ASX Announcement / Media Release

31 August 2020

FY20 Financial results

- Statutory net loss after tax of $86.0 million down from $12.1 million loss after tax
- Significant items of ($79.4) million
- Underlying loss after tax of $6.6 million vs pcp underlying profit after tax of $13.3 million
- Record production and sales revenue
- Gas sales revenue up 22%
- Cash flow from operations of $48.1 million[1] up 134%
- One lost time injury
- Sole production and gas sales commenced, commissioning ongoing
- Conference call and webcast 9 am AEST Monday 31 August 2020 (recording available)

Cooper Energy (ASX: COE) has announced a statutory net loss after tax of $86.0 million after incurring significant items of ($79.4) million for the twelve months to 30 June 2020 (FY20). The result compares with the previous year's statutory net loss after tax of $12.1 million, which included significant items totalling $(25.4) million.

The significant items in the FY20 result are detailed in the Operating and Financial Review of the 2020 Financial Report lodged with the ASX today and principally comprise 3 items: non-cash impairments (announced 25 August 2020); non-cash restoration expense charges and liquidated damages income.

The company recorded an underlying loss after tax of $6.6 million for the twelve months to 30 June, which compares with the underlying profit of $13.3 million in the previous year. The deterioration in underlying earnings is due to increased expenses including gas processing costs, net finance costs, care and maintenance and depreciation and amortisation.

Sales revenue for the period grew 3% to $78.1 million, up from $75.5 million, despite a 38% contraction in oil revenue due to lower prices and production. A 22% increase in revenue from gas, which grew from $52.3 million to $63.6 million, more than offset the impact of reduced revenue from oil.

Cash flow from operating activities of $48.1 million (including $19.8 million liquidated damages received) was 134% higher than the previous year's comparative of $20.5 million.

Cooper Energy Managing Director David Maxwell said "there are three standout features in the FY20 financial results: the impact of COVID-19-affected energy markets; the growth in our gas assets and the impact of the delayed start-up of Sole due to the delayed completion of the Orbost Gas Processing Plant."

"Recognition of 2020 gas prices and expectations on the carrying value of our uncontracted gas was the major factor in the impairments that affected our statutory results. However, notwithstanding the impairments, our analysis shows the contract prospects for uncontracted gas in south-east Australia from 2022 onwards are even stronger than they were six months ago" said Mr Maxwell.

[1] Includes $19.8 million liquidated damages revenue.

Approved and authorised by David Maxwell, Managing Director, Cooper Energy Limited
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“The industry-wide cutbacks to capital expenditure in 2020 and 2021 will accelerate the production decline already forecast for existing supply sources and intensify the tightening gas supply in south-east Australia expected from 2022.”

“The growth in our gas assets and opportunities during 2020 will prove propitious. The acquisition of the Minerva Gas Plant during the year will give access to a low-cost processing hub for offshore Otway Basin gas. The Annie and Dombey gas discoveries made during the year hold potential which we are currently pursuing” he said.

Mr Maxwell said the delay to the Orbost Gas Processing Plant’s (OGPP) readiness for firm gas supply “had a material adverse impact” on the company’s revenue and cash flow for the year.

“Twelve months ago we had an offshore gas field developed, ready to go and the expectation to supply more than 12 PJ of gas at term contract prices in the financial year. At year-end, we had sold 2 PJ at spot prices.

“Whilst the revenue and cash flow uplift anticipated from Sole in 2020 did not eventuate, it is important to note the production and revenue are deferred – not lost” he said. Mr Maxwell said the Transition Agreement with APA announced on 20 August is expected to enable the clear pathway to practical completion of the Orbost plant and the commencement of gas supply to our long-term customers.

Cooper Energy recorded one lost time injury during the year compared with zero in FY19. The company’s total recordable injury frequency rate rose from zero to 3.53 and compares to the NOPSEMA benchmark of 5.27.

Proved and Probable Reserves at 30 June of 49.9 million boe (MMboe) compared with 52.7 MMboe at the same time last year. Contingent Resources (2C) rose 30% from 26.9 MMboe to 34.9 MMboe, with a 52 PJ uplift in gas resources in the Otway and Gippsland basins accounting for almost all of the increase. The 2020 drilling program incorporated 18 wells, 16 of which were located in the company’s Cooper Basin acreage, where 3 wells were cased and suspended. The successful Annie and Dombey Otway Basin gas exploration wells accounted for the balance of the program.

Cooper Energy concluded the year with net debt of $97.8 million up from $53.9 million. Cash of $131.6 million was supported by unused facilities totalling $3.6 million.

The company invested a total of $76.7 million in capital expenditure during the year. Drilling of the successful Annie-1 well, acquisition of the Minerva Gas Plant (since renamed the Athena Gas Plant) and completion of the Sole offshore project were the principal elements of the program.

Mr Maxwell noted the final cost performance of the Sole offshore project as a highlight. “The offshore project has closed out at capital expenditure by Cooper Energy of $335 million compared to the budget of $355 million and delivered on time. Whilst the delay with the onshore project not managed by Cooper Energy has been frustrating, the cost and project management of the offshore project has affirmed our company’s capability in its core business of offshore gas development.”

Capital expenditure in FY21 is expected to be lower, and range between $50 to $58 million[2]. The Otway Basin is expected to account for over 60% of this expenditure with the Athena Gas Plant Project (upgrade and connection of the former Minerva Gas Plant to the Casino Henry system) and maintenance capex on existing offshore production facilities being the major items. Drilling plans are confined to the Cooper Basin oil acreage, where 2 development wells are planned.

Preparation for a gas exploration and development campaign to commence later in calendar 2022 (subject to rig availability) is underway and one of Cooper Energy’s priorities for FY21.

“The gas supply opportunities we foresee emerging from 2023 onwards dovetail neatly with the asset maturation timelines we have for undeveloped Henry gas and the Annie and Manta resources” said Mr Maxwell.

[2] Excludes expenditure under Transition Agreement with APA group at OGPP which is yet to be finalised.

He added “the market opportunities, and the low-cost processing capacity we will have available at the Athena Gas Plant, present a compelling case for the Otway exploration drilling of prospects we are analysing. Completion of the necessary technical and commercial analysis and review assurance is a high priority for the coming 12 to 18 months and of great significance for the timing and direction of our future growth”.

The company expects FY21 production will exceed the record of 1.56 MMboe recorded in FY20 due to the contribution from Sole. However, as the rate and timing of production escalation at OGPP is not known the company is not yet in a position to provide guidance on quantum.

Further comment and information:		
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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.

Conference call and webcast on FY20 results 9:00 am 31 August 2020

A presentation on the results will be made via conference call and webcast commencing at 9:00 AEDT Monday, 31 August 2020 with a recording accessible on the company’s website from 2:30 pm AEDT. Details are as follows:

Details for the call and webcast are as follows.

Webcast: https://webcast.openbriefing.com/6320/

Conference Call: https://s1.c-conf.com/DiamondPass/10008699-invite.html

(participation via conference call link is necessary if you wish to ask questions)