Cooper Energy Limited

(COE $0.68) Speculative Buy

EUROZ SECURITIES LIMITED

AUSTRALIAN RESEARCH

Comments

Price Target: $0.92/sh

COE has a high level of activity ahead - 8 wells are scheduled over the next 6 months in Indonesia and the Cooper Basin.

Kurnia-1 (COE 30%) currently drilling has the potential to add >$5/sh through multiple exploration and appraisal zones.

The Gurame gas appraisal well scheduled for Dec'07 is targeting 2.7 TFC, could add >$2.50/sh.

Tunisia exploration potential should be realised over the next year through seismic interpretation and a material farmout.

The recent Callawonga-2 (COE 25%) flows of ~5,000 bopd provides increased confidence in current year earnings.

Cooper Basin production currently nets annual cash flows ~$10m, largely funding COE's planned exploration and development expenditure.

COE has a solid management and technical team with significant in-country experience in SE Asia.

Investment Case

Shareprice catalysts primarily revolve around results from exploration wells in Indonesia and Australia. A good buying opportunity should emerge post Kurnia-1 (next month or two) as COE's shareprice should appreciate into the Seruway drilling program due to commence in December at this stage.

The South Madura PSC (COE 30%) is an onshore block with very prospective geology, located immediately to the north of STO's Jeruk and Oyong oil & gas discoveries. We view this block as a long term proposition beyond the current Kurnia-1 well - seismic underway should highgrade a number of prospects for a 1-2 well exploration drilling program next year.

The Kurnia-1 well (COE 30%) is currently drilling – results are expected over the next few weeks. Two key reservoir targets exist: a shallow gas horizon appraising an offset well, 256 bcf; and a deeper oil horizon yet to be penetrated in the region, 200 mmbbls – potential value add from these two horizons at pre-drill estimates is >$0.50/sh and >$5/sh respectively.

The Seruway PSC (COE 22.5%) provides significant appraisal upside from later this year. The Gurame gas field is located offshore shallow water Northern Sumatra and has five well penetrations, all of which have recovered oil or gas. Seismic (3D) completed in the June H'07 has firmed up a well location for drilling (December) and confirmed potential volumes of up to 2.7 TCF for the field – this could be worth >$2.50/sh to COE given gas prices in the region net >US$3/mcf.

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 leads and prospects 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 (COE 100%) is undoubtedly the "sleeper" in COE's exploration portfolio. Value should be realised gradually through prospect identification, farmout to larger company and drilling in FY'09. Whilst we have attributed only $0.06/sh to Tunisia at this stage, a farmout could realise $0.15-$0.20/sh (through third party exploration funding).

COE's commercial expertise and risk management have been highlighted by the South Madura acquisition and subsequent farmdown to a free-carried 30% position (through Kurnia-1 drilling and Dec H'07 seismic costs). We expect the early entry into the Bargou Block in Tunisia will also crystallise value prior to drilling.

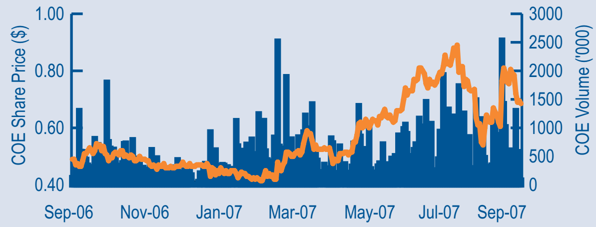
TOP 20 SHAREHOLDERS — AS AT 14 SEPTEMBER 2007

	Shareholders	Shares (m)	(%)
1	HSBC Custody Nominees (Australia) Limited	9.15	5.84
2	National Nominees Limited	8.14	5.19
3	Mr Phillip R Davies + Ms Sharon V Davies	5.23	3.33
4	Celtic Trust Company Limited	5.00	3.19
5	ANZ Nominees Limited	3.05	1.95
6	Sydney Fund Managers Limited	2.00	1.28
7	HSBC Custody Nominees (Australia) Limited	1.72	1.10
8	Citicorp Nominees Pty Limited	1.70	1.09
9	Vanez Holdings Pty Limited	1.60	1.02
10	Mr Gregory George Hancock	1.50	0.96
11	Kavel Pty Limited	1.49	0.95
12	Citicorp Nominees Pty Limited	1.41	0.90
13	Mrs Tracy Michele Kleemann	1.10	0.70
14	Forty Traders Limited	1.05	0.67
15	UBS Wealth Management Aust Nom Pty Limited	1.04	0.66
16	Primdonn Nominees Pty Limited	1.00	0.64
17	L J Thomson Pty Limited	0.84	0.53
18	Mr PauL Evans	0.79	0.50
19	Citicorp Nominees Pty Limited	0.76	0.49
20	Mr David Banovich + Mrs Beverly Banovich	0.70	0.45
	TOTAL	49.26	31.44

MARKET STATISTICS

Share Price	$0.68 A$/sh	**Directors**	
Issued Capital		L Shervington	Ch'n
FP Ord	156.5m	M Scott	CEO
Opt (@ $0.43/sh ave)	8.9m	G Hancock	Exec Dir
Total Dil. FPOrd	165.4m	C Porter	Non Exec Dir
		S Abbot	Non Exec Dir
Market Capitalisation	$109m		
Enterprise Value	$94m	**Shareholders**	
Debt	nil	Acorn Capital	5.5%
Cash	$15m	RAB Capital	5.0%

SHARE PRICE PERFORMANCE



Cooper Energy Limited

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COOPER ENERGY (COE)		YEAR END 30 JUNE
ASSET VALUATION	A$m	A$/sh
Western Flank Fields (25%)	19	0.12
Worrior (30%)	6	0.04
South Madura PSC	40	0.24
Seruway PSC	34	0.21
Tunisia PSC	10	0.06
Investments	5	0.03
Corporate	(7)	(0.04)
Exploration	25	0.15
Unpaid Capital	4	0.02
Debt	-	-
Cash	15	0.09
Total @ 10% nom	151	0.92
Total @ 0% nom	154	0.93
Total @ 5% nom	158	0.95
Total @ 15% nom	149	0.90
Valuation @ spot (10% nom)	170	1.03
Valuation @ 10 year average (10% nom)	139	0.84

FORECAST PRODUCTION	2007a	Dec H'07f	2008f	2009f	2010f
Attrib. Prod'n (mboe)					
Western Flank fields	138.8	65.0	165.4	185.9	172.1
Worrior	118.1	54.8	120.5	112.3	91.0
Total Attrib (mboe)	256.9	119.8	285.9	298.3	263.1
Assumptions					
Avg Oil Price (US$/bbl)	63.3	75.0	72.5	62.5	52.5
US$:A$	0.8	0.8	0.8	0.8	0.8
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	26.3	25.6	25.2
Ave Total Cost (A$/boe)	35.1	39.4	39.8	39.1	43.1

RATIO ANALYSIS	2007a	Dec H'07f	2008f	2009f	2010f
CF (A$m)	2	4	11	9	7
CF / Sh (Ac/sh)	1	2	7	6	4
CF Ratio (x)	53	-	10	12	17
Earnings (A$m)	6	3	6	5	2
EPS (Ac/sh)	3	2	4	3	1
EPS Growth (%)	-41%	0%	14%	-25%	-67%
Earnings Ratio (x)	23	-	18	23	70
E'prise Val. (A$m)	107	94	91	92	96
EV : EBITDA (x)	10	-	7	9	14
EV : EBIT (x)	16	-	12	16	78
Net Debt / ND+Eq (%)	-45%	0%	-51%	-51%	-40%
Interest Cover (x)	n/a	-	n/a	n/a	n/a
EBIT Margin (%)	33%	0%	34%	26%	7%
ROE (%)	11%	0%	13%	10%	4%
ROA (%)	12%	0%	15%	11%	3%
Div. (Ac/sh)	-	-	-	-	-
Div. payout ratio	-	-	-	-	-
Div. Yield	-	-	-	-	-
Div. Franking	-	-	-	-	-

PROFIT & LOSS	2007a	Dec H'07f	2008f	2009f	2010f
Oil Equivalent Sales	20	10	23	21	17
Deferred Revenue	-	-	-	-	-
Interest Revenue	1	1	1	1	1
Other Revenue	0	-	-	-	-
TOTAL REVENUE	22	11	24	22	18
Operating Costs	7	3	8	8	7
Dep/Amort	2	2	4	4	5
Writeoffs (explor)	1	1	1	1	1
Corp O/H	3	2	3	3	3
Provisions	1	-	-	-	-
EBITDA	11	5	13	11	7
EBIT	7	3	8	6	1
Interest Expense	-	-	-	-	-
NPBT	8	4	9	7	2
Tax	3	1	3	2	1
NPAT	6	3	6	5	2
Minority Interest	-	-	-	-	-
NET PROFIT	6	3	6	5	2
Net Abnormal Loss after Tax -	-	-	-	-	
Net Profit After Abnormal	6	3	6	5	2

DIVISIONAL EBIT	2007a	Dec H'07f	2008f	2009f	2010f
Western Flank fields	7	4	8	8	5
Worrior	4	2	4	2	0
Other (Corp & Expl'n)	(4)	(2)	(4)	(4)	(4)
Total EBIT	7	3	8	6	1

CASHFLOW	2007a	Dec H'07f	2008f	2009f	2010ff
+ Net Profit	6	3	6	5	2
+ Working Capital Adjustment (4)	-	-	-	-	
+ Dep/Amort	2	2	4	4	5
+ Provisions, W/O	2	1	1	1	1
+ Tax Expense	3	1	3	2	1
- Tax Paid	6	2	3	3	1
- Deferred Revenue	-	-	-	-	-
= Operating Cashflow	2	4	11	9	7
-Capex + Development	3	1	2	2	3
-Exploration	6	4	8	8	8
-Assets Purchased	-	-	-	-	-
+Asset Sales	-	-	-	-	-
+Other	(6)	-	-	-	-
= Investing Cashflow	(14)	(5)	(10)	(10)	(11)
+ Equity Issues (Rts,plc,opts) 1	-	-	-	-	
+Loan Drawdown/Receivable -	-	-	-	-	
+Other	-	-	-	-	-
-Loan Repayment	-	-	-	-	-
-Dividends	(1)	-	-	-	-
= Financing Cashflow	2	-	-	-	-
Period Surplus	(10)	(1)	1	(1)	(4)
Adj. FX effects	(1)	-	-	-	-
CASH	15	15	16	15	11

BALANCE SHEET	2007a	Dec H'07f	2008f	2009f	2010f
Assets					
Cash	15	15	16	15	11
Current Receivables	8	8	8	8	8
Other Current Assets	1	1	1	1	1
Non-Current Assets	30	29	28	26	24
Total Assets	54	53	53	50	44
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	48	48	45	39

OIL RESERVES (2P)	Oil mmbls	Gas bcf	Total mmboe
Western Flank fields	0.5	-	0.5
Worrior	0.5	-	0.5
Total	1.0	-	1.0
EV / boe (A$)			94

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