

COOPER GO-AHEAD ON KURNIA

- Nations Petroleum has agreed to farm into 15% of Cooper Energy's 45% interest in South Madura PSC, Indonesia.
- Cooper Energy secures forward benefits totaling US\$6.15 million, including a free-carry on the forthcoming Kurnia-1 well and the 2007 2D seismic program.
- Cooper Energy retains a material 30% interest in South Madura PSC and a low-cost Indonesian operating base, which will be used to manage the PSC and aggressively target new business opportunities in Indonesia.
- This farm out is consistent with Cooper Energy's strategy of managing technical, financial and geological risk and further optimises the value of Cooper Energy's exploration portfolio.
- The farm out assists in preserving Cooper Energy's future cash position, enhancing its ability to secure new growth opportunities.

Australian-based oil and gas producer Cooper Energy Limited (**ASX: COE**) has further optimised its international exploration portfolio after today announcing that it has farmed out 15% of its 45% interest in the onshore **South Madura** Production Sharing Contract (PSC) in Indonesia's East Java Basin.

The farm-out provides Cooper Energy with a free-carry through the forthcoming **Kurnia-1** well (saving US\$4.1 million) and the 2007 2D seismic program (saving US\$1.5 million) – as well as receiving a payment of back costs of US\$0.55 million. This results in a package of financial benefits totaling US\$6.15 million.

In addition, the Company will take over 100% ownership of the South Madura Exploration Company, which provides a low-cost operating office in Indonesia. This office will continue to operate the South Madura PSC while at the same time providing a base to aggressively pursue additional exploration and production opportunities within Indonesia.

Cooper Energy said the farm-out was consistent with its business strategy of managing technical, financial and geological risks and would assist in preserving its financial capacity, enabling it to pursue new growth opportunities in Australia and overseas. Cooper Energy retains a significant (30%) exposure to the South Madura PSC, including the high-potential Kurnia-1 well, which will be drilled in the near future targeting undiscovered reserves of 199 million barrels of oil and 256 Bscf of gas.

Cooper Energy has secured the farm-out agreement with Nations Petroleum, a substantial private oil and gas company with interests in California, Azerbaijan and Indonesia. Nations Petroleum recently divested a project in Kazakhstan for US\$1.9 billion. As part of the farm out negotiations, Nations Petroleum has offered to use its core organisation skills to take the lead during the development and production phases of any discovery, which fits with Cooper Energy's business strategy of maintaining a lean and low-cost operating structure. This arrangement has the potential to further provide value to Cooper Energy.

Cooper Energy's Chief Executive Officer, Mr Michael Scott, said the South Madura farm-out added considerable value to the Company, mitigating risk and enhancing its capacity to pursue new growth opportunities. "We are extremely pleased with the outcome of these negotiations, which will see us free-carried and highly leveraged in the drilling of a high risk-high reward oil and gas prospect and a 2D seismic program, we secure a partner whose core strengths are in development and production operations and we retain a significant exposure to any discovery within the PSC. As a consequence of the farm out, we preserve our cash and we enhance our organisational capabilities within Indonesia with a view to increasing our presence in the country."

The South Madura PSC covers the southern half of Madura Island, Indonesia, some 120km north-west of Bali in the East Java Basin. The block lies immediately to the north of the Jeruk and Oyong oil and gas fields. The Kurnia-1 prospect lies in the south of the PSC and has two target horizons – an upper horizon at approximately 1,260m which is expected to contain gas within the Ngrayong sandstone and an oil target within the Kujung carbonate platform of the lower horizon at 3,020m. If discovered, the Ngrayong gas prospect has the potential to yield 256 billion standard cubic feet of recoverable gas and the Kujung oil prospect has the potential to yield 199 million barrels of recoverable oil (both estimates P50). There are other formation horizons in the well that also have the potential to yield oil or gas discoveries and any gas discovery would be expected to contain condensate, adding to the value of any gas development.

The Operator has identified a number of suitable rigs to drill the Kurnia-1 well, with an announcement expected in March 2007 to confirm that a rig has been secured. Once the rig has been secured, a firm spud date will be released.

Subject to Indonesian Government approval of the farm-out, the final participating interests in the South Madura PSC will be:

South Madura Exploration Company (100% owned by Cooper Energy and operator)	30%
Nations Petroleum	60%
PT Eksindo	10%

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BACKGROUND INFORMATION

Cooper Energy Limited (ASX: **COE**) is a successful Australian-based oil and gas production and exploration company with a strong growth focus. Based in Perth, Western Australia, Cooper Energy is listed on the Australian Stock Exchange. The company was listed on the ASX in March 2002.

During the 2005-06 financial year, Cooper Energy posted a net profit of A\$9.4 million after tax with record oil sales revenue of \$32.6 million generated from the production of 354,086 barrels of oil from its Cooper Basin operations. At the end of the same period, the Company had cash reserves of A\$26 million, no debt and no forex or oil price hedging, providing full exposure to a strong oil price environment.

Cooper Energy's strategy is to leverage off the strong cash generation of its Cooper Basin operations to build a substantial risk managed Australian and international oil and gas portfolio that will underpin its next stage of growth.

The Company is continuing to seek new oil and gas opportunities in its focus areas of Australia, South East Asia and North Africa and is working to mature its exploration portfolio in order to deliver high quality prospects for drilling.

Cooper Energy's primary objective is to "Create Shareholder Wealth" and the outstanding consistent results to date demonstrate Cooper Energy's commitment to this objective.

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