

Comments

Valuation: \$1.04/sh

We have upgraded COE to a Buy based on its excellent recent Cooper Basin exploration/appraisal results, underpinning future cash flows to support its quality international portfolio.

Based on Kurnia-1 (COE 30%) wireline log data, fractures appear to be present throughout the full 300m+ Kujung carbonate reservoir section. The fractures in the upper section appear to correlate with the hydrocarbon shows observed whilst drilling which indicates the potential to flow.

The current operation is preparing to flow test the well to determine if commercial oil or gas will flow to the surface.

Kurnia-1 is targeting gross P50 recoverable volumes of 200 mmbbls recoverable oil or 2 TCF gas which could be worth >\$3/sh to COE in both oil or gas scenarios. At the P90 or low case on each, Kurnia could be worth >1/sh.

The nature of carbonate reservoirs differs from traditional sandstone reservoirs as they tend to produce from fractures (if present) within tight rocks, rather than within the pores of sandstones.

The Gurame-6x (COE 22.5%) is due to be drilled in March. The Gurame gas field is located offshore shallow water Northern Sumatra and has five well penetrations, all of which have recovered oil or gas.

Interpretation of 3D seismic has confirmed potential volumes of up to 2.7 TCF for the field – this could be worth >\$2.00/sh to COE given gas prices in the region net >US\$4/mcf. The well will be drilled with oil-based mud (rather than water-based) to achieve free gas flows.

Seismic processing and interpretation is well underway in both COE's offshore Tunisian permits (COE 35 & 100%). We expect the key prospects to emerge in the June Q with a farmout and drilling of 2-3 wells likely in the FY'09.

Investment Case

There is still a lot of information to be obtained before a conclusion can be reached from Kurnia-1 – we expect this to be known this month. Importantly, all of Kurnia's upside still exists and we do know an active hydrocarbon section with fracturing is at play which is very encouraging.

Potential short term share price catalysts will centre around the Kurnia-1 result and the lead up to Gurame drilling. We expect buying support for Gurame-6x, which has a 75% chance of success and has the potential to add a further >\$2/sh to COE.

Any commercial gas discovery in the Seruway PSC could be developed through the under-utilised Arun LNG facilities (2 out of 6 trains fully utilised) located 50km to the NW or into local markets directly onshore. There are numerous discoveries, prospects and leads within the PSC which require further seismic which is planned in the June H'08 with exploration wells likely to follow in the FY'09. Well costs are very manageable at ~US\$12m gross.

Tunisia is undoubtedly the "sleeper" in COE's exploration portfolio. Value should be realised gradually through prospect identification, farmout to larger company (Bargou) and drilling in FY'09. Whilst we have attributed \$0.19/sh to Tunisia at this stage, we envisage the two blocks in Tunisia will add >\$1/sh in the medium to long term.

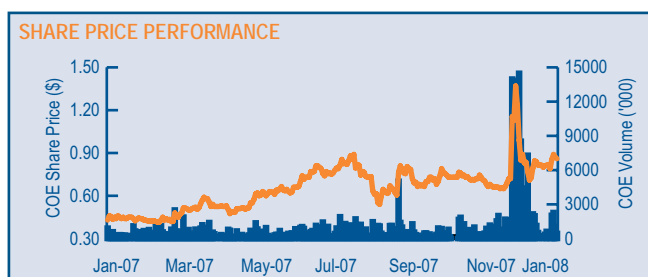
Our confidence in COE's future cash flows has increased significantly over the last Q following a very successful program at Callawonga, Warrior (dev't) and Parsons. We expect COE will at least double production to >1,500 bopd this Q (v's 750 bopd average for FY'07) to net >\$20m pa cash flow over the next two years at least.

Over the long term we hold a high level of confidence that COE's management and technical team can deliver a portfolio of international producing assets to compliment its high impact exploration opportunities.

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Cooper Energy during the last year. Euroz Securities has received a fee for these services.

TOP 20 SHAREHOLDERS		AS AT 4 JANUARY 2008	
Shareholders	Shares (m)	(%)	
1 National Nominees Limited	18.56	7.36	
2 J P Morgan Nominees Australia Limited	15.16	6.01	
3 HSBC Custody Nominees (Australia) Limited	14.15	5.61	
4 ANZ Nominees Limited	10.25	4.06	
5 HSBC Custody Nominees (Australia) Limited	7.44	2.95	
6 Citicorp Nominees Pty Limited	6.16	2.44	
7 Mr Phillip R Davies + Ms Sharon V Davies	5.23	2.07	
8 Celtic Trust Company Limited	5.00	1.98	
9 UBS Wealth Management Australia Nominees Pty Ltd	3.24	1.29	
10 Mr Gregory George Hancock	3.00	1.19	
11 RBC Dexia Investor Services Australia Nom Pty Ltd	2.06	0.82	
12 Kavel Pty Ltd	1.78	0.70	
13 Bainpro Nominees Pty Limited	1.70	0.67	
14 Escor Investments Pty Ltd	1.70	0.67	
15 Vanez Holdings Pty Ltd	1.61	0.64	
16 Sydney Fund Managers Limited	1.50	0.59	
17 Citicorp Nominees Pty Limited	1.38	0.55	
18 Marford Group Pty Ltd	1.30	0.52	
19 UBS Nominees Pty Ltd	1.28	0.51	
20 Citicorp Nominees Pty Ltd	1.26	0.50	
TOTAL	103.75	41.13	

MARKET STATISTICS		
Share Price	\$0.80 AS/sh	Directors
Issued Capital		L Shervington
FP Ord*	252.3m	M Scott
Opt (@ \$0.43/sh ave)	5.4m	G Hancock
Total Dil. FPOrd	271.7m	C Porter
		S Abbot
		Ch'n
		CEO
		Exec Dir
		Non Exec Dir
		Non Exec Dir
Market Capitalisation	\$200m	Shareholders
Enterprise Value	\$130m	Acorn Capital 5.5%
Debt	nil	RAB Capital 5.0%
Cash	\$70m	



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SECURITIES LIMITED

AUSTRALIAN RESEARCH

COOPER ENERGY (COE)		YEAR END 30 JUNE				
ASSET VALUATION		A\$m	A\$/sh			
Western Flank Fields (25%)	49	0.18				
Worrior (30%)	8	0.03				
South Madura PSC	30	0.11				
Seruwai PSC	34	0.13				
Bargou PSC	22	0.08				
Hammamet PSC	29	0.11				
Investments	5	0.02				
Corporate	(7)	(0.03)				
Exploration	25	0.09				
Unpaid Capital	17	0.06				
Debt	-	-				
Cash	70	0.26				
Total @ 10% nom	282	1.04				
Total @ 0% nom	288	1.06				
Total @ 5% nom	295	1.09				
Total @ 15% nom	277	1.02				
Valuation @ spot (10% nom)	305	1.12				
Valuation @ 10 year average (10% nom)	257	0.95				
FORECAST PRODUCTION		2007a	Dec H'07f	2008f	2009f	2010f
Attrib. Prod'n (mboe)						
Western Flank fields	138.8	65.0	224.7	355.9	329.4	
Worrior	118.1	54.8	120.5	112.3	91.0	
Total Attrib (mboe)	256.9	119.8	345.2	468.2	420.4	
Assumptions						
Avg Oil Price (US\$/bbl)	63.3	83.0	86.5	75.0	62.5	
US\$:A\$	0.78	0.87	0.87	0.85	0.83	
Cash Cost (A\$m)						
Western Flank fields	19.2	20.0	20.0	20.0	20.0	
Worrior	33.2	35.0	35.0	35.0	35.0	
Ave Cash Cost (A\$/boe)	25.6	26.9	25.2	23.6	23.2	
Ave Total Cost (A\$/boe)	35.1	43.0	43.0	31.2	32.4	
RATIO ANALYSIS		2007a	Dec H'07f	2008f	2009f	2010f
CF (A\$m)	2	5	20	22	15	
CF / Sh (Ac/sh)	1	2	8	8	5	
CF Ratio (x)	53	-	11	10	15	
Earnings (A\$m)	6	3	9	14	9	
EPS (Ac/sh)	3	1	3	5	3	
EPS Growth (%)	-41%	0%	-7%	57%	-30%	
Earnings Ratio (x)	23	-	25	16	23	
E'prise Val. (A\$m)	107	138	139	155	168	
EV : EBITDA (x)	10	-	7	6	10	
EV : EBIT (x)	16	-	15	10	16	
Net Debt / ND+Eq (%)	-45%	0%	-179%	-137%	-103%	
Interest Cover (x)	n/a	-	n/a	n/a	n/a	
EBIT Margin (%)	33%	0%	29%	40%	35%	
ROE (%)	11%	0%	9%	17%	14%	
ROA (%)	12%	0%	9%	18%	15%	
Div. (Ac/sh)	-	-	-	-	-	
Div. payout ratio	-	-	-	-	-	
Div. Yield	-	-	-	-	-	
Div. Franking	-	-	-	-	-	

PROFIT & LOSS	2007a	Dec H'07f	2008f	2009f	2010f
Oil Equivalent Sales	20	11	33	39	30
Deferred Revenue	-	-	-	-	-
Interest Revenue	1	1	3	4	3
Other Revenue	0	-	-	-	-
TOTAL REVENUE	22	11	36	43	33
Operating Costs	7	3	9	11	10
Dep/Amort	2	2	6	4	4
Writeoffs (explor)	1	1	5	5	2
Corp O/H	3	2	4	4	4
Provisions	1	-	-	-	-
EBITDA	11	6	21	24	16
EBIT	7	3	10	15	10
Interest Expense	-	-	-	-	-
NPBT	8	4	12	19	13
Tax	3	1	4	6	4
NPAT	6	3	9	14	9
Minority Interest	-	-	-	-	-
NET PROFIT	6	3	9	14	9
Net Abnormal Loss after Tax	-	-	-	-	-
Net Profit After Abnormal	6	3	9	14	9
DIVISIONAL EBIT	2007a	Dec H'07f	2008f	2009f	2010f
Western Flank fields	7	3	13	21	15
Worrior	4	2	5	3	1
Other (Corp & Expl'n)	(4)	(3)	(9)	(9)	(6)
Total EBIT	7	3	10	15	10
CASHFLOW	2007a	Dec H'07f	2008f	2009f	2010f
+ Net Profit	6	3	9	14	9
+ Working Capital Adjustment	(4)	-	-	-	-
+ Dep/Amort	2	2	6	4	4
+ Provisions, W/O	2	1	5	5	2
+ Tax Expense	3	1	4	6	4
- Tax Paid	6	2	3	6	4
- Deferred Revenue	-	-	-	-	-
= Operating Cashflow	2	5	20	22	15
-Capex + Development	3	5	7	3	3
-Exploration	6	7	22	35	25
-Assets Purchased	-	4	4	-	-
+Asset Sales	-	2	2	-	-
+Other	(6)	-	-	-	-
= Investing Cashflow	(14)	(15)	(31)	(38)	(28)
+ Equity Issues	1	57	57	-	-
+Loan Drawdown/Receivable	-	-	-	-	-
+Other	-	-	-	-	-
-Loan Repayment	-	-	-	-	-
-Dividends	(1)	-	-	-	-
= Financing Cashflow	2	57	57	(6)	(13)
Period Surplus	(10)	47	46	(16)	(13)
Adj. FX effects	(1)	-	-	-	-
CASH	15	62	61	46	33
BALANCE SHEET	2007a	Dec H'07f	2008f	2009f	2010f
Assets					
Cash	15	62	61	46	33
Current Receivables	8	8	8	8	8
Other Current Assets	1	1	1	1	1
Non-Current Assets	30	33	31	30	28
Total Assets	54	105	101	84	70
Liabilities					
Borrowings	-	-	-	-	-
Current Accounts Payable	3	3	3	3	3
Non-Current Liabilities	2	2	2	2	2
Other Liabilities	1	1	1	1	1
Total Liabilities	5	5	5	5	5
Net Assets	49	99	96	79	65
OIL RESERVES (2P)			Oil	Gas	Total
			mmbbls	bcf	mmboe
Western Flank fields			1.5	-	1.5
Worrior			0.8	-	0.8
Total			2.3	-	2.3
EV / boe (A\$)					57

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