

20 August 2020

ASX ANNOUNCEMENT

**APA Group (ASX: APA)**

**Cooper Energy (ASX: COE)**

## **APA AND COOPER ENERGY UNITE FOR SOLE TERM GAS SUPPLY TO COMMENCE AND ORBOST COMPLETION**

APA Group (ASX: APA) and Cooper Energy (ASX:COE) (collectively the "parties") announce execution of an agreement ("Transition Agreement") which outlines terms for the parties to work together to complete the commissioning of the Orbost Gas Processing Plant ("OGPP"), and commence firm supply to Cooper Energy's term gas customers as early as possible.

The Transition Agreement supplements the existing project documents, and sets aside potential claims and entitlements available to either party. It also provides for the sharing of costs and revenue whilst OGPP commissioning proceeds towards completion. The Transition Agreement is subject to the support of Cooper Energy's financiers.

APA Managing Director Rob Wheals said "APA and Cooper Energy remain jointly focused on commissioning the plant safely and to a high standard of quality and operating performance. The Transition Agreement provides a practical commercial way forward for both entities to ultimately deliver much needed additional gas to south-east Australia."

Cooper Energy Managing Director, David Maxwell said "the Transition Agreement has cleared the table so the single focus of APA and Cooper Energy at Orbost is the start-up of firm gas sales from Sole as soon as possible, whilst preserving the incentive for increases in the Orbost gas processing capacity.

"Commissioning has taken much longer than could have been envisaged. The Transition Agreement provides the basis for gas sales from Sole to continue and increase, and for firm gas supply to our customers to commence in advance of Orbost project completion and production at full rates."

Commissioning and production operations will continue, as set out under the heading "Current and expected work program" below. The parties' near term objectives for the OGPP are:

- completion of minor plant modifications later this month
- execution of Phase 2 Plant works (scope currently being finalised) planned for the December 2020 quarter; and
- establishment of a stable processing capacity that will enable firm supply from Sole.

Root cause analysis to identify the cause of the foaming that has impeded completion to date is continuing (see "Background" following).

### **Background**

The Sole Gas Project brings a new source of gas supply to south-east Australia. The project comprises two separate elements: an offshore project to develop and connect the gas field managed by Cooper Energy and an onshore project managed by APA to upgrade the OGPP to process Sole gas for supply into the Eastern Gas Pipeline.

The upgrading of the plant to the required performance standards, and the processing and tolling of Sole gas by the OGPP, are provided for under existing development and processing agreements between the parties. The satisfaction of plant performance criteria enables completion of the Development Agreement (the "DA"), commencement of the Gas Processing Agreement (the "GPA") and commencement of firm gas supply to Cooper Energy's gas customers.

As advised in updates provided to the ASX, the OGPP has yet to satisfy the plant performance requirements necessary for completion of the DA, one of which is a demonstrated capacity to maintain stable supply of 68 TJ/d.

The OGPP has demonstrated capability to maintain stable supply of 40-45 TJ/day and Sole has supplied a total of 3.5 PJ into the market to date. However, foaming in the absorber vessels of the Sulphur Recovery Unit of the OGPP has impaired the gas processing capacity, preventing satisfaction of the plant performance requirements of the DA.

Root cause analysis to identify the cause of the foaming has been ongoing since April 2020 with involvement of the OGPP technology provider. APA has conducted minor plant modifications to improve performance. Further modifications are planned for later this month. Planning is also underway for Phase 2 works to increase gas processing capacity, which will include the flexibility to reconfigure the two absorber vessels from a sequential to a parallel arrangement.

Throughout this process Cooper Energy has maintained dialogue with its customers and financiers. The company's customers and financiers continue to express support for the Sole Gas Project and its importance as a new source of gas supply for south-east Australia.

#### **Current and expected future operations at OGPP**

Lower production rates are currently being targeted and achieved to support performance of technical analysis required as inputs for the Phase 2 works.

A 6-day plant shutdown is planned to conduct minor plant modifications. It is expected the shutdown will commence on 30th August 2020. On return from this shutdown, it is expected the focus will shift, over a period of time, to the establishment of a stable sustainable supply rate for the commencement of firm supply to term customers.

The Phase 2 works (scope currently being finalised) are currently planned to commence in the December quarter (timing subject to supply chain and COVID-19 restrictions) for the resumption of production in the latter half of that quarter. The cost of the Phase 2 works has not been finalised, with current indications being approximately \$15 million.

Daily production performance of the OGPP can be monitored via the AEMO website at <https://aemo.com.au/energy-systems/gas/gas-bulletin-board-gbb/data-portal>.

APA and Cooper Energy will contribute technical expertise to manage the activities until practical completion and decisions on plant works will be made jointly. The Transition Agreement will expire on the earlier of the date of Practical Completion or 1 May 2021 (unless extended).

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APA is a leading Australian energy infrastructure business, owning and/or operating around \$22 billion of energy infrastructure assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds ownership interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, SEA Gas (Mortlake) Partnership, Energy Infrastructure Investments and GDI Allgas Gas Networks.

APT Pipelines Limited is a wholly owned subsidiary of Australian Pipeline Trust and is the borrowing entity of APA Group.

For more information visit APA's website, [apa.com.au](http://apa.com.au)

**About Cooper Energy Limited (COE)**

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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. These include the Sole gas field in the Gippsland Basin which recently became the first new offshore gas development in south-east Australia to commence production in several years, the Casino Henry operations in the offshore Otway Basin and undeveloped resources such as Manta and Annie.

For more information visit Cooper Energy's website, [cooperenergy.com.au](http://cooperenergy.com.au)