

27 February 2017

Sole gas project

- **Development plan finalised: 2 well development offering reserve gains & enhanced redundancy**
- **HoA with APA for upstream-midstream separation offers substantial cut to capital requirement**
- **COE retains 100% upstream and exposure to value uplift post FID**
- **Pre-sanction gas sales contracts in place**
- **Long lead items orders executed**
- **Production Licence for Sole gas field has been offered**
- **Funding process entering its final phase**
- **Expect readiness to proceed in March 2017**

Cooper Energy (ASX:COE) announces the Sole Gas Project has now advanced to the final stage before commitment. The finalisation of the field development plan, signing of heads of agreement with APA to own and operate the Orbost Gas Plant and achievement of gas contracting targets enable the final financing process to commence with a view to project sanction in March 2017.

The Sole gas project involves the development of the Sole field in the Gippsland Basin, offshore Victoria (refer figures 1 & 2) to supply approximately 25 PJ of gas per annum from 2019. Cooper Energy is the 100% interest holder in Sole.

Quote from Managing Director: David Maxwell

“Today’s announcement is the product of an intense effort since October to market additional gas acquired from Santos, identify the most value accretive project ownership and the optimal development plan.

“We now have the project and the commercial relationships that reduce technical and construction risks substantially, reduces the capital requirement for Cooper Energy, increases gas resources and offers the potential for increased production in the all-important early years.

“We are delighted at the opportunity to join with APA in developing our Gippsland Basin gas as provided for by the Heads of Agreement announced today. Their involvement will strengthen the project further and enable Cooper Energy to concentrate our efforts on exploration, upstream development and production and gas commercialisation.

“The most significant outcome has been for our shareholders. We are now approaching project go-ahead having retained 100% of our upstream equity in the project, and thereby preserved maximum exposure to the value uplift that typically occurs between project sanction and first gas.

We now move into completing the final phase of the funding process, the last step in enabling the project’s development.”

HoA with APA Limited

Cooper Energy and APA Group jointly announced earlier today the execution of a non-binding Heads of Agreement (HoA) aligning the two companies in the development of Gippsland Basin gas projects to bring new sources of gas supply to south east Australia.

Under the Heads of Agreement, the two companies have agreed to exclusively negotiate APA's acquisition, upgrade, and operation of the strategically located Orbost Gas Plant in conjunction with Cooper Energy's development of the Sole gas field ("the Transaction").

The Transaction will streamline the Sole Gas Project by separating funding, development and operating responsibilities for the gas processing infrastructure and upstream elements, whilst also encouraging the utilisation of the Orbost Gas Plant as a hub for other new gas projects such as the Manta gas field.

Details of the HoA and Transaction are contained in the joint announcement released earlier today. The key elements of the Transaction are:

- APA will acquire the Orbost Gas Plant from Cooper Energy for an amount reflecting Cooper Energy's expenditure on the Orbost Gas Plant in respect of the Sole gas project. As owner of the Orbost Gas Plant, APA will fund all capital expenditure associated with the expansion and upgrade of the plant to process natural gas from the Sole gas project. Capital expenditure for the upgrade is anticipated to be approximately A\$250 million;
- Cooper Energy will fund all capital expenditure associated with the offshore development of the Sole gas project, including all drilling activities, subsea infrastructure, offshore pipeline and the associated shore crossing. Capital expenditure for the offshore development is anticipated to be approximately A\$355 million;
- APA and Cooper Energy will enter into a Gas Processing Agreement for the processing of gas and delivery of gas by APA to market; and
- a series of associated agreements will facilitate co-operation between the parties during the construction and development of the Orbost Gas Plant and the Sole gas project and their ongoing operation. These agreements will allow Cooper Energy to process natural gas from the Manta gas field and APA to process third party gas, through the Orbost Gas Plant.

APA Limited is Australia's largest and leading gas infrastructure provider. The transaction outlined in the HoA and to be finalised will result in a substantially reduced financing requirement (refer discussion under the heading "Development Plan" below) and enable Cooper Energy to concentrate its capital and efforts on its core competencies of exploration, optimised development and production and gas commercialisation.

Cooper Energy preserves the opportunity to divest some of its 100% interest in the Gippsland upstream portfolio after sanction of the Sole gas project.

Development Plan

The Sole development plan has been finalised following a review of updated drilling costs and field analysis and is based on a two well subsea development (refer figure 2). The two well development plan offers a number of advantages over a lower cost, single well development:

- increased gas available to market. Contingent gas resources (2C) accessible via a 2 well development are 249 PJ, 7 PJ higher than for a single well development;
- enhanced field redundancy; and
- cost economies with the estimated drilling and completion of two wells at approximately \$140 million, compared with \$83 million for the single well option.

The Orbost Gas Plant design capacity is 68 TJ/day (25 PJ per annum), however modelling of the field development plan indicates production of 74 TJ/day is deliverable from the reservoir with two wells.

Further analysis will be undertaken to assess options to increase the Orbest Gas Plant production capacity for Sole.

The capital cost of the Sole upstream development is estimated to be approximately \$355 million, inclusive of the cost of drilling and completing 2 wells. This figure does not include the Orbest Gas Plant upgrade to be conducted by APA at an estimated cost of approximately \$250 million. Costs, incorporating the results from final tenders, will be finalised within March 2017. It is anticipated that all upstream work, excluding drilling will be performed under fixed price contracts.

Long lead items (included in the above costs) have been ordered which include the shore crossing pipe and installation contract, subsea tree and wellhead and downhole tubing.

Production Licence and Operatorship

The National Offshore Petroleum Titles Administrator (NOPTA) has offered a life of field production licence to the titleholders of VIC/RL3 covering the Sole gas field and the titleholders are in the process of accepting this offer.

Cooper Energy is currently preparing the documentation and processes required to support its appointment as Operator of the Sole gas field. This includes the Environmental Plans for statutory review and approval. The current expectation is this process is likely to be completed within June 2017. The current operator, Santos, will continue to perform operatorship responsibilities under contract from Cooper Energy until the transition is effected.

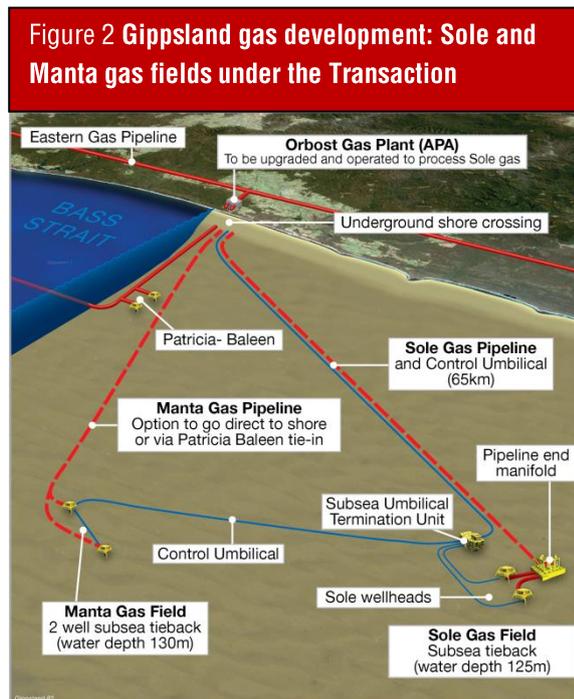
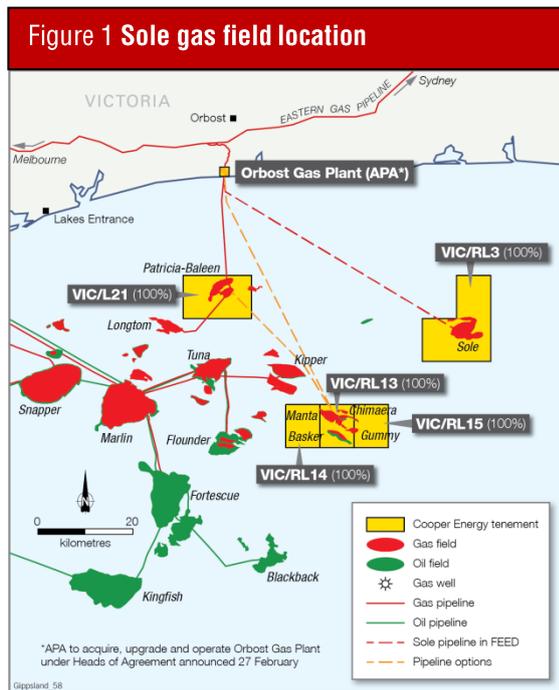
The Sole Project Management Team will remain in place at Santos through the transition period and key staff and contractors will transfer to Cooper Energy when operatorship is transferred.

Gas Marketing

As advised to the ASX on 18 January 2017 the company now holds gas contracts for supply of 20 PJ per annum from Sole to a portfolio of customers including AGL Energy, EnergyAustralia, Alinta Energy and O-I Australia. This is sufficient for project funding purposes, with the remaining gas of approximately 5 PJ per annum (in initial years) being retained for contracting into the short term and spot market.

Financing

The finalisation of the Sole development plan, and HoA with APA, are key inputs that now enable the funding process to move into its final phase. Cooper Energy, with the assistance of its financial advisor Grant Samuel, is advanced in its financing preparations. The company has recourse to a range of funding sources and, as previously stated, is resolved to select the finance package that is best for shareholder returns whilst having regard to prudent financial management.



Conference call and webcast

The contents of this announcement will be addressed by management in a conference call and webcast on the company’s FY17 Half Year results to be held at 9:00 am AEDT today. The live webcast can be addressed via the company’s website or via <http://webcast.openbriefing.com/3492/>, with a recording available from 2:30pm.

Conference call details: ID number: 7136 1742: Toll-free: 1800 123 296 (Australia) : Toll: +61 2 8038 5221 (can be used if dialing from international location). International toll-free dial in numbers: Hong Kong 800 908 865; Singapore 800 616 2288; United Kingdom 0808 234 0757; Canada 1855 5616 766; New Zealand 0800 452 782; China 4001 203 085; Japan 0120 477 057; United States 1855 293 1544; India 1800 3010 6141

For countries not listed, the Australian Toll number provided above may be used.

Further comment and information	
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About Cooper Energy Limited (ASX:COE) is an ASX listed 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-focussed acreage and assets, including well located reserves, resources and processing plant, in the Otway and Gippsland basins. The most significant resources, in the Gippsland Basin, are currently being commercialised to provide a new source of gas supply for south-east Australia from 2019.