

This Week

Innamincka Petroleum's Juniper is Sweet

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Roc Oil Calls for the Doctor

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Orchid Capital Ltd vs Tethyan Copper Co Ltd

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Horizon Oil Ltd goes for Gas

Horizon is spending \$3m to earn a 25% interest in two gas development projects in the Gulf of Thailand... Page 3

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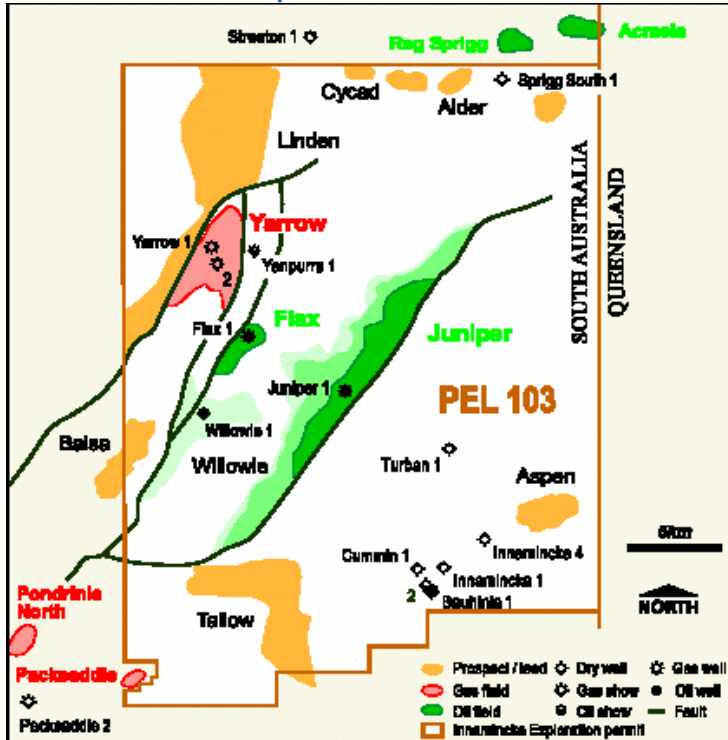
Mirvac's recent guidance for FY 2006 has buoyed the market, however at \$3.66, the company is still trading with an attractive prospective PER of 11.8[x] FY 2006 earnings... Page 5

Indices & Prices	
All Ordinaries	4160.10
Energy Index	8806.80
Brent US\$/bbl	54.50
AUS\$/US\$	0.7548
As at Close June 7th	

Innamincka Petroleum's Juniper is Sweet

A bold, 1.9km step-out well at Innamincka's 35% owned Juniper tight oil discovery in PEL-103 looks to have set up a discovery of up to 100MMbbls of oil in place plus 50Bcf of gas in three reservoir horizons. Drilling at Juniper-2 has identified oil in down-dip locations in the Permian Patchawarra formation and in tight sands of the Tirrawarra and Toolache formations. Encouragingly, core samples recovered from the second well show that oil was weeping out of better quality sands and also from fractures in the tight sections, indicating that some level of natural fracturing might provide secondary permeability.

PEL-103 Permit Map



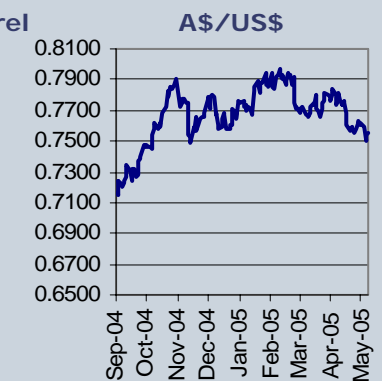
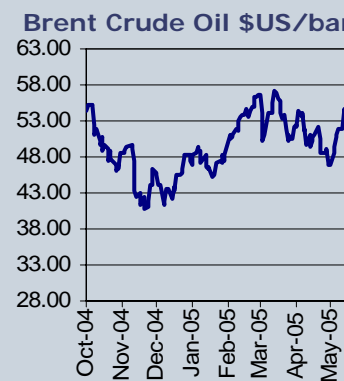
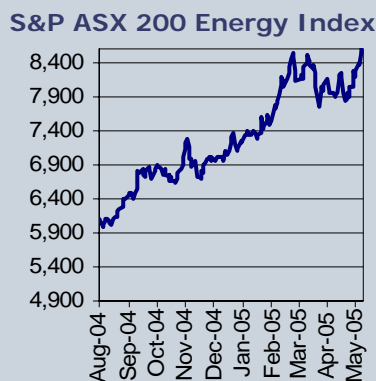
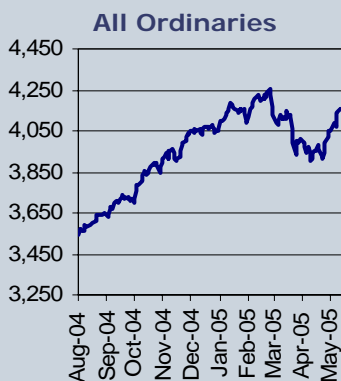
Source: Innamincka Petroleum Ltd

The key for Innamincka now is to demonstrate commercial flow rates from the field so that these values can be realised.

PEL-103 also holds the Flax oil and gas discovery and the Yarrow tight gas field, which flowed at 1.6 mmcuft per day before fading away. Yarrow is estimated to hold about 57Bcf of gas in place with up to 100bbls of condensate per mmcuft of gas. The company is targeting to fracc Flax so as to stimulate initial production at up to 1000 BOPD from a field estimated to hold 36Bcf of gas in place plus 17MMbbls of oil in place. Innamincka has mapped out several other targets in PEL-103 including Aspen, with potential for 7MMbbls of Hutton oil along with the smaller, Alder and Cycad prospects.

The company may now conduct a flow test and will study this result and the three cores retrieved to determine how best to complete this well for production. Fracture stimulation (fracc) may improve the commercial outcome. Innamincka is contemplating either a gel or an oil based fracc procedure at Juniper. Prior to drilling Juniper-2 the partners had estimated 12MMbbls of oil in place from an 8km² field but the recent drilling extends the areal extent of the field to 30km² with a much larger hydrocarbon potential, which StockAnalysis estimates at between 40-50MMbbls of oil in place. Even a 20% recovery factor would provide reserves of at least 3MMbbls to Innamincka, worth about \$60m or 66cps fully diluted for options.

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INNAMINCKA
PETROLEUM

Innamincka Petroleum

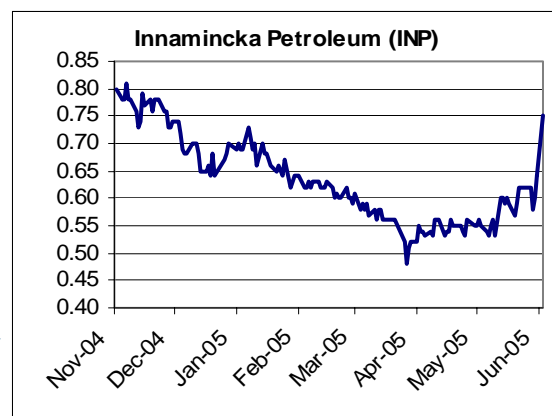
ASX Code	INP
Current Price	0.67
Number Shares (mil)	79.8
Number Options (mil)	10.5*
Market Cap (mil)	60.50

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* Options @ 20c exercisable

Outside of PEL-103, Innamincka holds interests in 2 other Cooper permits. The company has a 50% interest in PEL-101 where it is gearing up to drill the Crocus and Ginko gas targets later this year and in Queensland, the company has a 50% interest in ATP-543-P South where it plans to drill the 5MMbbl OIP Zeta prospect later this year.

If Innamincka can demonstrate successful stimulation of its tight oil and gas reservoirs, it stands to unlock considerable value of over \$1 per share. The company has had a volatile trading history based on discovery and disappointment. StockAnalysis believes that an active programme over the next 6-10 months stands to reduce risks for the development projects. Innamincka has cash reserves of about \$8m, which should be sufficient to steer the company well into 2007. The company rates as a speculative buy.



Roc Oil Calls for the Doctor

Roc Oil has again demonstrated its deal making acumen. In the dying moments of 2004, Roc Oil announced that it had entered into an agreement with Acorn North Sea Limited which could have seen it end up with a 28% interest in the Ardmore oil field and surrounding permits in the UK's North Sea. Ardmore is estimated to hold 23MMBO and with nearby targets and undeveloped discoveries, the permits were estimated to have upside for over 60MMBO in total. To Roc's credit, the company chose to take an option over the interest while lending funds to Acorn rather than move directly to an equity position. This has proven to be a very prudent action since the work-over programme planned by the project operator has failed to increase production from 8,000 BOPD to the target of 12,000 BOPD. Roc lent 4.5m pounds and has now called in administrative receivers to Acorn so as to ensure that its loan funds are secure.

The problem appears to have been largely with the failure of an under funded permit operator who failed to achieve satisfactory work-over results from existing wells and its failure to drill an additional development well to boost production.

As a result of Acorn's demise, Roc may have the option of moving to control all of Acorn's 35% of this project, or as seems more likely, it may withdraw completely and simply reclaim its loan funds from an orderly sale of Acorn's assets, with little or no loss to shareholders.

The Ardmore deal exposed Roc's shareholders to tremendous upside for very little risk, given its producing status. Unfortunately it appears not to have worked out, but it was worth the effort and a lot less risky than say drilling a well offshore Africa.

Roc has demonstrated a canny ability to put together good deals for its shareholders.

- In China, Roc farmed in to earn a 40% interest in the Beibu Gulf and within 2 months had made a small oil discovery.
- Offshore Equatorial Guinea, the company farmed out a large drilling commitment for two wells just as the first prospect was about to drill, only to find that its first target was dry, so the company saved exploration dollars but remains exposed to significant upside from a second well planned for later this year.
- Late in 2004, the company sold its Saltfleetby gas project for a full price, well above the value of most analysts.
- In the Perth Basin, Roc has expanded its stake cautiously and at low cost. While Cliff Head has been a disappointment, seismic data on the 30% held TP-15 indicates several high profile targets with potential to replicate Cliff Head and the nearby Jingemia oil pools.

(Continued on page 3)

Perth Basin Developments

Infrastructure now being established for Cliff Head will be valuable should additional discoveries be made. StockAnalysis believes that an oil pipeline may well be established to the Port of Geraldton should just one more 10MMbbl field be found.

In an endeavour to keep costs down at Cliff Head, Roc has established an in-house team to work on development, laying pipelines and drilling under the dunes to feed the oil processing plant. This tactic brings with it some risk, but as we have seen at BassGas, getting the experts to do the work also brings its own level of risk!!

Roc Valuation Matrix

Asset	NPV \$m.	Other \$m	\$ per Share	Comment
UK offshore assets	\$ 50	\$ 2	0.28	5MMbbl * \$10/bbl
Cliff Head	\$ 50		0.27	Roc's purchase values at \$45m
Beibu Gulf	\$ 12		0.06	
Mauritania	\$ 134		0.72	15 MMBO @ US\$5/bbl = A\$99m
PEP38767		\$ 0	0.00	
Cash		\$ 175	0.94	after Q2 spending
Corporate		-\$ 40	-0.22	Corporate 4 * \$10m
		\$ per share	2.06	
Exploration upside			1.04	
Total value			3.10	

Source: Strachan Corp. Pty Ltd.

At a price of \$1.76per share, Roc represents outstanding value. StockAnalysis values Roc's assets at \$2.06 per share and ascribes an exploration value of about \$1 per share, taking our target price to over \$3 per share. A discovery at the upcoming Jacala well in August would add over \$4 per share to our valuation while success at the Aleata prospect, offshore Equatorial Guinea in Q4 would be worth about \$1 per share, based on a 200 MMBO target.

Orchid Capital Ltd vs Tethyan Copper Co Ltd

Crosby's \$101m bid for Tethyan's 75% interest at the 943mt Reko Dig copper/gold porphyry project values that resource at about 1 cent per pound even ignoring the value of its 9moz of gold. Tethyan is well on its way to producing a feasibility study and has carried out several rounds of drilling with an upgrade to resources due shortly.

Orchid Capital is at a much earlier stage of exploration and development at the Qu Long project in Tibet where Orchid is negotiating an 80% interest. Orchid is ably assisted in the project by gold and copper veteran and former MD of Newmont and Ashton Mining, David Tyrwhitt. Initial drilling by the Chinese Government in Tibet has outlined a resource containing over 5.5mt of copper plus gold and molybdenum, giving Orchid about the same equity in tonnes of copper as Tethyan.

Orchid has to spend some time and considerable funds to bring its project up to the same level of confidence as Tethyan's but its relative market capitalisation of \$27m discounts this interest and offers Orchid shareholders huge leverage to success, should Orchid proceed with this venture.

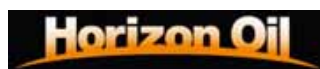
Horizon Oil Ltd goes for Gas

Horizon is spending \$3m to earn a 25% interest in two gas development projects in the Gulf of Thailand. The company believes that the target, Bussabong and Chang Daeng fields have a combined potential for up to 2tcf of gas, which can be rapidly developed to supply a strong gas market in Thailand.

Both discoveries have previously been drilled and have tested gas at commercial rates. The company is embarking on a 65 day drilling programme to test both fields. Further success would result in a move to rapid development, leading to cash flow within 2 years.

Our valuation for Horizon assuming just 400Bcf in Thai waters and a modest NPV/MCF of just A\$0.60, is shown on the following page:

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Horizon Oil Ltd

ASX Code	HZN
Current Price	0.12
Number Shares (mil)	560.7
Market Cap (mil)	67.28

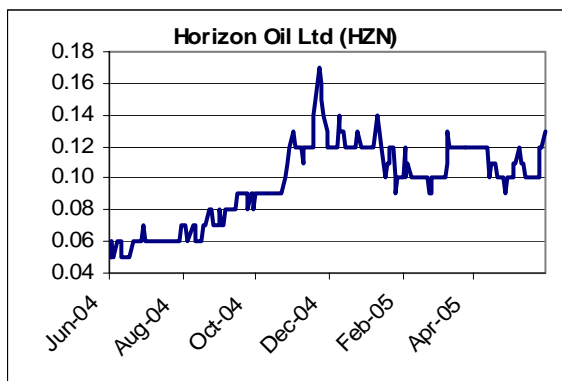
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Horizon Valuation Matrix

Asset	Value		Comment	
	MMbbl	\$m		
Cash		\$ 11	0.02	Less \$3m
Maari 10%	5	\$ 35	0.06	
Block 22/12 14.7%	4.1	\$ 16.5	0.03	
Bayou Choctaw	1.7	\$ 33.6	0.06	
Gulf of Thailand 25% Bcf	100	\$ 60.0	0.11	
Other		-\$ 6	-0.01	Corporate
			0.27	
Portfolio Value			0.01	
Total Value			0.28	

Source: Strachan Corp. Pty Ltd.



Horizon is about to embark on development at the Maari oil project, where Clough is leading the charge to get the project underway by September. The project is not without its technical challenges but StockAnalysis believes a value of \$35m for Horizon's interest is conservative. Horizon's Beibu Gulf interest will be developed. StockAnalysis can not imagine a scenario where such a group of oil pools would not be developed so close to China, even if the oil is highly viscous. Further exploration drilling, planned for later this year, could substantially upgrade our valuation.

Development of the Bayou Choctaw oil project in Louisiana has been delayed, depressing Horizon's price and presenting a buying opportunity.

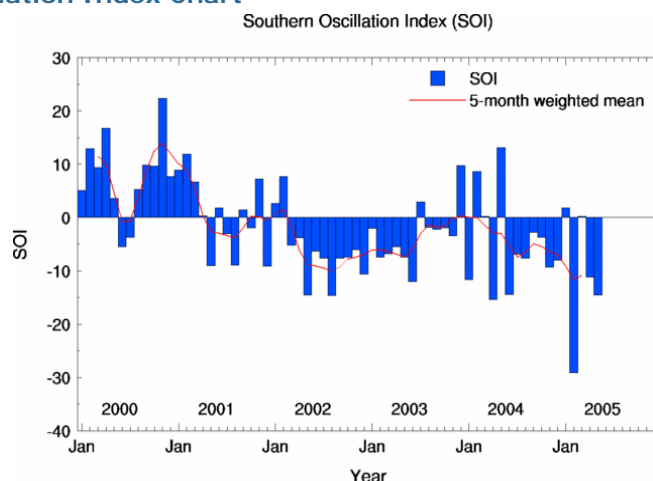
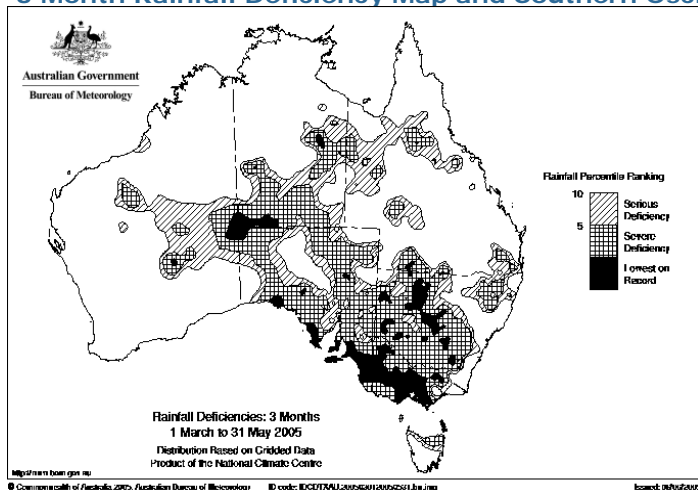
Horizon is well managed and well backed by substantial shareholders. The company has just raised \$3m giving it about \$14m of cash, most off which is ear marked to be spent on upcoming development programmes. Even if the Thai project falls over, Horizon would appear to have speculative value at around 17 cps. Our valuation sees potential to generate about 28 cps of value but once each of the projects is proven, the value would be much higher.

Horizon is recommended as a speculative buy

Weather Outlook is Poor

Dark sections on the map of Australia below show areas which have received poor rainfall over the past 3 months. Large areas of Australia's South Eastern grain belt from South Australia, through Victoria and into New South Wales have not received enough rain to support a crop this year. While conditions in Western Australia have been excellent, a large swathe of land across the southern wheat belt has received its lowest rainfall on record for the past 3 months. While a good dose of rain is forecast for this week, it may come too late for many farmers to establish a crop. Conditions on the land at this time are typical of the drought bringing El Nino weather pattern. The SOI graph below shows a consistently low SOI index, indicating a failure of winter rains.

3 Month Rainfall Deficiency Map and Southern Oscillation Index Chart



Source: Australian Bureau of Meteorology

(Continued on page 5)



Mirvac Group

ASX Code	MGR
Current Price	3.65
Number Shares (mil)	838.0
Market Cap (mil)	3,058.7

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Earlier this year StockAnalysis wondered whether the El Nino pattern may have broken, but it now appears this hope was not to be confirmed. We take note of these factors since they impact companies with rural related activities such as AWB Ltd, Grain Corp and Futuris.

Following one of the driest wet season's in recent history for the northern part of our vast land, the impact of drought in SE Australia will also be felt at the nation's shops and banks as money get tighter. However, living in Perth provides a false sense of wellbeing as the local rural sector should continue to perform well. Rising costs of wages, raw materials, transport and fuel for fertiliser producers such as Incitec combined with weak markets for all agricultural chemicals will produce a tough market for Orica and other players in that market.

Mirvac Steadies

Early in our history, StockAnalysis recommended James Fielding at a price equivalent to \$3.70 per share for Mirvac. Mirvac has since paid distributions of 34 cents and earlier this year, briefly traded over \$5/share. StockAnalysis did not call the top and while we had consistently called the residential market weaker we did not see the major issues Mirvac would face.

The company's MD, Greg Paramor moved to combine his company, James Fielding with Mirvac because he wanted access to its balance sheet to fund growth. James Fielding's business mix illustrated Greg's natural dislike for the housing end of the property business, however he was prepared to take on that risk firstly because he takes a long term view and secondly because it was a means to an end. Following the profit downgrade and share slump to \$3.20, he must have wondered if it was the correct move.

Mirvac's recent guidance for FY 2006 has buoyed the market, however at \$3.66, the company is still trading with an attractive prospective PER of 11.8[x] FY 2006 earnings and a yield of 8.47%. While StockAnalysis believes there will be more pain in the residential end of the local property market, Mirvac has long life projects covering a wide gamut of the property arena from industrial and commercial to retail and hospitality, extending for 5-9 years and has the balance sheet to ride through any downturn. Its earnings are substantially underpinned by income from its commercial, industrial and retail property trusts, bolstered by development earnings.

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If this situation arises, my assumptions, opinions and subsequent calculations are not 100% accurate, or I do not get the full story on a particular situation, I will prepare an upgrade or downgrade of information as soon as I become aware of better information. StockAnalysis acts rapidly, in the interests of subscribers, to report updated information so as to bring them up to speed with StockAnalysis' latest recommendation.

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StockAnalysis is now well into its second year of operation and subscriber numbers have risen pleasingly. Over its short life, StockAnalysis has had some spectacular successes with both buy and sell recommendations for stocks such as Arc Energy, Alliance Finance, RCR Tomlinson, James Fielding (now Mirvac), Amadeus, First Australian Resources, Sun Resources, Elixir, Tap Oil and more recently Compass Resources. Our record reveals many more successes than failures, not only for outright investment recommendations but also for market timing of purchases and speculative stocks.

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