



COOPER ENERGY LIMITED
and its controlled entities

ABN 93 096 170 295

HALF-YEAR FINANCIAL REPORT

31 December 2017

Appendix 4D

Interim Financial Report

Cooper Energy Limited		
ABN 93 096 170 295	Report ending Corresponding period	31 December 2017 31 December 2016

Results for announcement to the market

	Percentage Change %	Amount \$'000 Dec 17	Amount \$'000 Dec 16
Revenue from ordinary activities	302%	31,250	7,781
Net Profit/(loss) after tax from continuing operations	633%	19,831	(3,719)
Total Profit/(loss) for the period attributable to members	341%	19,831	(8,240)
Net tangible assets per share (inclusive of exploration and development expenditure capitalised)		27.2 cents	22.1 cents

The Directors do not propose to pay a dividend.
The attached Financial Report has been audited.

Review and Results of Operations

The attached Operating and Financial Review provides further information and explanation.

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Summary Overview

Results for the six months to 31 December 2017 highlight the growth recorded by the Company since the prior period through substantial increases in production, revenue, capital expenditure, proved and probable reserves, and transformation of the Company's balance sheet.

This development has been driven by: the acquisition of gas assets on 1 January 2017; the subsequent assumption of operator responsibilities for offshore gas production and development; the Final Investment Decision for the Sole gas project; and an associated \$400 million debt and finance package announced and completed during the period.

The Company recorded a statutory profit for the period of \$19.8 million, of which \$17.6 million is due to significant items mainly consisting of a gain on sale of subsidiaries, non-cash restoration expense and impairment losses recognised in respect of the Group's Cooper Basin northern licenses. Analysis of these and other results, including comparison with previous periods, appears under the heading 'Financial Performance' later in this report.

Operations

Cooper Energy is a petroleum exploration and production Company which generates revenue from the supply of gas to south-east Australia and oil production in the Cooper Basin. The Company's current interests and operations include:

- offshore gas and gas liquids production in the Otway Basin, Victoria, from the Casino Henry and Minerva gas projects;
- the Sole gas project under development in the offshore Gippsland Basin;
- the Manta gas and liquids resource in the offshore Gippsland Basin;
- onshore oil production and exploration from the western flank of the Cooper Basin;
- gas exploration in the offshore and onshore Otway Basin; and
- offshore gas exploration in the Gippsland Basin.

The Company has Operator responsibilities for offshore gas production and exploration in the Otway Basin and offshore gas exploration and development in the Gippsland Basin.

Reserves and contingent resources

Reserves and contingent resources were updated during the period. Proved and probable reserves were upgraded from the 11.7 million barrels of oil equivalent (MMboe) reported as at 30 June 2017 to 54.1 MMboe at 25 August 2017. The upgrade is attributable to the declaration of the Final Investment Decision for the Sole gas project, which resulted in the reclassification of 42.7 MMboe of gas from contingent resources (2C) to proved and probable (2P) reserves. Contingent resources (2C) at 25 August 2017 were reduced from 77.6 MMboe at 30 June 2017 to 34.9 MMboe.

Workforce

At 31 December 2017 the Company had 35.7 full time equivalent (FTE) employees and 49.0 FTE contractors compared with 26.9 FTE employees and 14.1 FTE contractors at 30 June 2017. The increase in employee numbers is consistent with the development of the Company and the assumption of operator responsibilities offshore Victoria. Contractor numbers increased due to resourcing for the Sole gas project, in particular the approaching offshore drilling campaign.

Health Safety Environment and Community

During the period the company submitted, and received regulatory acceptance for, environmental management plans and safety cases in respect of Victorian gas assets acquired in January 2017 for which the company now has Operator responsibility. These include the Casino Henry gas project, Sole gas project and VIC/P44.

Zero recordable case or reportable environmental incidents occurred within Cooper Energy operations during the six months to 31 December 2017. No lost time incidents were recorded.

Extensive consultation, planning and documentation was conducted during the period as a critical input to preparation for the forthcoming Victorian offshore drilling campaign.

Production

Key features of production for the period were the first contribution for the months July to December from the gas production interests acquired 1 January 2017 and increased Cooper Basin oil production. Total production

for the period was 0.81 MMboe comprising 3.9 PJ of gas and 0.14 million barrels of crude oil and condensate, which compares to the previous corresponding period's production of 0.16 million barrels of oil. The reduction in half-year oil production is attributable to the sale of Indonesian oil operations divested in September 2017, which contributed 25,000 barrels to the 2017 first half output.

Exploration and development

Otway Basin

The Company holds offshore and onshore interests in the Otway Basin.

Offshore interests comprise:

1. a 50% interest in, and Operatorship of, the producing Casino Henry Netherby ("Casino Henry") Joint Venture (VIC/L24 and VIC/L30);
2. a 50% interest in, and Operatorship of, Retention Licences VIC/RL11 and VIC/RL12;
3. a 50% interest in, and Operatorship of, the VIC/P44 exploration acreage; and
4. a 10% interest in the Minerva gas project comprising the offshore licence VIC/L22 and the Minerva Gas Plant, onshore Victoria.

These interests were acquired 1 January 2017. Operatorship of the Casino Henry Joint Venture was transferred on 1 August 2017.

Exploration activities undertaken during the period included review of exploration potential within the VIC/P44 permit. Processing of the 3D seismic data for production of a Quantitative Interpretation seismic inversion volume was initiated and is continuing with a view to completion in the current year. Preliminary technical and economic analysis has been encouraging, suggesting the existence of a number of economic gas prospects in close proximity to pipeline infrastructure.

The Casino Henry Joint Venture committed to workover the Casino-5 well, which is currently shut-in. Planning for the workover is well advanced, with the work scheduled to be conducted by the Diamond Offshore Ocean Monarch drill rig commencing in March 2018.

Onshore Otway Basin interests are located in the states of South Australia and Victoria. In South Australia the Company holds a 30% interest in each of PEL 494 and PRL 32, the balancing interests of which and operatorship are held by Beach Energy. The licences are adjacent to PPL 62 which contains the Haselgrove gas discovery announced by Beach Energy subsequent to period end.

During the period the South Australian government announced the awarding of a \$6.9 million PACE grant to the PEL 494 joint venture to drill the Dombey prospect. The primary targets at Dombey are the Pretty Hill sandstone and the deeper Sawpit sandstone successfully tested at the Haselgrove-3 well. At this stage it is anticipated the well will be drilled in the first half of FY19.

In the onshore Victoria Otway Basin Beach Energy has given notice to withdraw from PEP 150 and PEP 171. Following ratification by the government, Cooper Energy's interests will comprise:

- 100% in PEP 150;
- 50% in PEP 168; and
- 50% in PEP 171.

Activity in the Victorian interests is suspended pursuant to the moratorium imposed by the Victorian state government on onshore exploration until June 2020.

Gippsland Basin

Commercialisation of the Company's gas resources in the Gippsland Basin is a principal element of the Company's growth strategy. The Company's interests in the region comprise:

- a 100% interest in, and Operatorship of, VIC/L32 which holds the Sole gas field;
- a 100 % interest in, and Operatorship of, VIC/RL13, VIC/RL14 and VIC/RL15, which holds the Manta gas field. Manta is assessed to contain 2C Resources of 106 PJ¹ of gas and 3.2 MMbbl of liquids as well as hydrocarbon potential in deeper reservoirs; and

¹ Cooper Energy announced contingent and prospective resource attributable to Manta on 16 July 2015. Cooper Energy is not aware of any new information or data that materially affects the information provided in those releases and all material assumptions and technical parameters underpinning the assessment provided in the announcement continues to apply

- a 100% interest in, and Operatorship of, VIC/RL22 which contains the largely depleted and shut-in Patricia-Baleen gas field, and infrastructure offering connection to the Orbost Gas Processing Facility.

The Company is working towards a two-phase development program of its Gippsland gas resources involving development of Sole to supply gas from 2019 and a subsequent development of Manta.

Sole gas project

The Sole gas project is being undertaken to develop the Sole gas field, offshore Victoria, for supply to commence mid-2019. The six months to 31 December 2017 saw the completion of financing, regulatory approvals and transactions necessary for a Final Investment Decision and the project to proceed to development. These included completion of the transaction for APA Group to acquire and upgrade the Orbost Gas Processing Facility.

The Sole gas project has an estimated total capital cost of \$605 million, comprising a \$355 million offshore development to be conducted by Cooper Energy and the \$250 million upgrade of the existing Orbost Gas Processing Facility by APA Group. Sole is to be developed by the drilling and completion of two production wells, installation and connection of subsea wellheads and infrastructure to the Orbost Gas Processing Facility via 65 kilometres of pipe and a control umbilical and horizontally directional drilled (HDD) shore crossing.

At 31 December the project was 28% complete and progressing within cost budget and to schedule. Work completed included the HDD shore crossing for control umbilicals, manufacture and receipt of 65 kilometres of pipe, manufacture of wellhead tree #1 and near completion of wellhead tree #2. The Sole -3 and Sole-4 production wells are scheduled to be drilled in the FY18 second half.

Manta gas project

Development of the Manta gas and liquids field is being pursued as a second phase Gippsland gas development, utilising economies available through coordination with the Sole gas project.

A formal business case conducted in 2015 found that commercialisation of the gas field could be feasible. Appraisal of the field's contingent resources is considered necessary for confirmation of the assessed contingent resource. It is intended that this well, Manta-3, would also address the potential of a prospective resource in deeper reservoirs. The results of the Manta-3 well would inform a development decision on the field and the final firm development plan. Based on the current contingent resource, the development concept is expected to involve subsea wellheads for the production of gas and gas liquids through connection to the Orbost Gas Processing Facility by either a direct pipeline or via connection to the Patricia-Baleen gas field and pipeline.

The economics and outlook for development of Manta are considered to have improved significantly since the business case was prepared due to a range of circumstances including: forecasts of tight supply forecasts for south-east Australia; greater certainty of development costs acquired through the Sole gas project, with those costs having reduced significantly since 2015; and the securing of gas processing access and terms at the Orbost Gas Processing Facility.

The current view is that Manta-3 could be drilled in in the second half of calendar year 2019.

Cooper Basin

The five successful development wells drilled on the Callawonga field were brought online during the period and were responsible for the lift in Cooper Basin oil production.

Two unsuccessful exploration wells were drilled in the Company's Cooper Basin acreage during the period and have been plugged and abandoned.

Commercial

The core element of the Company's strategy for the creation of shareholder value is building a portfolio style gas business focussed on south-east Australia which manages supply contracts and sources for optimal returns. The foundation for this strategy's success is value-adding acquisition, discovery, development, contracting and supply of gas.

Marketing of gas reserves

The Company held 305 PJ of proved and probable gas reserves at 25 August 2017, the date of the most recent reserves statement. This gas is located in the Casino Henry and Sole gas fields.

During the period the Company secured a new contract with Origin Energy for the supply of gas from the Casino Henry gas project from 1 March 2018 to 31 December 2018. The new contract will replace the existing contract with EnergyAustralia that has operated since the field commenced production and which expires 28 February 2018.

Operating and Financial Review

For the half-year ended 31 December 2017

Approximately 108 PJ of the Company's gas reserves is presently uncontracted; 46 PJ at Casino Henry and 62 PJ at Sole. Marketing of this uncontracted gas is yet to be initiated, with the timing and structure of contracting to be conducted with a view to optimising returns whilst securing long term cash flow.

Financial Performance

Cooper Energy recorded a statutory profit after tax of \$19.8 million for the six months to 31 December which compares with the loss after tax of \$8.2 million recorded in the 2017 first half. The 2018 first half statutory profit included a number of items which affected the result by a total of \$17.6 million. These items comprise:

- a gain on sale of the Orbest Gas Processing Facility of \$21.9 million;
- a gain on the movement of consideration receivable from the prior year sale of Sukananti of \$0.4 million;
- a gain on the derecognition of the Group's investment in associate of \$0.4 million;
- a non-cash restoration expense of \$4.6 million resulting from a reassessment of the Patricia Baleen Field rehabilitation provision; and
- impairment losses recognised in respect of the Group's Cooper Basin northern licenses of \$0.5 million net of tax impacts.

Financial Performance		FY18H1	FY17H1	Change	%
Sales volume	MMboe	0.799	0.187	0.612	327%
Sales revenue	\$ million	31.3	11.0	20.3	185%
Gross profit	\$ million	14.1	4.6	9.5	206%
Gross profit / Sales revenue	%	45.0	41.8	3.2	8%
Operating cash flow	\$ million	10.0	(6.1)	16.1	264%
Reported profit/(loss)	\$ million	19.8	(8.2)	28.0	342%
Underlying profit/(loss)	\$ million	2.2	(3.5)	5.7	163%
Underlying EBITDA*	\$ million	13.0	(3.9)	16.9	433%

* Earnings before interest, tax, depreciation and amortisation

All numbers in tables in the Operating and Financial Review have been rounded. As a result, some total figures may differ insignificantly from totals obtained from arithmetic addition of the rounded numbers presented.

Calculation of underlying NPAT / (loss) by adjusting for items unrelated to the underlying operating performance is considered to provide meaningful comparison of results between periods. Underlying NPAT / (loss) and underlying EBITDA are not defined measures under International Financial Reporting Standards and are not audited. Reconciliations of NPAT / (loss), Underlying NPAT / (loss), Underlying EBITDA and other measures included in this report to the Financial Statements are included at the end of this review.

The underlying profit after tax (exclusive of the items noted above) was \$2.2 million, compared with an underlying loss after tax of \$3.5 million in the 2017 first half. The factors which contributed to the movement between the periods were:

- higher sales revenue of \$23.5 million as a result of gas produced from the assets acquired during the 2017 financial year and improved production from Cooper Basin oil;
- higher cost of sales of \$4.2 million as a result of the Victorian gas assets and increased Cooper Basin production;
- higher amortisation costs of \$8.3 million, mainly due to amortisation on gas assets acquired;
- higher administration and other costs of \$2.4 million, mainly relating to the Group's increased remuneration costs as a result of increased head count;
- higher non-cash finance costs and restoration expenses of \$0.8 million, as a result of six months of accretion relating to rehabilitation provisions associated with the assets acquired during the 2017 financial year; and
- higher tax expense of \$3.0 million including PRRT payments made in respect of the Company's producing gas assets.

Operating and Financial Review

For the half-year ended 31 December 2017

Financial Position

Financial Position		FY18H1	FY17	Change	%
Total assets	\$ million	701.3	492.6	208.7	42%
Total liabilities	\$ million	266.4	207.6	58.8	28%
Total equity	\$ million	434.9	285.0	149.9	53%

Assets

Total assets increased by \$208.7 million from \$492.6 million to \$701.3 million.

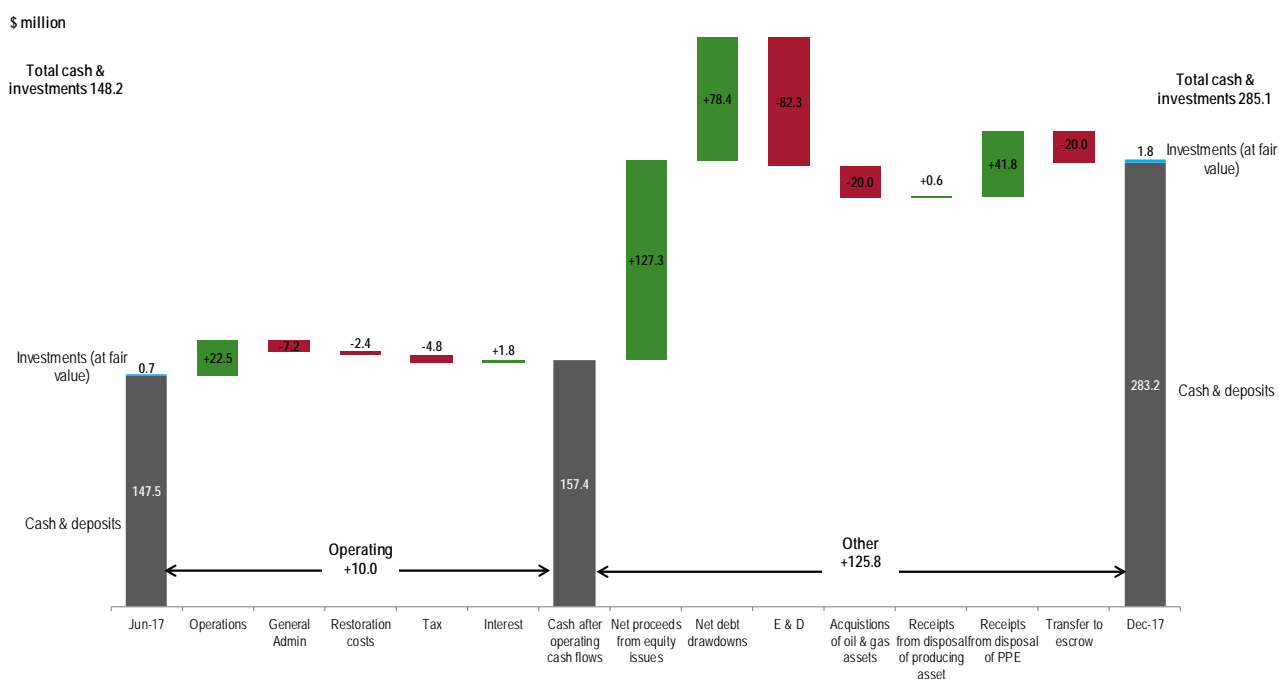
At 31 December the Company held cash and deposit balances of \$283.2 million, equity investments of \$1.8 million and drawn debt of \$89.6 million.

Cash and deposit balances increased by \$135.8 million over the period as summarised in the chart below. Operating cash flows contributed \$10.0 million comprising:

- cash generated from operations of \$22.5 million;
- interest revenue of \$1.8 million;
- general administration costs of \$7.2 million;
- restoration costs of \$2.4 million; and
- petroleum resource rent tax ("PRRT") payments of \$4.8 million.

Financing and investing cash flows included:

- net proceeds from equity issues of \$127.3 million;
- debt drawdowns of \$78.4 million (net of costs of \$11.2 million);
- exploration and development costs of \$82.3 million;
- contingent consideration of \$20.0 million paid in respect of the acquisition of the Victorian gas assets in the 2017 financial year;
- receipts from disposal of producing asset of \$0.6 million related to current period receipts from the prior period sale of Sukananti;
- receipts from disposal of property, plant and equipment of \$41.8 million relating to the sale of the Orbest Gas Processing Facility to APA Group; and
- transfer of \$20.0 million of consideration received from APA Group to be held in escrow.



Exploration and evaluation assets decreased \$124.6 million from \$223.3 million to \$98.7 million as a result of transferring the carrying amount of the Sole asset from exploration to oil and gas properties on Final Investment Decision (FID) partially offset by capital expenditure incurred on exploration activities.

Oil and gas assets increased by \$195.6 million from \$69.4 million to \$265.0 million mainly as a result of transferring the Sole asset on FID (as mentioned above) and capital expenditure incurred on the project after FID partially offset by amortisation charges.

Total Liabilities

Total liabilities increased by \$58.8 million from \$207.6 million to \$266.4 million.

Trade and other payables decreased by \$7.8 million from \$58.5 million to \$50.7 million mainly due to the payment of contingent consideration of \$20.0 million for the Victorian gas asset acquisition partially offset by increased accruals relating to capital expenditure.

Provisions increased by \$11.5 million from \$119.0 million to \$130.5 million due to changes in assumptions relating to the Group's rehabilitation provisions. These changes relating to timing of activities and gross cost estimates.

Total Equity

Total equity has increased by \$149.9 million from \$285.0 million to \$434.9 million. In comparing equity at December 2017 to June 2017 the key movements were:

- higher contributed equity of \$129.4 million due to shares issued from equity raisings and shares issued on vesting of performance rights during the period;
- higher reserves of \$0.7 million mainly due to the issue of equity incentives to employees partially offset by fair value movements in the Company's oil price options and interest rate swaps for which cash flow hedge relationships apply; and
- lower accumulated losses of \$19.8 million due to the reported profit for the period.

Business Strategies and Prospects

As noted under 'Commercial' above, the Company is concentrating its efforts and resources on building a portfolio-style gas business that can participate in gas supply opportunities in south-east Australia. In the 2017 financial year Cooper Energy put in place the portfolio of gas reserves, resources and projects with the capacity to grow production from 1 MMboe to more than 6 MMboe by 2020. Realisation of this growth is to be achieved through:

- conducting operations safely and with due care for the employees, communities and environments in which we operate;
- increasing revenue and margin generation from existing gas operations in the Otway Basin through contracting and portfolio management of uncontracted gas and improved operational outcomes;
- development of the Sole gas project and contracting of Sole gas presently uncommitted;
- efficient and value-accretive development and production of oil and gas from existing operations in the Cooper Basin;
- assessment, exploration and appraisal of the attractive gas prospects in the Company's offshore acreage; VIC/P44 in particular is highly prospective for gas and presents favourable development economics through the proximity of pipeline and processing infrastructure;
- value-adding to the Manta gas project through the drilling of the Manta-3 appraisal and exploration well and progression of the development proposal to the point of commitment;
- exploration of the company's onshore Otway basin acreage, the prospectivity of which for gas exploration has been upgraded substantially by the neighbouring Haselgrove discovery and which is well situated for the development and supply of gas to south-east Australia according to the company's gas strategy.
- vigilance for value-accretive growth opportunities that meet the Company's acquisition criteria, in particular value creation through application of Cooper Energy's gas commercialisation and/or offshore operator credentials.

Market conditions are supportive of the Company's prospects for executing and generating value from its strategy. Forecasts indicate that the supply of gas to south-east Australia is expected to remain tight. The Company's gas reserves and exploration acreage are located in south-east Australia and assessed to be a cost competitive supply option of delivered gas within the region compared with that from other sources.

Operating and Financial Review

For the half-year ended 31 December 2017

Acquisition opportunities will be assessed for their capacity to generate value for shareholders, subject to the Company's stated key investment criteria:

1. the assets are cost competitive;
2. there is a foreseeable pathway to commercialisation within 5 years; and
3. the opportunity offers the potential for value creation; whether that be an incremental increase to the value of the assets through the application of Cooper Energy's capabilities and/or an incremental increase to the value of Cooper Energy's portfolio arising from integration of the assets.

Outlook

Production expectations for FY18 are unchanged from the commencement of the year; being for total production of approximately 1.4 MMboe from its operations in FY18.

Development work is expected to feature prominently in the Company's activities over the balance of the year through events including:

- the workover and restoration of production from the Casino 5 well;
- drilling and completion of the Sole-3 and Sole-4 production wells;
- abandonment of the Sole-2 well; and
- commencement of abandonment activities at BMG, Gippsland Basin.

Planning for the future drilling of the Manta-3 well and a development well on the Henry field is ongoing. Completion of analysis of the VIC/P44 subsurface data is anticipated to identify preferred gas exploration targets for assessment by the joint venture parties.

Funding and Capital Management

Cooper Energy seeks to manage its capital with the objective of providing shareholders with the optimal risk-weighted return from the application of its expertise in the exploration, development, production and sale of hydrocarbons.

At 31 December the Company had cash, deposits and investments of \$283.2 million and drawn debt of \$89.6 million². The Company has undrawn debt facility available of \$160.4 million (of which \$134.8 million is currently available) under a senior reserve based lending facility to fund a portion of the Sole gas field development and an additional \$15.0 million under a working capital facility to be used for general business purposes. Further information is detailed in Notes 3 and 5 of the Financial Statements.

Risk Management

The Company manages risks in accordance with its risk management policy with the objective of ensuring all risks inherent in oil and gas exploration and production activities are identified, measured and managed. The Management Team perform risk assessments on a regular basis and a summary is reported to the Risk and Sustainability Committee (now separated as a Board Committee from The Audit and Risk Committee). The Committee approves and oversees an internal audit program undertaken either with company resources or in conjunction with appropriate external industry or field specialists.

Key risks which may materially impact the execution and achievement of the business strategy for Cooper Energy are summarised in the 2017 Annual Financial Report and are risks largely inherent in the oil and gas industry. This should not be taken to be a complete or exhaustive list of risks nor are risks disclosed in any particular order. Many of the risks are outside the control of the Company and its officers.

Appropriate policies and procedures are continually being developed and updated to manage these risks.

² Shown as \$79.4 million on the balance sheet due to offsetting the drawdown with prepaid transaction costs

Operating and Financial Review

For the half-year ended 31 December 2017

Reconciliations for net profit/(loss) to Underlying net profit/(loss) and Underlying EBITDA

Reconciliation to Underlying profit/(loss)		FY18H1	FY17H1	Change	%
Net profit/(loss) after income tax	\$ million	19.8	(8.2)	28.0	342%
Adjusted for:					
Impairment of discontinued operations & loss on sale	\$ million	-	0.7	(0.7)	-100%
Gain on derecognition of investment in associate	\$ million	(0.4)	-	(0.4)	-100%
Exit provision	\$ million	-	4.0	(4.0)	-100%
Impairment of exploration and evaluation	\$ million	0.7	-	0.7	100%
Restoration expense	\$ million	4.6	-	4.6	100%
Gain on sale of subsidiary	\$ million	(21.9)	-	(21.9)	-100%
Gain on movement of consideration receivable	\$ million	(0.4)	-	(0.4)	-100%
Tax impact of above changes	\$ million	(0.2)	-	(0.2)	-100%
Underlying profit/(loss)	\$ million	2.2	(3.5)	5.7	163%
Reconciliation to Underlying EBITDA*		FY18H1	FY17H1	Change	%
Underlying profit/(loss)	\$ million	2.2	(3.5)	5.7	163%
Add back:					
Interest revenue	\$ million	(1.8)	(0.5)	(1.3)	-260%
Accretion expense	\$ million	1.4	0.6	0.8	136%
Tax expense/(benefit)	\$ million	1.7	(1.5)	3.2	215%
Depreciation	\$ million	0.2	0.1	0.1	131%
Amortisation	\$ million	9.2	0.9	8.3	922%
Underlying EBITDA*	\$ million	13.0	(3.9)	16.9	433%
* Earnings before interest, tax, depreciation and amortisation					

Directors' Report

For the half-year ended 31 December 2017

The Directors of Cooper Energy Limited ("the Company" or "Cooper") present their report and the consolidated Financial Report for the half-year ended 31 December 2017. The dollar figures are expressed in Australian currency and to the nearest thousand unless otherwise indicated.

Directors

The names of the Directors in office during the half-year and until the date of this report are as below. All Directors were in office for the entire period.

Board of Directors

John C Conde AO (Non-Executive Chairman)
David P Maxwell (Managing Director)
Hector M Gordon (Non-Executive Director)
Jeffrey W Schneider (Non-Executive Director)
Alice J Williams (Non-Executive Director)

Principal Activities

The Company is an upstream oil and gas exploration and production Company whose primary purpose is to secure, find, develop, produce and sell hydrocarbons. These activities are undertaken either solely or via unincorporated joint ventures. There was no significant change in the nature of these activities during the half-year.

Review and Results of Operations

A review of the operations of the Company can be found in the Operating and Financial Review on page 3.

Significant Events After the Balance Date

Refer to Note 14 of the Notes to the Financial Statements.

Auditor's Independence Declaration

Cooper Energy has obtained an independence declaration from the auditors, Ernst & Young, which forms part of this report.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 24 March 2016 and in accordance with the Legislative Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors



Mr John C. Conde, AO
Chairman



Mr David P. Maxwell
Managing Director

12 February 2018

Auditor's Independence Declaration to the Directors of Cooper Energy Limited

As lead auditor for the review of Cooper Energy Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cooper Energy Limited and the entities it controlled during the financial period.



Ernst & Young



L A Carr
Partner
Adelaide
12 February 2018

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Continuing Operations			
Revenue from oil and gas sales	6	31,250	7,781
Cost of sales	6	(17,157)	(4,634)
Gross profit		14,093	3,147
Other revenue	6	2,194	546
Gain on derecognition of associate		353	-
Gain on sale of subsidiary	10	21,934	-
Exploration and evaluation expenditure written off		(906)	(585)
Finance costs	6	(1,478)	(701)
Impairment of exploration and evaluation assets	7	(696)	-
Share of loss in associate		-	(173)
Other expenses	6	(14,151)	(7,531)
Profit/(loss) before income tax from continuing operations		21,343	(5,297)
Income tax benefit	8	2,662	1,578
Petroleum Resource Rent Tax	8	(4,174)	-
Total tax (expense)/benefit		(1,512)	1,578
Net Profit/(loss) after tax from continuing operations		19,831	(3,719)
Discontinued operations			
Loss for the period from discontinued operations		-	(4,521)
Total Profit/(loss) for the period attributable to members		19,831	(8,240)
Other comprehensive income/(expenditure)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		-	351
Fair value movements on derivatives accounted for in a hedge relationship		114	360
Fair value movements on derivative contracts		(257)	-
Reclassification during the period to profit or loss of realised hedge settlements		280	(211)
Income tax effect on fair value movement on derivative financial instruments		(449)	43
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value movements on equity instruments at fair value through other comprehensive income		628	-
Other comprehensive income for the period net of tax		316	543
Total comprehensive income/(loss) for the period attributable to members		20,147	(7,697)
		Cents	Cents
Basic earnings per share from continuing operations		1.4	(0.6)
Diluted earnings per share from continuing operations		1.4	(0.6)
Basic earnings per share		1.4	(1.2)
Diluted earnings per share		1.4	(1.2)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	3	283,224	147,425
Trade and other receivables		16,406	10,878
Inventory		2,000	2,000
Prepayments		2,985	1,902
		304,615	162,205
Assets classified as held for sale		-	25,090
Total Current Assets		304,615	187,295
Non-Current Assets			
Equity instruments at fair value through other comprehensive income	9	1,797	658
Trade and other receivables		452	2,997
Prepayments		365	911
Term deposits at bank	3	41	41
Escrow proceeds receivable		20,036	-
Deferred tax asset		7,468	4,315
Oil and gas assets	11	265,000	69,402
Property, plant and equipment		2,867	3,694
Exploration and evaluation	12	98,662	223,331
Total Non-Current Assets		396,688	305,349
TOTAL ASSETS		701,303	492,644
LIABILITIES			
Current Liabilities			
Trade and other payables		50,704	58,520
Provisions		22,939	19,188
Derivative financial liabilities	9	257	114
		73,900	77,822
Liabilities and provisions classified as held for sale		-	25,448
Total Current Liabilities		73,900	103,270
Non-Current Liabilities			
Deferred Petroleum Resource Rent Tax Liability		2,562	1,481
Provisions		107,511	99,802
Interest bearing loans and borrowings	5	79,383	-
Financial liabilities	9	3,041	3,044
Total Non-Current Liabilities		192,497	104,327
TOTAL LIABILITIES		266,397	207,597
NET ASSETS		434,906	285,047
EQUITY			
Contributed equity	4	472,514	343,161
Reserves		7,452	6,777
Accumulated losses		(45,060)	(64,891)
TOTAL EQUITY		434,906	285,047

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2017

	Issued Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2017	343,161	6,777	(64,891)	285,047
Profit for the period	-	-	19,831	19,831
Other comprehensive income	-	316	-	316
Total comprehensive income for the period	-	316	19,831	20,147
Transactions with owners in their capacity as owners:				
Share based payments	-	1,232	-	1,232
Transferred to issued capital	873	(873)	-	-
Shares issued	128,480	-	-	128,480
Balance as at 31 December 2017	472,514	7,452	(45,060)	434,906

	Issued Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2016	137,558	6,571	(52,579)	91,550
Loss for the period	-	-	(8,240)	(8,240)
Other comprehensive income	-	543	-	543
Total comprehensive income for the period	-	543	(8,240)	(7,697)
Transactions with owners in their capacity as owners:				
Share based payments	-	1,004	-	1,004
Transferred to issued capital	1,700	(1,700)	-	-
Shares issued	60,694	-	-	60,694
Balance as at 31 December 2016	199,952	6,418	(60,819)	145,551

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Cash Flows from Operating Activities			
Receipts from customers		33,727	11,045
Payments to suppliers and employees		(18,346)	(13,982)
Exit penalty		-	(3,703)
Payments for restoration		(2,376)	-
Petroleum Resource Rent Tax paid		(4,810)	-
Interest received		1,798	546
Net cash from / (used in) operating activities		9,993	(6,094)
Cash Flows from Investing Activities			
Transfers of term deposits		-	(49)
Transfers to escrow proceeds receivable		(20,000)	-
Receipts from disposal of producing asset		637	-
Receipts from disposal of property, plant and equipment		41,847	-
Payments of contingent consideration		(20,000)	-
Payments for exploration and evaluation		(26,899)	(11,423)
Payments for oil and gas assets		(55,431)	(1,328)
Net cash flows used in investing activities		(79,846)	(12,800)
Cash Flows from Financing Activities			
Proceeds from equity issue		127,290	60,097
Proceeds from borrowings		89,592	-
Transaction costs associated with borrowings		(11,230)	-
Net cash flow used in financing activities		205,652	60,097
Net increase / (decrease) in cash held		135,799	41,203
Net foreign exchange differences		-	(109)
Cash and cash equivalents at 1 July		147,425	49,717
Cash and cash equivalents at 31 December	3	283,224	90,811

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Basis of preparation and accounting policies

This interim financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and considered together with any public announcements made by Cooper Energy Limited during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Significant event and transaction

Final Investment Decision for the Sole gas project

Final Investment Decision ("FID") for the Sole gas project was announced by the Company on 29 August 2017. This was a result of achieving full funding of the Sole gas project through a fully underwritten accelerated non-renounceable 2 for 5 entitlement offer and with the execution of a fully underwritten debt finance package. The project involves development of the Sole field to commence supply of gas to south-east Australia in 2019. Declaration of Sole FID fulfilled one of the key conditions for the completion of the agreement with APA Group (discussed below). The achievement of FID also triggered a \$20.0 million payment of contingent consideration to Santos. Upon reaching FID, the Sole exploration and evaluation assets were assessed for impairment and subsequently transferred to development due to the technical feasibility and commercial viability of gas production becoming evident in accordance with AASB 6.

Completion of the sale of the Orbost Gas Processing Facility

The sale of the Orbost Gas Processing Facility to APA Group, originally announced on 27 February 2017, completed on 31 October 2017. As part of the transaction, the Company received \$20.0 million which is held in escrow and will be released to the Company upon satisfaction of certain conditions; these funds are shown on the balance sheet as a financial asset. Additionally, on completion the Company was reimbursed by APA Group for certain development costs incurred in respect of the Orbost Gas Processing Facility to the value of \$24.4 million. A gain on sale of \$21.9 million (net of transaction costs) is recognised on the Consolidated Statement of Comprehensive Income. Refer to Note 10 for further information.

Syndicated Facility Agreement and first draw down

On 29 August 2017 the Company announced the execution of a fully underwritten finance package including a \$250.0 million senior secured bank debt facility underwritten by Australia and New Zealand Banking Group (ANZ) and Natixis, Hong Kong Branch (Natixis) and a senior secured \$15.0 million working capital facility provided by ANZ. The Company drew down \$89.6 million from the bank debt facility during the first half of the 2018 financial year. Net of costs of \$10.2 million non-current borrowings are \$79.4 million on the balance sheet. Refer to note 5 for further information.

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

1. Basis of preparation and accounting policies continued

(i) New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the half-year financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2017, except for the adoption of new standards and interpretations as of 1 July 2017, noted below:

AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
Summary	This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.
Application Date of the Standard	1 January 2017
Application Date for Group	1 July 2017
Impact on Group Financial report	The adoption of this standard has not had a material impact on the Group.
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
Summary	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).
Application Date of the Standard	1 January 2017
Application Date for Group	1 July 2017
Impact on Group Financial report	The adoption of this standard has not had a material impact on the Group.
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle
Summary	This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.
Application Date of the Standard	1 January 2017
Application Date for Group	1 July 2017
Impact on Group Financial report	The adoption of this standard has not had a material impact on the Group.

2. Segment Reporting

Identification of reportable segments and types of activities

Following the completion of the Victorian gas asset acquisition in the second half of the 2017 financial year, the Group identified its operating segments to be Cooper Basin, South-East Australia (based on the nature and geographic location of the assets) and the Corporate and Discontinued operating segments. This forms the basis that the Group reports internally to the Managing Director who is the chief operating decision maker for the purpose of assessing performance and allocating resources between each segment. Revenue and expenses are allocated by way of their natural expense and income category. The comparative disclosures have been restated to be on a consistent basis as the new segments.

Other prospective opportunities outside of these segments are also considered from time to time and, if they are secured, will then be attributed to the basin where they are located.

The following are the current segments:

Cooper Basin

The Cooper Basin segment consist of exploration and evaluation of oil and gas and production and sale of crude oil in the Company's permits within the Cooper Basin. Revenue is derived from the sale of crude oil to IOR Energy Pty Ltd and a consortium of buyers made up of Santos Limited and its subsidiaries Delhi Petroleum Pty Ltd and Lattice Energy Limited.

South-East Australia

The South-East Australia segment primarily consists of the Sole gas project, Manta gas project and gas production from the Company's interest in the operated Casino Henry and non-operated Minerva gas assets. Revenue is derived from the sale of gas and condensate to four customers. The segment also includes exploration and evaluation and care and maintenance activities ongoing in the Otway and Gippsland basins.

Corporate Business Unit

The Corporate business unit includes the revenue and costs associated with the running of the business and includes items which are not directly allocable to the other segments.

Discontinued Operations

The Group had no discontinued operations during the period. During the first half of the 2017 financial year, discontinued operations consisted of the Group's former interests in Indonesia and Tunisia which have been sold or withdrawn from.

Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments internally is the same as those contained in Note 2 of the 2017 Annual Financial Report.

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

2. Segment reporting continued

The following table presents revenue and segment results for reportable segments:

	Cooper Basin \$'000	South-East Australia \$'000	Corporate \$'000	Consolidated \$'000
Half-year ended 31 December 2017				
Revenue	11,799	19,451	-	31,250
Other income and revenue	-	-	2,194	2,194
Total consolidated revenue	11,799	19,451	2,194	33,444
Depreciation of property	-	-	(231)	(231)
Amortisation of development costs	(1,448)	(7,686)	-	(9,134)
Amortisation of exploration costs	(62)	-	-	(62)
Accretion on rehabilitation provision	(51)	(1,413)	-	(1,464)
Accretion on success fee liability	-	(14)	-	(14)
Impairment of exploration and evaluation assets	(696)	-	-	(696)
Care & maintenance	-	(385)	-	(385)
Gain on derecognition of associate	-	-	353	353
Gain on sale of subsidiary	-	21,934	-	21,934
Restoration expense	-	(4,556)	-	(4,556)
Fair value adjustment on success fee	-	17	-	17
Share based payments	-	-	(1,232)	(1,232)
Production expenses	(3,426)	(3,599)	-	(7,025)
Royalties	(936)	-	-	(936)
Other expenses	-	-	(7,764)	(7,764)
Exploration costs written off	(906)	-	-	(906)
Segment result	4,274	23,749	(6,680)	21,343
Income tax				2,662
Petroleum Resource Rent Tax				(4,174)
Net Profit	4,274	23,749	(6,680)	19,831
Segment liabilities	6,589	157,589	102,219	266,397
Segment assets	19,720	206,213	475,370	701,303
Non-Current Assets	12,319	355,142	29,227	396,688

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

2. Segment reporting continued

	Cooper Basin \$'000	South-East Australia \$'000	Corporate \$'000	Continuing Operations Total \$'000	Discontinued Operations Total \$'000	Consolidated \$'000
Half-year ended 31 December 2016						
Revenue	7,781	-	-	7,781	3,249	11,030
Other income and revenue	-	18	528	546	-	546
Total consolidated revenue	7,781	18	528	8,327	3,249	11,576
Depreciation of property	-	-	(96)	(96)	-	(96)
Amortisation of development costs	(681)	-	-	(681)	-	(681)
Amortisation of exploration costs	(117)	-	-	(117)	-	(117)
Accretion on rehabilitation provision	(41)	(651)	-	(692)	-	(692)
Accretion on success fee liability	-	77	-	77	-	77
Impairment	-	-	-	-	(847)	(847)
Care & maintenance	-	(358)	-	(358)	-	(358)
Share of loss in associate	-	-	(173)	(173)	-	(173)
Fair value adjustment on success fee	-	-	-	-	-	-
Share based payments	-	-	(1,004)	(1,004)	-	(1,004)
Production expenses	(3,342)	-	-	(3,342)	(1,215)	(4,557)
Royalties	(494)	-	-	(494)	(487)	(981)
Other expenses	-	-	(6,159)	(6,159)	(1,178)	(7,337)
Exit provision	-	-	-	-	(4,031)	(4,031)
Exploration costs written off	(514)	(71)	-	(585)	(12)	(597)
Segment result	2,592	(985)	(6,904)	(5,297)	(4,521)	(9,818)
Income tax						1,578
Petroleum Resource Rent Tax						-
Net Loss	2,592	(985)	(6,904)	(5,297)	(4,521)	(8,240)
Segment liabilities	5,286	63,842	4,408	73,536	4,858	78,394
Segment assets	14,063	103,430	101,476	218,969	4,976	223,945
Non-Current Assets	10,772	102,355	10,779	123,906	-	123,906

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

3. Cash and Cash Equivalents and Term Deposits

	31 December 2017 \$'000	30 June 2017 \$'000
Current Assets		
<i>Cash and cash equivalents</i>		
Cash at banks and in hand	283,013	49,425
Short term deposits at banks (i)	211	98,000
	283,224	147,425
Non-Current Assets		
Term deposits at bank (ii)	41	41

- (i) Short term deposits at banks are in Australian dollars and are generally for periods of three months or less and earn interest at money market interest rates. At December 2017 there are no term deposits with a maturity greater than 3 months.
- (ii) The carrying value of term deposits approximates their fair value.

4. Contributed equity

	31 December 2017 \$'000	30 June 2017 \$'000
<i>Ordinary shares</i>		
Issued and fully paid	472,514	343,161
	Thousands	\$'000
<i>Movement in ordinary shares on issue</i>		
At 1 July 2017	1,140,551	343,161
Equity issue	456,222	128,480
Issuance of shares for Performance Rights	4,306	873
At 31 December 2017	1,601,079	472,514

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

5. Interest bearing loans and borrowings

In August 2017, Cooper Energy negotiated a A\$250 million senior secured Reserved Based Lending facility, principally to fund the Sole gas project, and a senior secured \$15 million working capital facility provided by ANZ. These facilities mature on 28 September 2024.

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Transaction costs are capitalised initially and then amortised on a straight-line basis over the expected term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period. Interest expense is recognised as interest accrues using the effective interest rate and if not received at balance date, is reflected in the balance sheet as a payable.

The Company has undrawn debt facility available of \$160.4 million (of which \$134.8 million is currently available) under a senior reserve based lending facility to fund a portion of the Sole gas field development and an additional \$15.0 million under a working capital facility to be used for general business purposes.

	31 December 2017 \$'000	30 June 2017 \$'000
Interest bearing loans and borrowings		
Non-current (bank debt)	79,383	-
Total interest bearing loans and borrowings	79,383	-

Includes capitalised transaction costs of \$11.2 million.

6. Revenues and Expenses

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

	31 December 2017 \$'000	31 December 2016 \$'000
Revenues from oil operations		
Oil sales	11,799	7,781
Gas sales	19,451	-
Total revenue from operations	31,250	7,781
Other revenue		
Interest revenue	1,798	528
Gain on movement of consideration receivable	396	-
Joint venture fees	-	18
Total other revenue	2,194	546
Cost of sales		
Production expenses	(7,025)	(3,342)
Royalties	(936)	(494)
Amortisation of exploration costs in areas under production	(62)	(117)
Amortisation of development costs in areas of production	(9,134)	(681)
Total cost of sales	(17,157)	(4,634)

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

6. Revenue and Expenses continued

	31 December 2017 \$'000	31 December 2016 \$'000
Finance costs		
Accretion of rehabilitation provision	(1,464)	(692)
Accretion of success fee liability	(14)	(9)
Total finance costs	(1,478)	(701)
Other expenses		
Depreciation of property, plant and equipment	(231)	(97)
General administration (includes employee benefits and lease payments)	(8,694)	(7,214)
Plant care and maintenance	(385)	(358)
Restoration expense	(4,556)	-
Fair value adjustment of success fee liability	17	86
Realised and unrealised foreign currency translation (loss)/gain	(302)	52
Total other expenses	(14,151)	(7,531)
Employee benefits expense		
Director and employee benefits	(6,129)	(4,028)
Share based payments	(1,232)	(1,004)
Superannuation expense	(317)	(212)
Total employee benefits expense	(7,678)	(5,244)
Lease payments		
Minimum lease payment – operating lease	(271)	(152)

7. Impairment

The following impairment losses were recognised during the half-year:

	31 December 2017 \$'000	31 December 2016 \$'000
Impairment of exploration and evaluation assets		
Cooper Basin Northern Licenses	696	-
Total	696	-

In accordance with the Company's accounting policies and procedures, the Company performs its impairment testing bi-annually.

Exploration and Evaluation Impairment

During the half-year the Company's exploration assets were assessed for impairment indicators in accordance with AASB 6. Impairment losses were recognised in respect of the Cooper Basin Northern Licenses during the first half of the 2018 financial year as a result of no significant work planned in the future and no current commercial development potential.

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

8. Income Tax Expense

The major components of income tax expense in the interim consolidated income statement are:

	31 December 2017 \$'000	31 December 2016 \$'000
Consolidated Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	-	-
Adjustments in respect of prior year income tax	-	-
	-	-
<i>Deferred income tax</i>		
Recognition of tax losses	7,818	3,670
Origination and reversal of temporary differences	(5,156)	(2,092)
	2,662	1,578
Income tax expense benefit	2,662	1,578
<i>Current royalty tax</i>		
Current year	(3,030)	-
	(3,030)	-
<i>Deferred royalty tax</i>		
Origination and reversal of temporary differences	(1,144)	-
	(1,144)	-
Total royalty tax expense	(4,174)	-
Numerical reconciliation between tax expense and pre-tax net profit		
Income Tax Expense		
Accounting gain/(loss) before income tax from continuing operations	21,343	(5,297)
Income tax using the domestic corporation tax rate of 30% (2016: 30%)	(6,403)	1,589
Increase/(decrease) in income tax expense due to:		
Non-deductible (expenditure)/non-assessable income	2,161	(8)
Recognition of royalty related income tax benefits	324	-
Permanent differences due to capital gains	6,580	-
Non-Australian taxation jurisdictional subsidiaries	-	(3)
Total income tax benefit	2,662	1,578

9. Financial Instruments

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

9. Financial Instruments continued

Level 3 Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Set out below is an overview of financial instruments held by the Company, with a comparison of the carrying amounts and fair values as at 31 December 2017:

		Carrying amount		Fair value	
		31 December	30 June	31 December	30 June
	Level	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Consolidated					
Financial assets					
Equity instruments at fair value through other comprehensive income	1	1,797	658	1,797	658
Escrowed proceeds receivable	1	20,036	-	20,036	-
Financial liabilities					
Success fee financial liability	3	3,041	3,044	3,041	3,044
Derivative financial instruments	2	257	114	257	114
Interest bearing loans and borrowings	1	79,383	-	79,383	-

The financial assets and liabilities of the Company are recognised in the consolidated statement of financial position in accordance with the accounting policies set out in Note 2 of the 2017 Annual Financial Report.

The carrying value of trade receivables and trade payables approximate the fair value, due to their short-term nature.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Equity instruments at fair value through other comprehensive income

The fair value of equity instruments is determined by reference to their quoted market price on a prescribed equity stock exchange at the reporting date, and hence is a Level 1 fair value measurement.

Escrow proceeds receivable

During the period, the Company completed the sale of Orbest Gas Processing Facility to APA Group. A portion of proceeds from the sale is held in escrow, to be released upon certain conditions being satisfied. Amounts held in escrow are held at the estimated realisable value in the Statement of Financial Position.

Derivative financial instruments

The derivative financial instruments relate to the Group's hedging activities to hedge against cash flow risks from movements in oil price and interest rates, for which hedge accounting has been applied. The fair value of the derivative financial instruments is obtained from third party valuation reports.

Success fee financial liability

The success fee liability is the fair value of the Group's liability to pay a \$5,000,000 success fee upon the commencement of commercial production of hydrocarbons on the Group's VIC/RL 13-15 assets acquired on 7 May 2014. The significant unobservable valuation inputs for the success fee financial

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

9. Financial Instruments continued

liability includes: a probability of 37% that no payment is made and a probability of 63% the payment is made in 2022. The discount rate used in the calculation of the liability as at 31 December 2017 equalled 2.58% (June 2017: 2.41%). The financial liability is valued using a discounted cash flow model and the value is sensitive to changes in discount rate and probability of payment.

10. Asset disposal

The sale of the Orbest Gas Processing Facility to APA Group, originally announced on 27 February 2017, completed on 31 October 2017.

	31 December 2017 \$'000
Consideration received	44,352
Transaction costs	(2,505)
Net consideration received	41,847
Value of assets sold	19,913
Gain on sale	21,934

The plant was sold for consideration of \$20.0 million to be held in escrow, which will be released to the Company upon satisfaction of certain conditions; these funds are shown on the balance sheet as a financial asset. Additionally, \$24.4 million of costs incurred by the Company in respect of the Orbest Gas Processing Facility were reimbursed by APA.

On completion, a gain on sale of \$21.9 million was recognised in the Consolidated Statement of Comprehensive Income.

11. Oil and Gas assets

	31 December 2017 \$'000
<i>Year end 31 December 2017</i>	
Carrying amount at 1 July 2017	69,402
Additions	53,642
Transferred from Exploration and Evaluation	149,635
Amortisation	(7,679)
Carrying amount at 31 December 2017	265,000
<i>As at 31 December 2017</i>	
Cost	308,805
Accumulated amortisation & impairment	(43,805)
	265,000

Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2017

12. Exploration and evaluation assets

	31 December 2017 \$'000
Reconciliations of the carrying amounts of capitalised exploration at the beginning and end of the period are set out below:	
Carrying amount at 1 July	223,331
Additions	26,447
Transferred to Development	(149,635)
Unsuccessful exploration wells written off	(785)
Impairment	(696)
Carrying amount at 31 December	98,662

13. Commitments and Contingencies

The parent entity leases an office in Adelaide, South Australia and Perth, Western Australia from which it conducts its operations.

	31 December 2017 \$'000	31 December 2016 \$'000
Operating lease commitments under non-cancellable office leases not provided for in the financial statements and payable:		
Within one year	678	327
After one year but not more than five years	2,930	75
After more than five years	1,404	-
Total minimum lease payments	5,012	402

	31 December 2017 \$'000	31 December 2016 \$'000
Exploration capital commitments not provided in the financial statements and payable:		
Within one year	1,721	3,608
After one year but not more than five years	30	1,814
After more than five years	-	-
Total minimum exploration commitments	1,751	5,422

As at 31 December 2017 the parent entity has bank guarantees for \$411,137 (2016: \$160,512). These guarantees are in relation to guarantees on office leases and other premises.

14. Events Subsequent to 31 December 2017

There are no significant events subsequent to 31 December 2017 at the date of this report.

Directors' Declaration

In accordance with a resolution of the directors of Cooper Energy Limited, we state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the financial position at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr John C. Conde AO
Chairman



Mr David P. Maxwell
Managing Director

12 February 2018

Independent Auditor's Review Report to the Members of Cooper Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Cooper Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



L A Carr
Partner
Adelaide
12 February 2018

Directors

John C Conde AO, Chairman
David P Maxwell
Hector M Gordon
Jeffrey W Schneider
Alice JM Williams

Company Secretary

Alison M Evans

Registered Office and Business Address

Level 10, 60 Waymouth Street
Adelaide, South Australia 5000

Telephone: +618 8100 4900
Facsimile: +618 8100 4997
Email: customerservice@cooperenergy.com.au
Website: www.cooperenergy.com.au

Auditors

Ernst & Young
121 King William Street
Adelaide, South Australia 5000

Solicitors

Johnson Winter & Slattery
Level 9, 211 Victoria Square
Adelaide, South Australia 5000

Bankers

Australia and New Zealand Banking Group
Level 20, 242 Pitt Street
Sydney, New South Wales 2000

Natixis, Hong Kong Branch
Level 72, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Share Registry

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
Website: investorcentre.com/au

Telephone:
Australia 1300 655 248
International +61 3 9415 4887
Facsimile: +61 3 9473 2500