

30 December 2020

Sole Gas Sales Agreements to commence on 1 January 2021

Cooper Energy (ASX: COE) is pleased to confirm that the remaining Sole Gas Sales Agreements (GSAs) will commence on 1 January 2021, as previously advised. Sole gas is processed at the Orbost Gas Processing Plant (OGPP) operated by APA Group (ASX: APA).

The long-term GSAs with utility and industrial customers total 19.75 PJ annual contract quantity in 2021 (average 54 TJ/day). The take-or-pay obligations are a minimum quantity of approximately 90% of the total annual contracted volume.

The commencement of these remaining GSAs means that most Sole gas will now be sold at agreed term contract prices. Prior to commencement of the GSAs, Sole gas was being sold at lower spot prices, less transportation costs, with revenue and costs shared between Cooper Energy and APA as per the Transition Agreement announced 23 August 2020.

Sole gas produced above the total quantity nominated by the GSA customers on a day can be sold at spot prices in accordance with the Transition Agreement. The Transition Agreement remains in place until the Gas Processing Agreement between Cooper Energy and APA commences covering the long-term gas processing arrangements.

The performance of the OGPP has been impaired by foaming in the sulphur recovery unit's absorbers requiring regular maintenance. Analysis and review are being undertaken to determine the root cause of the foaming.

As announced on 9 December 2020, reconfiguration of the OGPP's two absorbers has been completed. The plant is now able to operate both absorbers either independently, in parallel or in series. This enables greater operational flexibility to conduct regular maintenance cleaning of the absorbers while maintaining production.

Since the announcement of 9 December 2020, the OGPP has maintained production of 22.5 TJ/day through a single absorber. Parallel absorber operations commenced on 29 December 2020 with production planned to increase to 45 TJ/day in a sustainable and reliable manner. Further work will be undertaken to increase production at the OGPP to the planned production rate of 68 TJ/day.

To ensure supply to the GSAs, Cooper Energy has back-up gas supply arrangements in place. Under the Transition Agreement, APA will make contributions to the cost of certain back-up supply arrangements in instances of production shortfalls. Cooper Energy will earn a comparable net cash margin as if all the gas had been processed at the OGPP, and a superior net cash margin to that which would occur through supply at anticipated near-term spot gas prices.

Cooper Energy Managing Director David Maxwell said "The commencement of the Sole GSAs is a significant milestone which will deliver a material step-change in production, revenue, cash flow and earnings.

"We are pleased to be increasing gas supply to our utility and industrial customers and providing a competitive new source of natural gas to the domestic market. We are grateful for the strong support shown by our customers during what has been a longer than expected commissioning phase for the Orbost Gas Processing Plant," Mr Maxwell said.

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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.

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.