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Cooper Energy Ltd (COE \$0.45) Buy

- ▶ **Price Target:** \$0.71/sh
- ▶ **Reason For Update:** Sept Qt'ly
- ▶ **What we know:**

Production for the Q was 136 kbbls (v's 131 kbbls for the June Q).

Cash grew during the period to \$95m (v's \$93m). COE has no debt.

The Menzel Horr exploration prospect, onshore Tunisia has been firmed up as a 2010 drilling candidate.

The BPT/COE PEL 92 JV (COE 25%) has approved a 2D and 3D seismic program to mature further exploration and appraisal prospects drilling in CY'10.

- ▶ **What we think:**

COE's Sept Q Cooper Basin oil production and revenues were in line with our forecasts – we have left our FY'10 forecast of 492 kbbls unchanged.

Production from the recent Perlubie South and Butlers discoveries (yet to come online) will keep the plateau of 5,000 – 6,000 bopd (gross) from the western flank fields going through in to next CY.

Activity for the next 12 months will focus on COE's Tunisian portfolio - very high impact wells and potentially farmout news from its 100% owned Bargou Block.

Few companies have the leverage to upcoming exploration wells that COE does in Tunisia. In the success case, >\$2/sh of additional value can be added.

The firm well details are:

- Fuchsia-1 (COE 35%) is a 3D delineated offshore prospect targeting the 48 mmbbls gross P50 recoverable (17 mmbbls net to COE) – success could be worth >\$0.50/sh to COE.
- Menzel Horr-1 (COE 100%) is a 2D delineated onshore prospect targeting 24 mmbbls gross P50 recoverable - success could be worth >\$1.50/sh.

At this stage, timing of wells is: Fuchsia-1 in January and Menzel Horr in the Sept Q'10. Wells costs net to COE assuming the current equity interests are US\$7m and US\$5m respectively.

We had expected Menzel Horr potential volumes closer to 10 mmbbls, so 24 mmbbls is a pleasant surprise. On the downside, timing looks to have slipped by a Q or so to the Dec H'10.

A gas exploration well in Indonesia looks likely in April following the wet season. Giger East-1 (COE 30%), an onshore well will target 32 bcf gross recoverable gas (cost ~US\$1.5m net to COE) with success worth \$0.05 – 0.10/sh.

Something to watch out for in coming months will be the maturing of the West Hammamet project in the offshore portion of the Bargou Block in Tunisia (COE 100%). It is an appraisal project that has low risk potential for 70 mmbbls recoverable oil from two reservoirs intersected by a previous operator. A 3D seismic program is needed and a well may be proposed for next year with COE likely to farm down its stake in return for drilling costs. Upside potential for COE is very large from West Hammamet.

► **Investment Case:**

Upcoming catalysts for COE will centre on its Tunisian exploration drilling program. Rig contracting, well spuds and results will be the main news flow items to look out for. Trading opportunities should arise on the expected share price ramp-up prior to drilling its high impact wells.

COE remains in great shape - production and cash are at record levels and production is showing no signs of falling off any time soon given the recent discovery rate. The stock is undervalued v's our valuation of \$0.71/sh. Our valuation of cash (\$93m) and proven developed reserves is \$0.53/sh.

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.

Weekly Informer

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SECURITIES LIMITED

AUSTRALIAN RESEARCH

COOPER ENERGY LTD (COE)		YEAR END 30 JUNE				
MARKET STATISTICS						
Share Price	\$0.45 A\$/sh	Directors				
Issued Capital		L Shervington - Ch'n				
FP Ord	292.4m	M Scott - MD				
Opt (@ \$0.87/sh ave)	19.4m	G Hancock - Exec Dir				
		C Porter - Non Exec Dir				
		S Abbott - Non Exec Dir				
Total Dil. FPOrd	292.6m					
Market Capitalisation	\$132m	Shareholders				
Enterprise Value	\$37m	Acorn Capital 6.6%				
Debt	nil					
Cash	\$95m					
ASSET VALUATION						
	A\$m	A\$/sh				
Western Flank Fields (25%)	55	0.19				
Worrior (30%)	6	0.02				
South Madura PSC	5	0.02				
Bargou PSC	13	0.04				
Hammamet PSC	15	0.05				
Working Capital	5	0.02				
Corporate	(12)	(0.04)				
Exploration	25	0.09				
Unpaid Capital	0	0.00				
Debt	-	-				
Cash	95	0.32				
Total @ 10% nom	206	0.71				
Total @ 0% nom	223	0.76				
Total @ 5% nom	214	0.73				
Total @ 15% nom	203	0.69				
F/CAST PRODUCTION (A\$m)						
	2009a	Dec H'09f	2010f	2011f	2012f	
Attrib. Prod'n (mboe)						
Western Flank fields	390.1	216.7	422.0	380.3	252.9	
Worrior	92.1	37.0	70.2	56.9	46.1	
Total Attrib (mboe)	482.2	253.7	492.2	437.2	299.0	
Assumptions						
Avg Oil Price (US\$/bbl)	69.8	72.5	76.3	85.0	90.0	
US\$:A\$	0.75	0.85	0.85	0.85	0.85	
Cash Cost - excl royalties (A\$m)						
Western Flank fields	8.2	4.6	8.9	8.0	5.3	
Worrior	2.1	0.8	1.6	1.3	1.1	
Ave Cash Cost (A\$/boe)	21.4	21.3	21.3	21.3	21.3	
Ave Total Cost (A\$/boe)	28.3	29.7	29.6	29.5	29.7	
RATIO ANALYSIS (A\$m)						
	2009a	Dec H'09f	2010f	2011f	2012f	
CF (A\$m)	22	10	22	27	18	
CF / Sh (Ac/sh)	7	4	8	9	6	
CF Ratio (x)	6	-	6	5	8	
Earnings (A\$m)	(3)	8	8	15	11	
EPS (Ac/sh)	(1.0)	2.6	2.9	5.2	3.9	
EPS Growth (%)	-141%	0%	-400%	80%	-26%	
Earnings Ratio (x)	(46)	-	16	9	12	
E'prise Val. (A\$m)	35	44	43	30	24	
EV : EBITDA (x)	1	-	2	1	1	
EV : EBIT (x)	40	-	8	2	3	
Net Debt / ND+Eq (%)	-312%	0%	-312%	-379%	-424%	
Interest Cover (x)	n/a	-	n/a	n/a	n/a	
EBIT Margin (%)	2%	0%	13%	36%	29%	
ROE (%)	-2%	0%	7%	12%	8%	
ROA (%)	1%	0%	4%	11%	6%	
Div. (Ac/sh)	-	-	-	-	-	
Div. payout ratio	-	-	-	-	-	
Div. Yield	-	-	-	-	-	
Div. Franking	-	-	-	-	-	

PROFIT AND LOSS (A\$m)	2009a	Dec H'09f	2010f	2011f	2012f
Oil Equivalent Sales	42	21	44	43	31
Deferred Revenue	-	-	-	-	-
Interest Revenue	4	3	6	6	7
Other Revenue	0	-	-	-	-
TOTAL REVENUE	46	25	50	50	39
Operating Costs	11	8	15	14	10
Dep/Amort	4	2	4	4	3
Writeoffs (explor)	21	2	14	5	5
Corp O/H	5	3	5	5	5
Provisions	-	-	-	-	-
EBITDA	25	11	23	24	17
EBIT	1	8	6	16	9
Interest Expense	-	-	-	-	-
NPBT	5	11	12	22	16
Tax	8	3	4	7	5
NPAT	(3)	8	8	15	11
Minority Interest	-	-	-	-	-
NET PROFIT	(3)	8	8	15	11
Net Abnormal Loss after Tax	-	-	-	-	-
Net Profit After Abnormal	(3)	8	8	15	11
DIVISIONAL EBIT (A\$m)					
	2009a	Dec H'09f	2010f	2011f	2012f
Western Flank fields	20	10	21	23	16
Worrior	4	1	3	3	3
Other (Corp & Expl'n)	(23)	(4)	(19)	(10)	(10)
Total EBIT	1	8	6	16	9
CASH FLOW (A\$m)					
	2009a	Dec H'09f	2010f	2011f	2012f
+ Net Profit	(3)	8	8	15	11
+ Working Capital Adjustment	-	-	-	-	-
+ Dep/Amort	4	2	4	4	3
+ Provisions, W/O	21	2	14	5	5
+ Tax Expense	8	3	4	7	5
- Tax Paid	8	4	7	3	6
- Deferred Revenue	-	-	-	-	-
= Operating Cashflow	22	10	22	27	18
-Capex + Development	3	1	3	3	1
-Exploration	7	15	25	10	10
-Assets Purchased	9	-	-	-	-
+Asset Sales	25	-	-	-	-
+Other	-	-	-	-	-
= Investing Cashflow	7	(16)	(28)	(13)	(11)
+ Equity Issues (Rts,plc,opts)	-	-	-	-	-
+Loan Drawdown/Receivable	-	-	-	-	-
+Other	-	-	-	-	-
-Loan Repayment	-	-	-	-	-
-Dividends	-	-	-	-	-
= Financing Cashflow	-	-	-	-	-
Period Surplus	29	(6)	(5)	15	7
Adj. FX effects	-	-	-	-	-
CASH	93	88	88	103	110
BALANCE SHEET (A\$m)					
	2009a	Dec H'09f	2010f	2011f	2012f
Assets					
Cash	93	88	88	103	110
Current Receivables	12	12	12	12	12
Other Current Assets	0	0	0	0	0
Non-Current Assets	31	30	29	28	27
Total Assets	136	130	130	143	148
Liabilities					
Borrowings	-	-	-	-	-
Current Accounts Payable	5	5	5	5	5
Non-Current Liabilities	4	4	4	4	4
Other Liabilities	4	4	4	4	4
Total Liabilities	13	13	13	13	13
Net Assets	123	117	117	130	135
OIL RESERVES (2P)					
		Oil	Gas	Total	
		mmbbls	bcf	mmboe	
Western Flank fields		1.5	-	1.5	
Worrior		0.4	-	0.4	
Total		1.9	-	1.9	
EV / boe (A\$)					19