RSPT taxing point.



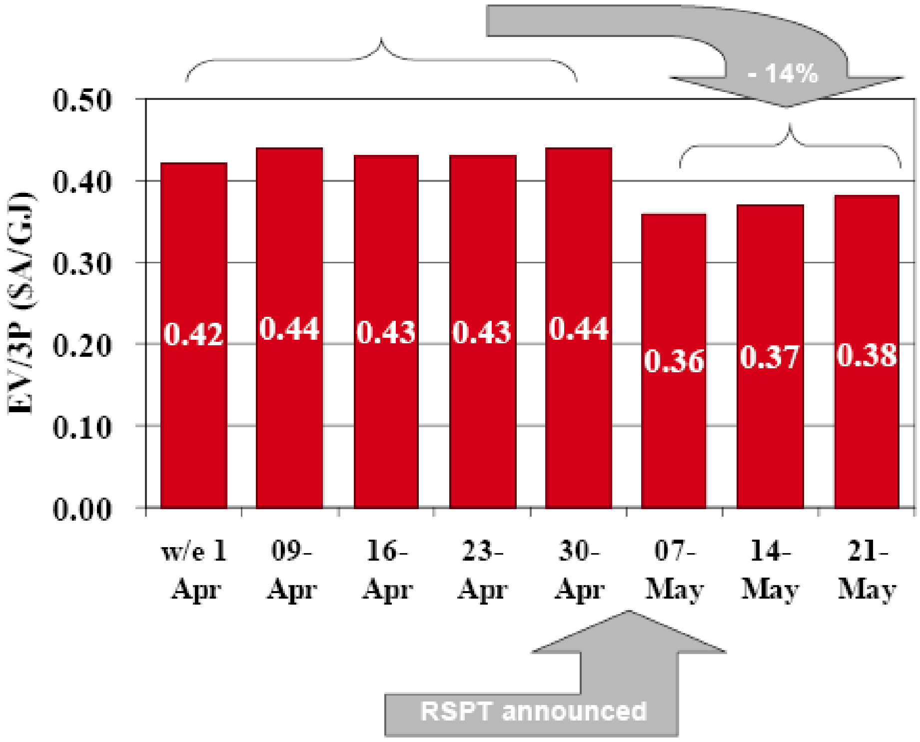
Gas NPV per GJ

- The NPV/GJ (at 11.5% nominal discount rate) of the Upstream segment is reduced by the introduction of the RSPT. The percentage impact is less at higher gas prices.
- The NPV/GJ is reduced by approximately 35% at gas prices above $A8/GJ. The impact at lower gas prices is more severe, decreasing by ~45% at $A6/GJ.
- Assuming gas prices equilibrate at around IRR parity in both cases (~$A6.60 under the current regime and ~$A7.40 under the RSPT regime), we estimate a reduction in NPV value of ~15 to 20% (from $A0.23 /GJ to $A0.19 /GJ).
- N.b. the NPV/GJ value is different that the EV/3P trading multiple because the NPV/GJ is based on the total amount of gas that is developed, where the EV/3P value effectively anticipates that more gas will be ultimately be sourced from the tenements in which the initial reserve assessments have occurred (and hence the 3P divisor is lower than the total amount of gas expected).



Market reaction to RSPT

- The average EV/3P trading multiple for the CSG sector dropped by 14% following the announcement of the RSPT regime. The drop from the close of the prior week (30th April) to the close of the following week (7th May) was 18%.



Source: Wilson HTM analysis

CSG project status: March quarterly

Project / Expl. area	BOW %	Key points
Don Juan ATP 771P/ ATP 593P	55	▪ Located in the western Surat Basin ~ 40km north of town Roma. Walloon coal project (west Surat Basin) west of BG's Lacerta field. JV with VPE. ▪ Coal is relatively shallow: depths range from 100 to 320 m. ▪ 101PJ gross (55 net) 2P and 197 PJ gross (107 PJ) of 3P certified. Assessor assumes 75% recovery & 1.03 PJ/bcf. All certified reserves to date are within ATP 771P. ▪ ATP 593P – A 2-well exploration drilling and testing program planned for late 2010. ▪ Commercialization options (such as connection to QGP at Wallumbilla ~15km east of the field, domestic LNG and local power generation) are being evaluated.
Comet Block ATP 1025P	100	▪ Permit granted effective 1 Mar 2009. ~230 km to Gladstone. ▪ 3P reserves and 2C resources initially certified based on existing coal bore and government drilling data within the permit and adjoining CSG well data (Atria, Dingonose, etc). Recent upgrades have been based on BOW's CSG wells. 3 prospects identified: extensions to or analogies of adjacent Atria (lower Fort Cooper measures), Duckworth & Dingonose fields (Rangal and upper Fort Cooper). ▪ Submitted 16 PLAs over the gas reserve areas covering Blackwater and Comet CSG Fields during the quarter. Discussions commenced with overlapping coal tenements. ▪ Comet CSG – 871PJ 3P and 439PJ 2C certified in the Rangal and Burngrove Coal Measures obtained in early March 2010. Plan to commence an initial 2P program during the June quarter. ▪ Blackwater – The initial 2P 6-appraisal well drilling program commenced in early Oct 2009. 59PJ 2P, 1,382 PJ 3P and 435 PJ 2C certified in the Rangal and Burngrove Coal Measures obtained in March 2010. This initial 2P represents 5% of the 2P potential as it is yet to be assessed over the balance of the 3P area. Appraisal drilling is continuing in the shallower central western area. Commissioned first 3 of 12 planned pilot production wells for gas supply to the Blackwater Power Project. Early gas breakout has occurred on all 3 wells with testing of completion methods underway to achieve commercial flow rates. ▪ Blackwater 30MW Power Project – Turnkey construction contract with Clarke Energy using lean burn, highly efficient GE Jenbacher gas engines. Has progressed including ordering of long lead time equipment, regulatory approvals and electrical connection. A connection application with Ergon Energy has been lodged. The connection point is on the existing 66 KV feeder between the Blackwater and Curragh Coal Mine substations. A 15km 66kV transmission line route to the connection point has been selected. Expected completion in 1QCY11. Expected gas requirement ~2PJ/yr. Clarke has constructed AOE's 30MW Daandine Power Station in 2006.
Norwich Park ATP 1031P	100	▪ Permit granted effective 1 Mar 2009. ▪ Three prospects identified (Vermont, Dysart and Norwich), analogous to nearby producing Moranbah, Annandale and South Walker Creek CSG fields. ▪ A 7-well fully cored 3P exploration program commenced in late Dec 2009 targeting multiple coal measures including Moranbah, Rangal and Fort Cooper. First core well, VM-1, was drilled to 785m and intersected 52m of coal (Fort Cooper & Moranbah) and most coals indicated high gas contents and saturation. Permeability testing to follow.
Gunyah ATP 1053P	100	▪ Subject to native title. Formal granting expected in early Jan 2010. ▪ Block is adjacent to licences held by BG (Paranui Project) and Anglo/ Mitsui/ Molopo (Timmy Project). Molopo has reported gas-in-place of 2.3 tcf for Greater Timmy area. ▪ Targeting Rangal measures at 200-800 m depth. Targeting >500 PJ 3P. ▪ Initial 3P program of 3 core holes.
Bandana ATP 1053P	100	▪ Located 70km NW of STO's Fairview CSG Field. ▪ Targets Bandana Coal Measures at 200-1,000 m depth. ▪ Plan to drill 2 exploration core holes during 2HCY10.

Conventional project status: March quarterly

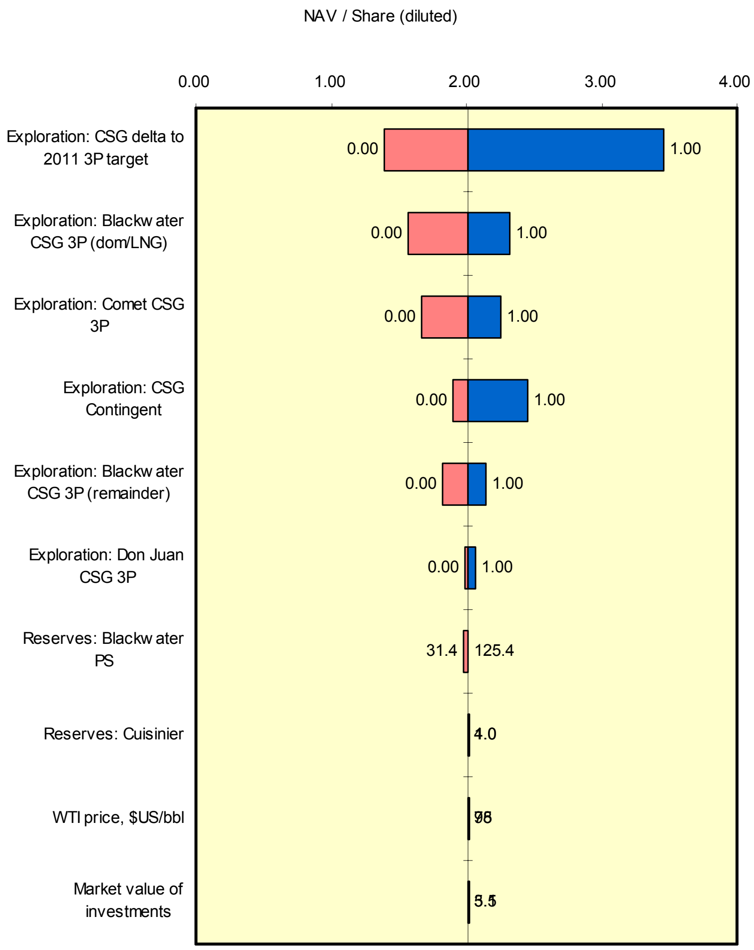
Project / Expl. area	BOW %	Key points
Cooper Basin, Barta and Wompi, ATP 752P	20→ 15	▪ BOW is fully carried on both blocks - up to 6 wells and 300 km^2 of 3D seismic by Santos and Bengal (formally Avery Resources). First 2 wells drilled resulted in Cuisinier discovery at Cuisinier 1 in the Barta Block. ▪ Barta Block – Cuisinier-1 completed but first oil delayed until June quarter due to area flooding. Expected flow at 200-300 bopd. Additional 102 km^2 3D seismic acquired to confirm the size of the Cuisinier structure, interpretation underway. Cuisinier appraisal drilling to follow production testing & 3D interpretation. 17 leads & prospects identified. ▪ Wompi Block – 200 km^2 3D seismic acquired in late 2008, processing completed and interpretation near completion. 21 leads and prospects identified. Up to 4 wells planned.
Surat-Bowen Basin, Stratton, ATP 608P	94.6 → 45.9	▪ A total of 70 leads and prospects have been identified in BOW's SW Surat areas. ▪ Mosaic Oil NL has commenced a staged farm-in program consisting of infill seismic acquisition and up to 6 earning wells ▪ Mosaic has funded 70% of a $640k 2D infill seismic (acquisition completed in May 2009). Mosaic was to fund 100% for 300km of additional seismic reprocessing in other BOW's tenements in SW Surat Basin. ▪ During the Sep Quarter, work concentrated on the Stratton block in which Mosaic has initiated its farm-in work (Mosaic operator). ▪ ATPs 664P, 706P, 807P Western Blocks & ATP 805P South Blocks – Mosaic has an option to farm in to earn 50% equity in each of these tenements. ▪ Following the acquisition of new seismic in conjunction with seismic reprocessing in ATP608P Stratton Block, Mosaic has informed BOW it intends to withdraw from the Surat Basin farm-in program.
Surat-Bowen Basin, Rookwood, ATP608P	64.9 → 42.2	▪ Modest production from Rookwood oil field ▪ Areas around the Donga and Rookwood Oil Fields are not included in the Mosaic farmin. BOW retains 94.6% and 100% working interest respectively in these 2 fields.
Central Eromanga Basin	20-100	▪ ATPs 794 & 545P (40-100%) - Highest ranked prospects: Barcoo Junction North, Moothandella (both in ATP 794P) and Glenard (ATP 545P), with combined recoverable potential of 90 mmbbl. Drilling will be contingent on a successful farm-out. ▪ ATPs 736P, 737P, 738P, 944P & 948P (20-100%) – ATP 944P granted this quarter. Native title negotiations for other permits continuing. These areas are considered lower priority than BOW's other tenements in this basin.
Clarence Morton Basin		▪ PEL 445 and ATP 644P (conventional rights only) – No additional work done. Expenditure commitments are met through CSG activities carried out by AOE on the shallower CSG targets. ▪ PEL 432 – relinquished during the quarter.
Carnarvon Basin WA-261-P	10	▪ Offshore Chamois oil field deemed uncommercial at this time (2.4 mmbbl P50, 3.9mmbbl P10). ▪ No immediate work planned.
Carnarvon EP 325	11.1	▪ Completed initial feasibility study to supply gas from the Rivoli Gas Field to fuel power generation to the nearby Defence Communication Station. Submitted to the defence Dept for review. ▪ The operator is continuing to investigate other markets.

Modelling changes

Key changes are as follows.

- RSPT and company tax changes implemented as announced.
- Valuation shifted from year end 2010 to year end 2011 reserve targets.
- Risk factor on targeted, but not yet independently certified, reserves reduced from 50% to 25% given quantum of 2011 reserve targets.
- Unrisked value of 3P reserves reduced by 20% from $A0.30 /GJ to $A0.25 /GJ.

Sensitivity analysis

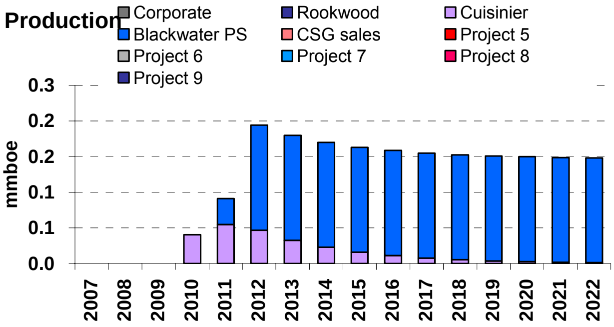


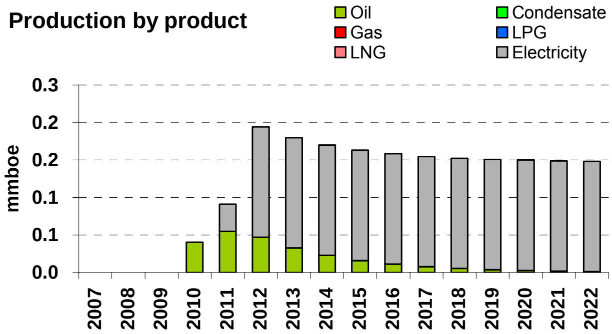
Source: Wilson HTM

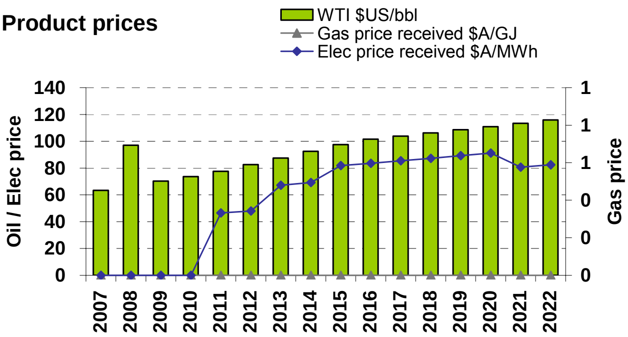
The Tornado chart shows the impact of changes in individual variables on the valuation. Variables are ranked from highest to lowest impact on the valuation and are centred on the expected (i.e. the mean) outcome. The ends of each bar correspond to the P90 (red bar) and P10 (blue bar) probability level of the variable concerned (where P90 indicates a 90 % probability of the value being above a given level). The values at the end of each bar are the values of the variable concerned at the P90 and P10 probability levels.

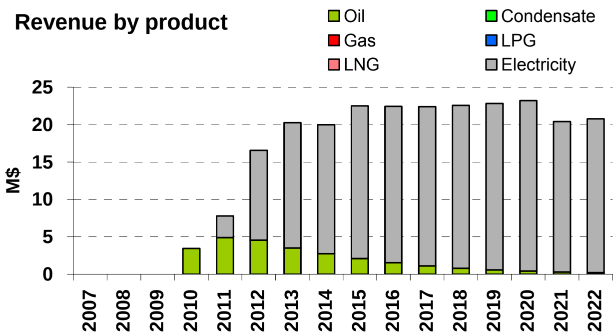
Bow Energy Limited (BOW)

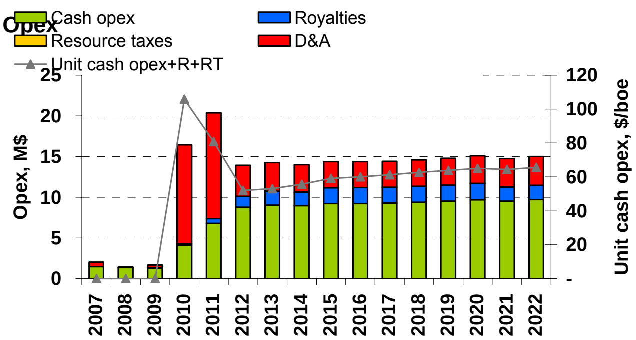
$A currency unless otherwise noted. Nominal $ basis. Year ending June.

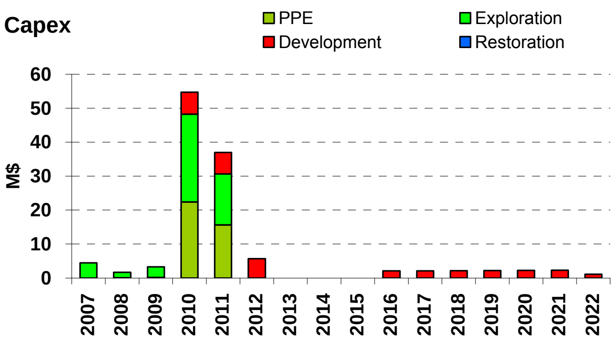


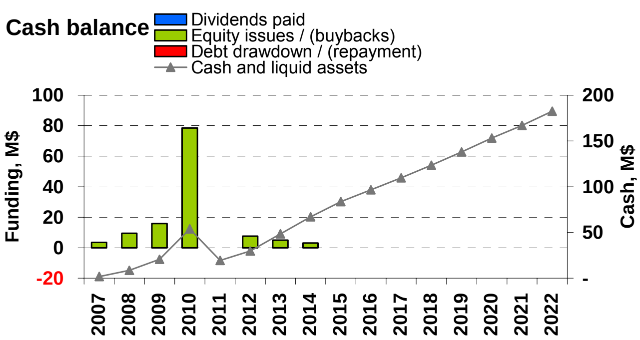


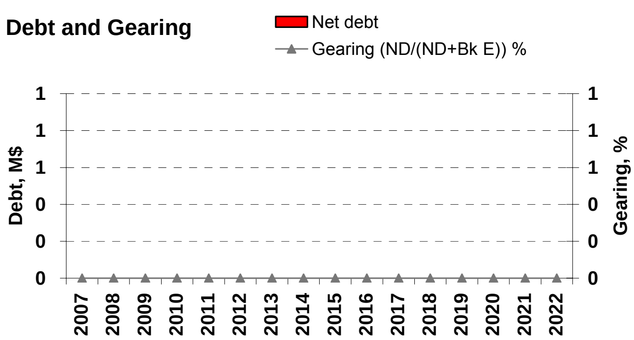












Valuation summary: BOW

Field / Well	Expected Interest %	Risk factor %	Oil volume mmbbl	Gas volume PJ	NPV value $US/boe	EMV risked M$A	EMV risked $A/sh	unrisked $A/sh	EMV risked %
DCF modelled projects									
-	-	-	-	-	-	-	-	-	-
Cuisinier	15.0	80	2	-	21.40	5	0.02	0.02	0.9
Blackwater PS	100.0	60	-	63	5.00	38	0.13	0.21	6.4
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total (attributable, risked)			**0**	**38**		**43**	**0.15**	**0.23**	**7.3**
Exploration / Appraisal									
Don Juan CSG 3P	55.0	40	-	192	1.20	11	0.04	0.09	1.8
Blackwater CSG 3P (dom/LNG)	100.0	50	-	900	1.40	125	0.42	0.84	21.0
Blackwater CSG 3P (remainder)	100.0	50	-	419	1.20	52	0.18	0.35	8.8
Comet CSG 3P	100.0	50	-	871	1.10	98	0.33	0.65	16.3
Norwich Park CSG 3P	100.0	50	-	-	-	-	-	-	-
Gunyah CSG 3P	100.0	50	-	-	-	-	-	-	-
Bandanna CSG 3P	100.0	50	-	-	-	-	-	-	-
CSG Contingent	100.0	25	-	817	1.10	46	0.15	0.61	7.7
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
CSG delta to 2011 3P target	100.0	25	-	3,087	1.10	173	0.58	2.32	29.0
CSG Prospective	100.0	-	-	1,080	1.20	0	0.00	0.90	0.0
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Conventional oil & gas	100.0	-	-	-	-	-	-	-	-
Total (attributable, risked)			**0**	**2,113**		**505**	**1.69**	**5.77**	**84.5**
Other items (corporate, cash, debt, etc)									
Total Other						**42**	**0.14**	**0.15**	**7.1**
Total DCF Valuation (diluted)			**0**	**2,151**		**591**	**2.00**	**6.15**	**100.0**

Assumptions					M$A	$A/sh	TSR, %	**Dividend** $A/sh
Forex (10 year average)	USD/AUD	0.81						
Discount rate (nominal, after tax)	%	11.5		Current market	329	1.18	-	
Number of shares (undiluted)	-	279.1	-	Valuation: base	591	2.00	69.5	
Number of shares (diluted)	-	298.6	-	low	-	-	-	
Valuation reference date		Jun-10	-	high	-	-	-	
			-	spot	-	-	-	
			-	futures	-	-	-	
			-	Price target	642	2.15	82.2	0.00

Notes

1) This table summarizes the sum-of-the-parts DCF valuation derived from the main financial model.
2) Expected interest = expected average equity interest in project based on modelled reserves and production
3) Risk = Project risk factor. This is the product of geological chance of success and commercial maturity.
   Typical risk values are ~10% for exploration, ~30-60% for appraisal, ~60-80% for development & 90-100% for production.
4) Oil volume = 2P (proved & probable) oil & condensate reserves where data are available or P50 recoverable resource.
5) NPV value = estimated NPV multiple per 2P reserves derived from the DCF model of the project or a project analogue.
6) EMV = Expected Monetary Value (= project NPV * company share * risk factor).
7) EMV/sh = EMV/fully diluted share. Dilution includes assumed future capital raisings in addition to existing options, etc.
8) unrisked = company share of project NPV assuming full success (i.e. no risk factor applied).
9) The "Low" and "High" valuation estimates are derived from Monte Carlo simulation (@ 90% and 10% probability levels).
10) TSR = total shareholder return = (12 month share price appreciation + dividends) / current share price.

Bow Energy Limited (BOW : $1.18)

PRODUCTION

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Liquids, mmbbl	0.0	0.0	0.0	0.1	0.0
Gas, PJ	0	0	0	0	0
Electricity, TWh	0.0	0.0	0.0	0.1	0.3
Total, mmboe	**0.0**	**0.0**	**0.0**	**0.1**	**0.2**

PRICES

Yr Ending June	2008A	2009A	2010E	2011E	2012E
$US/$A forex	0.90	0.75	0.89	0.88	0.85
WTI, $US/bbl	97	70	68	73	83
Gas received, $A/GJ	-	-	-	-	-
Electricity rec'd, $A/MWh	0	0	0	50	51

INVESTMENT & VALUATION FUNDAMENTALS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EPS Before Abs (c)	-0.5	-0.5	-3.8	-3.3	1.7
EPS Growth (%)	N/A	-4.3%	-679.6%	12.8%	152.0%
PER (x)	**-93.6**	**-169.4**	**-30.9**	**-35.4**	**68.2**
CFPS (c)	-0.2	-0.5	0.4	0.9	2.8
P/CF (x)	**-231.6**	**-180.4**	**318.9**	**138.8**	**41.5**
EV/EBITDA (x)	-59.2	-153.7	-292.1	336.0	41.6
DPS (c)	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%

DCF VALUATION

@	11.5 %		10.0 %	
	A$m	A$ps	A$m	A$ps
Production	0	0.00	0	0.00
Development	43	0.15	51	0.17
Appraisal	188	0.63	233	0.78
Exploration	316	1.06	400	1.34
Corporate costs	-23	-0.08	-26	-0.09
Hedge book	0	0.00	0	0.00
Interests - other entities	4	0.01	5	0.02
Franking credits (@ 50 %)	2	0.01	3	0.01
Cash	54	0.18	54	0.18
Debt + Conv. Notes	-0	-0.00	-0	-0.00
Minorities / Other	-7	-0.02	-7	-0.02
Additional Capital - Dilution	13	0.04	13	0.04
Total Valuation - Fully Diluted	**591**	**2.00**	**726**	**2.43**

Valuation as of 31st December 2009

PROFITABILITY RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EBIT / Sales (%)	-255.4%	-371.6%	-429.2%	-154.7%	23.9%
ROA (%)	N/A	-6.4%	-30.1%	-15.2%	4.3%
ROE (%)	N/A	-2.5%	-14.4%	-8.7%	4.5%
ROFE (%)	N/A	-6.8%	-31.3%	-15.6%	4.4%

INTERIMS (A$m)

Half Yr	Dec 08	Jun 09	Dec 09	Jun 10	Dec 10
Yr Ending June	**1H A**	**2H A**	**1H A**	**2H E**	**1H E**
Sales Revenue	0.2	0.2	0.8	2.3	2.4
EBIT	-0.5	-0.7	-1.0	-12.2	-12.3
Net Profit	**-0.3**	**-0.5**	**10.5**	**-10.4**	**-11.1**
EPS	-0.2	-0.3	-0.4	-3.5	-3.7

1. Gearing = (Debt + CNotes) / (Debt + Cnotes + Equity)

BALANCE SHEET (A$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Cash	8.5	20.6	53.8	19.4	29.8
Total Assets	25.4	41.5	120.7	110.8	123.5
Debt	0.0	0.0	0.0	0.0	0.0
Total Liabilities	0.9	1.4	1.9	1.9	1.9
Total Shareholders Equity	24.5	40.1	118.8	108.9	121.6
Total Funds Employed	15.9	19.4	65.0	89.4	91.8

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Debt / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing (%) [1]	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Cover (x)	2.8	3.1	6.8	6.3	-3.2
Debt / CashFlow (x)	0.0	0.0	0.0	0.0	0.0
(Debt+CNotes)/ CashFlow	0.0	0.0	0.0	0.0	0.0

PROFIT & LOSS (A$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Sales Revenue	0.4	0.3	3.1	7.8	16.5
EBITDA	-1.0	-1.1	-1.0	1.0	7.8
Depn and Amortisation	0.0	0.1	12.2	13.0	3.8
EBIT	**-1.0**	**-1.2**	**-13.2**	**-12.0**	**3.9**
Net Interest Expense	-0.4	-0.4	-1.9	-1.9	-1.2
Pre-tax Profit	**-0.7**	**-0.8**	**-11.2**	**-10.1**	**5.2**
Tax	0.0	0.0	0.1	-0.1	0.0
Tax rate (%)	0.0%	0.0%	-1.3%	1.5%	0.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
Net Profit	**-0.7**	**-0.8**	**-11.4**	**-9.9**	**5.2**
Abnormals	0.0	0.0	11.5	0.0	0.0
Reported Net Profit	-0.7	-0.8	0.1	-9.9	5.2

CASHFLOW (A$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Operating Cash Flow	-0.3	-0.8	1.1	2.5	8.5
Capital Expenditure	0.0	-0.2	-28.9	-22.0	-5.7
Expln, Develop, Evaln	-1.6	-3.1	-25.9	-15.0	0.0
Asset Sales/Acquisitions	-0.7	0.6	8.4	0.0	0.0
Other	-0.2	-0.2	-0.1	0.0	0.0
Investing Cash Flow	-2.5	-2.9	-46.4	-37.0	-5.7
Share Issues/(Buybacks)	9.6	16.6	80.8	0.0	7.6
Debt Drawdown (Repay)	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Other Fin. Flows	-0.2	-0.8	-2.2	0.0	0.0
Financing Cash Flow	9.4	15.8	78.5	0.0	7.6
Cash Increase (Decrease)	6.7	12.1	33.2	-34.4	10.4

EARNINGS SENSITIVITIES - % CHANGE

Yr Ending June	2008A	2009A	2010E	2011E	2012E
+10% $US/$A					
+10% oil price					
+10% gas price					
+10% electricity price					

Recommendation Structure

BUY: Total return +10% or more over a 12 month period
HOLD: Total return expected to be between +10% to -10% over a 12-month period
SELL: Total return expected to be -10% or more over a 12 month period
TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

Other definitions

CS Coverage Suspended. Wilson HTM Ltd has suspended coverage of this company.
NR Not Rated. The recommendation has been suspended temporarily. Such suspension is in line with Wilson HTM Investment Group Ltd policies in circumstances where Wilson HTM Corporate Finance Ltd is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations.

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The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in Bow Energy Limited. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Bow Energy Limited in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.

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Wilson HTM Corporate Finance Ltd acted as lead manager and underwriter of the November 2009 placement and share purchase plan for Bow Energy Limited and will earn fees for acting in this capacity.

WHTM Corporate Finance Ltd acted as underwriter and advisor of the February 2009 rights issue by Bow Energy Limited and earned fees for acting in this capacity.

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