ASX Announcement / Media Release

6 April 2021

# Operational and financial update

- **Increasing Sole cash flows following commencement of Gas Sales Agreements**
- **Orbost Gas Processing Plant (OGPP) performance improving; production approaching 45 TJ/day average**
- **Planning capital works with APA with objectives including achieving further production increases**
- **APA and Cooper Energy working together to improve OGPP's performance and further increase production with the objective of achieving nameplate capacity of 68 TJ/day**
- **Sole gas field producing in line with expectations**
- **Adjustment of debt facility underway**
- **FY21 full year guidance maintained:**
  - **2.7 to 2.9 MMboe production volume**
  - **2.9 to 3.1 MMboe sales volume**

Cooper Energy (ASX: COE) is pleased to provide the following operational and financial update.

## Orbost Gas Processing Plant and Sole gas field

### *OGPP performance and outlook*

Reconfiguration of OGPP's two sulphur absorbers in Q2 FY21[1] has delivered improved production rates and stability. Average production in March 2021 was 42 TJ/day compared with 39 TJ/day in February and 28 TJ/day in January. Production stability is also progressively improving. However, periodic cleaning of absorbers is still required.

It is anticipated that the near-term production level from OGPP will be 45 TJ/day with six-weekly cleans for each absorber. The individual absorber cleans are staggered every three weeks with production reducing to 30 TJ/day during each three-day cleaning period. OGPP owner and operator APA Group (ASX: APA) is currently focused on increasing the stability of production at this level and extending cleaning cycles.

Production rates from OGPP have ranged from 32 TJ/day to 39 TJ/day over the past seven days ahead of scheduled maintenance planned from 11 April 2021, as described on page 2.

Cooper Energy and APA continue to work together to improve the plant's performance, with the objective of achieving nameplate capacity of 68 TJ/day. To achieve the next step towards this objective, APA and Cooper Energy are discussing further capital works to be undertaken during CY2021. The objective of this work program is to further improve stability and to increase production rates above 45 TJ/day.

[1] *For further information, refer to ASX announcement of 9 December 2020*

Details of the work program are still to be finalised and agreed. The scope of works currently under consideration includes:

- installation of solids removal equipment to reduce the fouling from solids deposition within the absorbers;
- changing the liquid distributor within each absorber to a spray nozzle to mitigate carryover during a foaming event; and
- installation of a polishing unit to reduce the impact of hydrogen sulphide ($H_2S$) breakthrough during foaming events.

The initial cost estimate for this work program is approximately $24 million. The costs will be shared between Cooper Energy and APA in accordance with the Transition Agreement. APA and Cooper Energy plan to review OGPP performance after these capital works and identify any further steps required to increase production.

The root cause analysis is continuing, with the objective of identifying the underlying cause of OGPP foaming and fouling.

***OGPP scheduled maintenance***

Scheduled maintenance at OGPP will be undertaken from 11 – 18 April 2021, during which time the plant will be offline for cleaning of pipes and both absorbers in readiness for the winter production period. While offline, gas sales will continue under the Sole Gas Sales Agreements (GSAs), with gas supply sourced from Cooper Energy's existing back-up supply arrangements. In accordance with the Transition Agreement, APA will make contributions to the cost of certain back-up supply, which provides Cooper Energy with a comparable net cash margin as if all required Sole GSA volumes had been processed at OGPP and made available for sale.

***Sole gas field performance***

The Sole gas field continues to perform without interruption and in line with expectations. The $H_2S$ content of raw gas produced from Sole is consistently within the range of 950 – 1,000 parts per million (ppm), which meets OGPP design capacity of 3,000 ppm.

## Otway Basin

***Production***

Gas production from the Casino Henry field continues to perform in line with expectations, with current production volumes of ~15 TJ/day (net to Cooper Energy). Gas volumes are being sold into customer contracts and the spot market.

***Athena Gas Plant Project***

Recommissioning of the Athena Gas Plant continues on schedule and on budget, with the works program approximately 65% complete.

First commissioning gas through the plant is expected in Q1 FY22 and switchover of processing Casino Henry gas from the Lochard operated Iona Gas Plant is expected in Q2 FY22. Following commissioning and switchover, the Athena Gas Plant is expected to deliver operating cost savings of approximately $0.50/GJ relative to current tariffs paid for gas processed through the Iona Gas Plant.

The Athena Gas Plant is also expected to deliver an uplift in gas production of approximately 3 TJ/day (net to Cooper Energy) due to the plant's lower inlet pressure relative to the Iona Gas Plant. Gas processing capacity will also support any future Otway Basin gas developments such as the Otway Phase 3 Development (OP3D) and any future discoveries.

## Cooper Basin

In March 2021, Cooper Energy and ex PEL 92 joint venture partner Beach Energy (75% and operator) completed drilling of the Callawonga-13 horizontal oil development well. The well was drilled to a total depth of 3,226 metres with a lateral section of 1,106 metres in the primary target McKinlay Member.

Preliminary assessment of results indicates a net pay section of 605 metres across the lateral section, which was within pre-drill expectations. Callawonga-13 has been completed as a producer and is awaiting installation of flowlines and artificial lift. First oil production is expected in late May 2021.

## Financial update

### *Strengthening financial position*

Cooper Energy is strengthening its financial position with increasing revenue and cash flow from its Sole GSAs. No material capital expenditure commitments are currently planned for the remainder of FY21 or FY22, and the cash reserve is $115 million as at 31 December 2020.

Throughout CY2021, Cooper Energy plans to deliver a minimum of 49 TJ/day on average under its Sole GSAs. Sole customer nominations have averaged 40 TJ/day since 1 January 2021 due to the usual lower seasonal demand. Customer nominations are expected to increase to above 50 TJ/day in Q4 FY21. All Sole customer nominations since commencement of the GSAs have been met.

In accordance with the Transition Agreement, APA will make contributions towards costs of certain back-up supply, which provide Cooper Energy with a comparable net cash margin as if all required Sole GSA volumes had been processed at OGPP and made available for sale.

The Transition Agreement term expires on 1 May 2021 with the option for Cooper Energy to extend by up to 12 months. For further details of the Transition Agreement, refer to ASX announcements of 20 August and 30 October 2020, and the H1 FY21 half year results presentation of 15 February 2021.

### *Bank debt facility*

Recognising the delayed commencement of production at OGPP and lower production levels than originally anticipated, Cooper Energy is working with its lenders to adjust its debt facility's terms and conditions to better reflect the outlook for production and the extended field life. Agreement on adjustments to the facility is expected by 30 June 2021.

### *Full year FY21 guidance maintained*

Production, sales volumes and capital expenditure are tracking in line with expectations. Accordingly, full year FY21 guidance is maintained as follows:

- production volumes: 2.7 – 2.9 MMboe;
- sales volumes: 2.9 – 3.1 MMboe; and
- capital expenditure: $45 – 50 million.


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**Cooper Energy Limited (ASX: COE)** is an 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.