Hartleys

Cooper Energy Limited — Speculative Buy

Cooper Basin Surprises on the Upside

Date
4 October 2007

ASX Code
COE

Share Price
73cps

Valuation
120cps

Market Cap (fully diluted)
$114.2m ($120.7m)

Issued Capital (fully diluted)
156.5m shares (165.401m)

Cash (as at 30 June 2007)
$15.28m

Management
Michael Scott (Chief Exec Officer)
Greg Hancock (Exec Director)

Top Two Shareholders
Westpac Custodian Nominees (6.8%)
National Nominees (6.3%)

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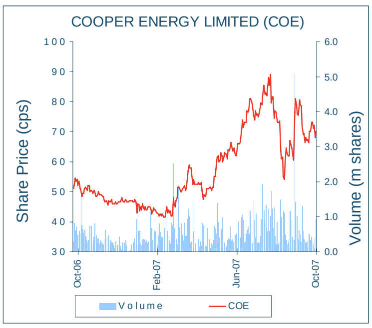
Share Price Performance



Source: Iress

Cooper Energy Limited ("Cooper", "COE", "Company") has recently reported exceptional flow rates from two development wells in the Callawonga field in the Cooper Basin (COE 25%). These wells were drilled to appraise/develop the field in response to its discovery in 2006. The two wells, Callawonga-2 and Callwonga-3, have produced production test flow rates of 4,992 and 5,660bopd respectively. This is significantly higher than the 1,400bopd achieved at Callawonga-1, the discovery well. Additionally, development wells in the Worrior field (COE 30%) have had continued success, supporting production from that field.

We have upgraded our base case valuation to 120cps (previously 95cps) to take into account the higher production rates that Cooper can expect from its Cooper Basin assets, together with an upgrade of the valuation of the Indonesian assets as they are closer to delivering important newsflow. We value the Cooper Basin assets as worth 20cps to COE (previously 7cps), due to production from the Callawonga field going from ~1,400bopd to modelled production of some 7,000bopd as a result of recent drilling success. This rate could be increased by a decision to install a pipeline to the field, which could be completed by end of CY2007. This will depend on the results of Callwonga-4.

*The Cooper Basin 'cash engine' continues to grow, exceeding expectations. With the impending intersection of the primary objective at Kurnia-1 (Indonesia) and an active 12 months drilling ahead, we reaffirm our recommendation for **Cooper Energy Limited** as a **Speculative Buy**.*

Investment Highlights

- **Kurnia-1 Result Expected End of October** – The Kurnia-1 well is drilling ahead towards the primary target in the deeper Kujung carbonate; which is estimated, at P50 level, to contain up to 200mmbl of recoverable oil. This follows on from oil and gas shows throughout the drilling of this well. We estimate Kurnia-1 is worth 33cps to COE on a risked basis.
- **Seruway PSC drilling late Q4 CY2007** – COE has planned to drill Gurame-6 by the end CY2007. Cooper has assessed the probability of success of Gurame-6 at 75%. Gurame-6 is estimated to be worth 37cps to Cooper on a risked basis, based on a 400BCF discovery.
- **Callawonga-4 To Spud in Next Two Weeks –** This is the final well for CY2007 at Callawonga and should confirm and upgrade recoverable reserves at Callawonga, as well as potentially increase production rates.

year ending 30 June		FY2007A	FY2008F	FY2009F	FY2010F
Revenue	A$m	21.9	47.4	29.5	11.9
EBITDA	A$m	8.4	31.2	18.9	6.8
NPAT	A$m	5.5	18.9	11.4	4.3
Free Cash Flow	A$m	(0.5)	11.5	22.1	8.5
EPS	A¢	3.5	11.8	7.1	2.7
EPS Growth	% chg	(19.4)	(47.6)	234.7	(40.0)
PER	x	19.8	5.9	9.9	25.9
DPS	cents	-	-	-	-
Dividend Yield	%	-	-	-	-
Franking	%	-	-	-	-

Sources: IRESS, Company Announcements, Hartleys' Estimates

Cooper Energy Limited

COE

Share Price **$0.73**

October 2007

SPECULATIVE BUY

Key Market Information

Share Price	**$0.73**
Market Capitalisation	$114m
52 Week High-Low	$0.91-$0.37
Issued Capital	156.5m
Issued Capital (fully diluted inc. ITM options)	165.4m
Options	12.6m@$A0.37
Hedging	-
Yearly Turnover/Volume	$85.0m/140.5m shares
Liquidity Measure (Yearly Turnover/Issued Capital)	90%
Valuation	**$1.20**

Financial Performance

Financial Performance	Unit	FY2007A	FY2008F	FY2009F	FY2010F
Net Revenue	**A$m**	**21.9**	**47.4**	**29.5**	**11.9**
Total Costs	**A$m**	**(13.5)**	**(16.2)**	**(10.7)**	**(5.1)**
EBITDA	A$m	8.4	31.2	18.9	6.8
Depreciation/Amort	A$m	(1.0)	(4.9)	(4.0)	(3.0)
EBIT	**A$m**	**7.4**	**26.3**	**14.8**	**3.7**
Net Interest	A$m	0.7	0.8	1.4	2.5
Pre-Tax Profit	**A$m**	**8.0**	**27.1**	**16.2**	**6.2**
Tax Expense	A$m	**(2.5)**	**(8.1)**	**(4.9)**	**(1.9)**
NPAT	**A$m**	**5.5**	**18.9**	**11.4**	**4.3**
Abnormal Items	A$m	-	-	-	-
Reported Profit	A$m	**5.5**	**18.9**	**11.4**	**4.3**

Financial Position

Financial Position	Unit	FY2007A	FY2008F	FY2009F	FY2010F
Cash	**A$m**	**15.3**	**27.2**	**49.3**	**57.9**
Other Current Assets	A$m	9.0	14.6	7.2	4.4
Total Current Assets	**A$m**	**24.3**	**41.8**	**56.5**	**62.3**
Property, Plant & Equip.	A$m	9.1	9.4	8.2	9.1
Exploration	A$m	15.5	20.2	17.4	15.4
Investments/other	A$m	5.4	5.4	5.4	5.4
Tot Non-Curr. Assets	**A$m**	**30.0**	**35.0**	**31.0**	**30.0**
Total Assets	**A$m**	**54.3**	**76.8**	**87.5**	**92.3**
Short Term Borrowings	A$m	-	-	-	-
Other	A$m	3.4	3.0	1.5	1.3
Total Curr. Liabilities	**A$m**	**3.4**	**3.0**	**1.5**	**1.3**
Long Term Borrowings	A$m	1.6	5.2	6.0	6.5
Other	A$m	0.3	0.3	0.3	0.3
Total Non-Curr. Liabil.	**A$m**	**1.8**	**5.4**	**6.3**	**6.7**
Total Liabilities	**A$m**	**5.2**	**8.5**	**7.8**	**8.0**
Net Assets	**A$m**	**49.1**	**68.4**	**79.7**	**84.3**

Cashflow

Cashflow	Unit	FY2007A	FY2008F	FY2009F	FY2010F
Operating Cashflow	A$m	2.1	25.2	24.8	9.4
Income Tax Paid	A$m	-	(4.5)	(4.1)	(1.4)
Interest & Other	A$m	1.1	0.8	1.4	2.5
Operating Activities	**A$m**	**3.2**	**21.5**	**22.1**	**10.5**
Property, Plant & Equip.	A$m	(2.2)	(2.0)	-	(2.0)
Exploration	A$m	(1.4)	(8.0)	-	-
Investments	A$m	(3.2)	-	-	-
Investment Activities	**A$m**	**(14.5)**	**(10.0)**	**-**	**(2.0)**
Repayment of Borrowings	A$m	-	-	-	-
Equity	A$m	0.8	0.9	-	0.2
Financing Activities	**A$m**	**0.8**	**0.9**	**-**	**0.2**
Net Cashflow	**A$m**	**(10.5)**	**12.4**	**22.1**	**8.6**

Ratio Analysis

Ratio Analysis	Unit	FY2007A	FY2008F	FY2009F	FY2010F
Cashflow Per Share	A¢	4.2	14.9	9.6	4.6
Cashflow Multiple	X	17.4	4.9	7.6	15.9
Earnings Per Share	A¢	3.5	11.8	7.1	2.7
Price to Earnings Ratio	X	20.6	6.2	10.3	27.0
Dividends Per Share	A¢	-	-	-	-
Dividend Yield	%	-	-	-	-
Interest Cover	X	na	na	-	-
Return on Equity	%	11%	28%	14%	5%

Directors

Laurie Shervington (Chairman)
Michael Scott (MD & CEO)
Greg Hancock (Exec. Dir)
Christopher Porter (Non-Exec. Dir)
Stephen Abbott (Non-Exec Dir)

Company Information

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Top 10 Shareholders

Top 10 Shareholders	m shares	%
Westpac Custodian Nominees Limited	9.51	6.8
National Nominees Limited	8.87	6.3
ANZ Nominees Limited	4.33	3.1
Citicorp Nominees Pty Limited	3.08	2.2
Sydney Fund Managers Limited	2.00	1.4
Vanez Holdings Pty Ltd	2.00	1.4
Colonial First State	1.70	1.2
UBS Wealth Management Nominees	1.55	1.1
Mr Gregory George Hancock	1.50	1.1
Mrs Tracey Michelle Kleeman	1.10	0.8

Reserves & Resources

Reserves & Resources (as at 2/8/2006)	Ultimate Recovery	Production	P50 Reserves
Worrior	1.04	0.56	0.48
Christies	0.46	0.23	0.23
Sellicks	0.16	0.07	0.09
Silver Sands	0.03	-	0.03
Callawonga	0.40	-	0.40
Totals	**2.09**	**0.86**	**1.22**

Production Summary

Production Summary	Unit	FY2007A	FY2008F	FY2009F	FY2010F
*Attributable					
Oil - West Texas Int' (OIL)	000bbl	272.4	550.7	352.8	154.6
Gas	Mcf	-	-	-	-
Condensate	000bbl	-	-	-	-
LPG	000bbl	-	-	-	-

Price Assumptions

Price Assumptions	Unit	FY2007A	FY2008F	FY2009F	FY2010F
Gas	$A/GJ	3.58	3.83	4.25	4.50
Condensate	$US/bbl	-	70.00	67.50	62.50
Oil - West Texas Int' (OIL)	US$/bbl	63.36	70.00	67.50	62.50
Exchange Rate	A$/US$	0.79	0.84	0.83	0.82

Hedging

Hedging	Unit	FY2007A	FY2008F	FY2009F	FY2010F
Total Forward Sales - Oil	bbl	-	-	-	-
Forward Oil Price	A$/bbl	-	-	-	-

Sensitivity Analysis

Sensitivity Analysis	Valuation ($/s)	NPAT	EPS (¢)	CFPS (¢)
Base Case	**1.20**	**18.9**	**11.8**	**14.9**
Oil Price +10%	1.22	21.9	13.7	16.7
Oil Price -10%	1.17	16.0	10.0	13.1
Operating Costs +10%	1.19	18.2	11.4	14.4
Operating Costs -10%	1.20	19.7	12.3	15.4

**N.B. NPAT, EPS, CFPS forecasts are for FY2008*

Share Price Valuation (NAV)

Share Price Valuation (NAV)	Est. $m	Est. $/share
Cooper Basin Assets	32.9	0.20
Exploration	20.0	0.12
South Madusa PSC	55.0	0.33
Seruway PSC	61.3	0.37
Cash	15.3	0.09
Net Receivables	7.8	0.05
Investments - Mosaic	4.5	0.03
Forwards	0.0	0.00
Corporate Overheads	(1.8)	(0.01)
Total Debt	0.0	0.00
Tax Losses	0.0	0.00
Options & Other Equity	2.9	0.02
Total	**197.7**	**1.20**

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Last Updated: 04/10/2007

Sources: Iress, Company Announcements, Hartleys Estimates

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Hartleys Recommendation Categories

Strong Buy	Significant share price appreciation anticipated
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but is considered high risk
Accumulate	Buy in periods of weakness
Hold	Take no action
Reduce	Sell in periods of strength
Sell	Significant price depreciation anticipated