For personal use only

ASX Announcement / Media Release

31 March 2020

# Business update

- Sole gas field producing gas to Eastern Gas Pipeline
- COVID-19 precautions in place. No material business impact to report
- Cooper Energy gas sold into the domestic gas market under take-or-pay contracts with no exposure to energy price variations
- Cash of $149 million at 27 March; net debt of $77 million

Cooper Energy (ASX: COE) provides the following update on the status of the Sole Gas Project and the impact of COVID-19 on operations and plans.

**Sole Gas Project**

Second phase commissioning of the Orbost Gas Processing Plant, announced 12 February, is underway. The plant operated by APA Group (APA) has demonstrated its capability to produce sales gas to specification from the Sole gas field and has commenced gas supply into the Eastern Gas Pipeline (EGP).

As foreshadowed in the previous update, initial volumes delivered to the EGP were small, variable and influenced by commissioning requirements. Sales to market on Sunday 29 March were 21 TJ, with production rates of up to 50 TJ/d.

It is likely production rates will continue to be variable as commissioning proceeds to the plant production test which requires a sustained rate of 68 TJ/day. Commencement of firm gas supply from the Sole gas field to term gas sales agreements will commence after the completion of the plant production test. Cooper Energy will announce completion of that test by ASX announcement.

**COVID-19**

Cooper Energy's foremost concern is the safety and welfare of its employees and their families, together with that of its contractors and suppliers and the communities within which it operates.

A Pandemic Response Team has been established to oversee the company's response to COVID-19, including the care of its people and continuity of the business.

The company is operating effectively on a 'work from home' basis with on-site staffing requirements limited to minimal IT attendance when required at office locations and skeleton staff levels at the Cooper Energy-operated Minerva Gas Plant. Work from home trials were conducted early in the week beginning 23 March, enabling a staged and informed transition to full work from home.

Effective communication and internal and external engagement are continuing, using a range of media including video conferencing, online telecommunications and telephone. Employees and contract staff are being supported with direct regular contact through the chain of command, provision of important information about COVID-19, health and well-being advice and access to the company's Employee Assistance Program. Cooper Energy anticipates remaining on a work from home basis for the foreseeable future, subject to regulatory requirements and until risk analysis suggests a return to normal working locations is safe.

All of the company's gas production is accomplished through subsea installations, which are operated remotely via IT systems. Accordingly, the company's transition to work from home has no implications for production levels.



Approved and authorised by David Maxwell, Managing Director, Cooper Energy Limited
Level 8, 70 Franklin Street, Adelaide 5000; www.cooperenergy.com.au

For personal use only

The Iona Gas Plant, operated by Lochard Energy, which processes Casino, Henry and Netherby gas is critical to the continued and stable gas supply to Victoria and south-east Australia and is able to supply up to 36% of peak Victorian demand. The Iona Operator, in consultation with the Victorian State Government, has put in place plans to ensure the continued safe and reliable supply of gas into that region.

APA operates an extensive network of pipelines and gas infrastructure, including the Orbost Gas Processing Plant, which are critical to the stable gas supply into south-east Australia. APA has a significant operational capability in Victoria and the majority of its operations personnel who are currently performing the commissioning reside in that state. These personnel will continue to operate the plant at the completion of commissioning.

**Current status and strategic position**

The majority of Cooper Energy's revenue is derived from the production of gas for supply to the south-east Australian energy market under take-or-pay contracts which have no oil price linkage. Revenue from oil accounted for approximately one-quarter of sales for the six months to 31 December 2019. This share is expected to contract substantially with the onset of full production from the Sole gas field.

Capital expenditure is mainly directed towards growth projects to increase supply of locally produced gas to the south-east Australian market. The company's long-standing gas strategy focusses on commercialisation of gas ranking among the most competitive sources of supply for the region.

The company's analysis, and that of external parties such as AEMO, foresees new supply opportunities emerging in the coming years as output from existing sources of supply is depleted. It is probable a contraction of capital expenditure by the broader oil and gas industry in response to lower oil prices may create an earlier and tighter gas supply outlook for this region than previously anticipated.

*Balance sheet*

As at 27 March 2020 Cooper Energy had cash of $149 million and net debt of $77 million. The company's reserve based lending facility of $250 million is drawn to $226 million and the company has access to a working capital facility of which $13.5 million is undrawn.

*Total production*

Guidance for total production in FY20 is unchanged from that reaffirmed at the announcement of the first half results on 24 February: output of approximately 1.2 million barrels of oil equivalent from the company's existing operations in the Otway and Cooper basins. This guidance now incorporates higher gas production and lower oil production. Gas production of approximately 5.9 PJ and crude oil production of approximately 0.2 million barrels is now anticipated. This guidance is to be upgraded to incorporate production from Sole once firm supply from the field is established.

*Oil production*

The company produces crude oil from the Western Flank of the Cooper Basin through joint ventures operated by Beach Energy (PEL92) and Senex Energy (PEL93). Crude oil produced in the region attracts a premium to Brent. Cooper Energy's direct operating cost of production[1] , exclusive of royalties, is approximately A$29/bbl. No hedging of oil production is in place.

*Cooper Basin drilling*

The company has completed its Cooper Basin drilling for the current period. Three wells in PEL92, 1 development well (Parsons-7) and 2 exploration wells (Glenelg North-1 and Sellicks South-1), were drilled in the period since the 2020 first half profit announcement. All were unsuccessful and plugged and abandoned. Further development wells in the Parsons oil field were suspended pending a review of the Parsons-7 results.

[1] Direct cost of production includes wellhead, transportation, processing and marketing

For personal use only

*Capital expenditure*

Incurred capital expenditure for the 12 months to 30 June is expected to approximate the middle of the previous guidance range of $86 million to $93 million provided 24 February.

*Projects*

As outlined at the FY20 half year profit announcement, the company has a number of growth projects at various stages of maturity. These projects are directed to the supply of gas to south-east Australia and therefore their pursuit is expected to be unaffected by the recent decline of crude oil prices.

Planning for the abandonment of the disused BMG oil facilities is also underway, including engagement with rig contractors.

As the company has previously expressed, including to the 2019 Annual General Meeting, the timing and sequence of these projects will be managed to optimise returns to shareholders. As an ongoing, day-to-day discipline, this incorporates the impact of market conditions on the anticipated costs, revenue and financing.

It is anticipated work on the main projects (Minerva Gas Plant integration, OP3D[2], the 2021/22 drilling campaign and BMG abandonment) will continue. However, it is also anticipated disruption associated with COVID-19, rig availability and other factors may result in some slippage to the dates previously outlined for some projects. This potential slippage is not anticipated to have a material impact on FY20 or FY21 production. Updates to the anticipated timing of these projects will be provided in the forthcoming March quarterly activities report.


| Further comment | Investor Relations |
|---|---|
| David Maxwell<br>Managing Director | Don Murchland<br>Investor Relations |
| +61 8 8100 4900 | +61 439 300 932 |


**Cooper Energy Limited (ASX: COE)** is an ASX200 exploration and production company which generates revenue from gas supply to south-east Australia and low-cost Cooper Basin oil production. The company is an emerging player in the south-east Australian energy sector holding a portfolio of gas supply contracts and one of the most extensive portfolios of gas-focused acreage and assets, including well located reserves and resources in the Otway and Gippsland basins. The most significant resource, the Sole gas field in the Gippsland Basin, is currently being developed to provide a new source of gas supply for south-east Australia.

**Disclaimer:** This ASX announcement contains forward looking statements that are subject to risk factors related to oil, gas and associated businesses. The expectations reflected in these statements are believed to be reasonable. However, they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to diverge materially, including in respect of: price fluctuations and currency fluctuations, drilling and production results, actual demand, reserve estimates, loss of market, competition in the industry, risks (environmental, physical, political etc.), developments (regulatory and fiscal etc.), economic and financial market conditions in Australia and elsewhere, changes in project timings, approvals and cost estimates.

[2] Otway Phase-3 Development which includes the Henry and Annie developments.