

Cooper Energy Ltd

(COE \$0.26) Buy

Comments

Price Target: \$0.67/sh

COE's production is currently at its highest ever level of >1,500 bopd. This is due to an increase in efficiency as a result of the Callawonga-Tantanna pipeline completion last year and a number of development wells at Callawonga and Parsons coming online.

The recent Callawonga-5 & 6 appraisal/development wells (COE 25%) have exceeded expectations with 6 and 10m oil columns respectively. Reserves and production will increase as a result.

The Cooper Basin exploration program has started with Gunyah-1 being dry. The next well Perlubie-1, set to be drilled shortly will also target modest reserves ~1 mmbbls gross on the Callawonga-Parsons trend. Any success close to the current production hub is high margin oil with production costs running ~A\$22/bbl.

A rig slot for COE's Hammamet block, offshore Tunisia (COE earning 35%) is expected to be secured shortly with a Sept Q'09 spud likely. The 3D delineated prospect to be drilled is Fuschia, targeting P50 volumes of ~40 mmbbls.

COE's other offshore Tunisian position, the Bargou block (COE 100%) is currently undergoing a farmout process with COE attempting to receive free-carried wells (1 or 2) in return for a 40-50% retained position.

An opportunity to drill a 23 mmbbl prospect onshore Bargou Block later this year is available to COE if it chooses. The well cost is only US\$2-5m and further seismic could cost ~US\$0.7m – very manageable for COE given its cash position.

COE hold 26.9% of Incremental Petroleum (IPM) following an attempted takeover late last year. At this stage we expect COE to wait and see whether Transatlantic Corp's \$1.05/sh cash bid becomes unconditional before considering its position. We maintain that IPM would be a good fit with COE taking a long term view, but at current prices IPM would struggle to meet its forward commitments.

At current oil prices (US\$35/bbl & 0.67 FX) we forecast \$12m operating cash flow for this CY.

Investment Case

COE is undervalued v's our valuation of \$0.67/sh. It is currently trading at an EV/1P reserves multiple of A\$8/bbl, and furthermore, our valuation of cash, investments and proven developed reserves is \$0.36/sh.

As a result of the stronger than expected oil production we have upgraded our FY'09 production to 400 kbbls (from 380 kbbls). This has added ~10% to our current H cash flow forecast (now \$11m).

A farmout is possible on the Bargou Block (COE 100%) at the end of the current Q, reducing COE's drilling exposure and should confirm at least the \$0.10/sh valuation currently held for the block. If achieved, we expect a mid-sized experienced operator will come in based on the interest COE has received on this block over the past 18 months.

COE's Tunisian portfolio prospect sizes vary from 10 mmbbls to >300 mmbbls recoverable oil – these could add multiples to the current share price at assumed equity positions of 35% and 50% for the Hammamet and Bargou PSC's respectively.

The key catalysts this year look likely to be the Tunisian wells and any corporate activity (Incremental or other assets).

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Top 20 Shareholders as at 9 January 2009

Shareholders	Shares (m)	(%)
1 JP Morgan Nominees Australia Limited	36.48	12.50
2 National Nominees Limited	20.65	7.07
3 Zero Nominees Pty Ltd	10.75	3.68
4 HSBC Custody Nominees (Australia) Ltd	9.65	3.31
5 Citicorp Nominees Pty Ltd	4.88	1.67
6 ANZ Nominees Limited	4.26	1.46
7 Celtic Trust Company Limited	3.26	1.12
8 Mr Phillip Royston Davies	3.25	1.11
9 Mr Gregory George Hancock	3.00	1.03
10 Cogent Nominees Pty Ltd	2.67	0.91
11 RBC Dexia Investor Svcs Aust Nom Pty Ltd	2.59	0.89
12 Mrs Lucy Koumidis	2.54	0.87
13 Kavel Pty Ltd	2.22	0.76
14 UBS Wealth Mgt Australia Nom Pty Ltd	2.04	0.70
15 Citicorp Nominees Pty Ltd	1.72	0.59
16 Vanez Holdings Pty Ltd	1.61	0.55
17 ANZ Nominees Limited	1.59	0.55
18 Sydney Fund Managers Limited	1.50	0.51
19 Marford Group Pty Ltd	1.48	0.51
20 Marford Group Pty Ltd	1.48	0.51
TOTAL	117.59	40.30

Market Statistics

Share Price	\$0.26 A\$/sh	Directors	
Issued Capital		L Shervington	Ch'n
FP Ord	291.9 m	M Scott	MD
Opt (@ \$0.87/sh ave)	19.9 m	G Hancock	Exec Dir
		C Porter	Non Exec Dir
		S Abbott	Non Exec Dir
Total Dil. FPOrd	292.4 m	Shareholders	
Market Capitalisation	\$76m	Kinetic	7.0%
Enterprise Value	\$11m	Acorn Capital	6.6%
Debt	nil		
Cash	\$65m		

Share Price Performance



Resources Quarterly ▶ January 2009

Cooper Energy Ltd

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SECURITIES LIMITED

AUSTRALIAN RESEARCH

COOPER ENERGY LTD (COE)		YEAR END 30 JUNE				
		A\$M	A\$/sh			
ASSET VALUATION						
Western Flank Fields (25%)		27	0.09			
Worrior (30%)		4	0.01			
South Madura PSC		5	0.02			
Bargou PSC		26	0.09			
Hammamet PSC		29	0.10			
Investments		22	0.08			
Working Capital		5	0.02			
Corporate		(12)	(0.04)			
Exploration		25	0.09			
Unpaid Capital		0	0.00			
Debt		-	-			
Cash		65	0.22			
Total @ 10% nom		196	0.67			
Total @ 0% nom		198	0.68			
Total @ 5% nom		200	0.68			
Total @ 15% nom		194	0.66			
Valuation @ spot (10% nom)		184	0.63			
Valuation @ 10 year average (10% nom)		193	0.66			
FORECAST PRODUCTION	2008a	Jun H'09f	2009f	2010f	2011f	
Attrib. Prod'n (mboe)						
Western Flank fields	214.8	159.7	305.7	303.4	281.0	
Worrior	165.3	43.8	94.5	74.9	60.7	
Total Attrib (mboe)	380.1	203.5	400.1	378.3	341.7	
Assumptions						
Avg Oil Price (US\$/bbl)	96.9	50.0	69.2	69.2	60.0	
US\$:A\$	0.90	0.70	0.74	0.75	0.80	
Cash Cost - excl royalties (A\$m)						
Western Flank fields	4.4	3.4	6.4	6.4	5.9	
Worrior	4.3	1.0	2.2	1.7	1.4	
Ave Cash Cost (A\$/boe)	22.8	21.4	21.5	21.4	21.4	
Ave Total Cost (A\$/boe)	37.2	33.8	33.9	33.7	33.7	
RATIO ANALYSIS						
	2008a	Jun H'09f	2009f	2010f	2011f	
CF (A\$m)	27	11	20	17	12	
CF / Sh (Ac/sh)	10	4	7	6	4	
CF Ratio (x)	5	-	4	4	7	
Earnings (A\$m)	6	2	(5)	10	5	
EPS (Ac/sh)	2.4	0.7	(1.6)	3.5	1.7	
EPS Growth (%)	-31%	0%	-170%	-311%	-52%	
Earnings Ratio (x)	20	-	(16)	7	15	
E'prise Val. (A\$m)	45	8	8	23	25	
EV : EBITDA (x)	2	-	0	1	3	
EV : EBIT (x)	4	-	(1)	2	7	
Net Debt / ND+Eq (%)	-127%	0%	-141%	-115%	-118%	
Interest Cover (x)	n/a	-	n/a	n/a	n/a	
EBIT Margin (%)	26%	0%	-34%	29%	14%	
ROE (%)	6%	0%	-4%	10%	5%	
ROA (%)	9%	0%	-9%	9%	3%	
Div. (Ac/sh)	-	-	-	-	-	
Div. payout ratio	-	-	-	-	-	
Div. Yield	-	-	-	-	-	
Div. Franking	-	-	-	-	-	
OIL RESERVES (1P)						
		Oil	Gas	Total		
		mmbbls	bcf	mmboe		
Western Flank fields		1.0	-	1.0		
Worrior		0.4	-	0.4		
Total		1.4	-	1.4		
EV / boe (A\$)				8		

PROFIT AND LOSS	2008a	Jun H'09f	2009f	2010f	2011f
Oil Equivalent Sales	43	14	36	35	25
Deferred Revenue	2	-	(2)	-	-
Interest Revenue	3	2	4	4	3
Other Revenue	0	-	-	-	-
TOTAL REVENUE	49	16	38	39	28
Operating Costs	13	6	13	12	10
Dep/Amort	4	3	5	5	4
Writeoffs (explor)	12	3	23	3	2
Corp O/H	4	3	5	5	5
Provisions	2	-	-	-	-
EBITDA	29	6	16	18	10
EBIT	12	1	(11)	10	3
Interest Expense	-	-	-	-	-
NPBT	15	3	(7)	15	7
Tax	9	1	(2)	4	2
NPAT	6	2	(5)	10	5
Minority Interest	-	-	-	-	-
NET PROFIT	6	2	(5)	10	5
Net Abnormal Loss after Tax	-	-	-	-	-
Net Profit After Abnormal	6	2	(5)	10	5
DIVISIONAL EBIT	2008a	Jun H'09f	2009f	2010f	2011f
Western Flank fields	16	4	14	15	9
Worrior	10	1	4	3	2
Other (Corp & Expl'n)	(13)	(5)	(30)	(8)	(7)
Total EBIT	12	1	(11)	10	3
CASH FLOW	2008a	Jun H'09f	2009f	2010f	2011f
+ Net Profit	6	2	(5)	10	5
+ Working Capital Adjustment	-	-	-	-	-
+ Dep/Amort	4	3	5	5	4
+ Provisions, W/O	13	3	23	3	2
+ Tax Expense	9	1	(2)	4	2
- Tax Paid	3	(3)	3	5	2
- Deferred Revenue	2	-	(2)	-	-
= Operating Cashflow	27	11	20	17	12
-Capex + Development	7	1	3	3	3
-Exploration	18	5	9	30	10
-Assets Purchased	14	-	5	-	-
+Asset Sales	1	-	-	-	-
+Other	2	-	-	-	-
= Investing Cashflow	(36)	(6)	(17)	(33)	(13)
+ Equity Issues (Rts,plc,opts)	58	-	-	-	-
+Loan Drawdown/Receivable	-	-	-	-	-
+Other	-	-	-	-	-
-Loan Repayment	-	-	-	-	-
-Dividends	-	-	-	-	-
= Financing Cashflow	58	-	-	-	-
Period Surplus	49	4	4	(15)	(1)
Adj. FX effects	-	-	-	-	-
CASH	65	68	68	53	52
BALANCE SHEET	2008a	Jun H'09f	2009f	2010f	2011f
Assets					
Cash	65	68	68	53	52
Current Receivables	15	15	15	15	15
Other Current Assets	4	4	4	4	4
Non-Current Assets	46	44	44	41	40
Total Assets	130	131	131	114	111
Liabilities					
Borrowings	-	-	-	-	-
Current Accounts Payable	7	7	7	7	7
Non-Current Liabilities	4	4	4	4	4
Other Liabilities	3	3	3	3	3
Total Liabilities	14	14	14	14	14
Net Assets	115	117	117	99	97

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