COOPER ENERGY LIMITED

and its controlled entities

ABN 93 096 170 295

HALF-YEAR FINANCIAL REPORT

31 December 2018

Appendix 4D
Interim Financial Report

Cooper Energy Limited		
ABN 93 096 170 295	Report ending Corresponding period	31 December 2018 31 December 2017

Results for announcement to the market

	Percentage Change %	**Amount $'000 Dec 18**	Amount $'000 Dec 17
Revenue from ordinary activities	16%	**36,175**	31,250
Total (loss)/profit for the period attributable to members	-164%	**(12,627)**	19,831
Net tangible assets per share (inclusive of exploration and development expenditure capitalised)		**26.7 cents**	27.2 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.

Table of Contents

Operations

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

- offshore gas and gas liquids production in the Otway Basin, Victoria, from the Casino Henry Netherby ("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 is the operator for offshore gas production and exploration in the Otway Basin and offshore gas exploration and development in the Gippsland Basin.

Reserves, Contingent Resources and Prospective Resources
Reserves and Contingent Resources as at 30 June 2018 were announced on 13 August 2018. Proved and Probable Reserves at 30 June 2018 were 52.4 million boe (barrels of oil equivalent) compared with 11.7 million boe at 30 June 2017. Contingent Resources (2C) were 23.6 million boe compared with 77.6 million boe at 30 June 2017.

A Prospective Resource assessment was announced on 8 November 2018 after completion of technical assessment of the Annie and Elanora prospects in VIC/P44 and VIC/L24 in the offshore Otway Basin. Gross and net Prospective Resources for the Annie and Elanora prospects were assessed to be as set out in the table below.

As discussed under 'Exploration' later in this review the prospects are to be tested by exploration wells scheduled for the June quarter of 2019.

Prospective Resources Gas bcf	Gross VIC/P44 Joint Venture			Cooper Energy share		
	Low (P90)	Best (P50)	High (P10)	Low (P90)	Best (P50)	High (P10)
Annie (Waarre C & Waarre A formations)	36.2	70.5	137.0	18.1	35.3	68.5
Elanora (Waarre A formation)	33.9	100.1	284.8	16.9	50.0	142.4
Total Annie and Elanora	70.1	170.6	421.8	35.0	85.3	210.9

[1] Prospect totals are aggregated by arithmetic summation by category. Aggregated Low (P90) estimates may be conservative, and aggregated High (P10) estimates may be optimistic due to the effects of arithmetic summation.

The estimated quantities of petroleum that may be potentially recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Workforce
At 31 December 2018 the Company had 46.1 full time equivalent (FTE) employees and 39.0 FTE contractors compared with 38.9 FTE employees and 62.1 FTE contractors at 30 June 2018. The increase in employee numbers is consistent with the development of the Company whilst the contractor numbers have reduced following the completion of the 2018 offshore drilling campaign and progress of the Sole Gas Project.

Health Safety Environment and Community
Zero lost time injuries or environmental incidents occurred within the Company's operations during the six months to 31 December 2018.

Preparation for the 2019 offshore drilling campaign is underway, and relevant safety and environmental plans have been submitted to the regulator for acceptance.

Production
Production for the period was 0.66 MMboe compared with 0.81 MMboe in the FY18 first half. Lower gas production arising from a 21 day scheduled maintenance shutdown at the Iona Gas Plant and natural field decline in the Cooper Basin were the major factors in the decrease in total output. Gas production for the period was 3.28 PJ compared with 3.87 PJ in the previous corresponding period.

Production for the period included 133.47 kbbl of crude oil and condensate; 98% of which was sourced from the Cooper Basin.

Commercial
The Company's strategy for the creation of shareholder value involves the establishment and operation of a portfolio style gas business to address supply opportunities in south-east Australia.

Fundamental to this strategy is the Company's reserves of gas, particularly that which is uncontracted and therefore available to market. At the beginning of the period the company held 128 PJ of uncontracted Proved and Probable Reserves, deliverable over the period from 2019 to 2030 and all located close to markets in the Otway Basin (58 PJ) or at Sole (70 PJ) in the offshore Gippsland Basin. These reserves are being contracted under a phased marketing strategy to build a portfolio of supply contracts for optimum value and cash flow.

A tender for gas supply from Casino Henry in the 2019 calendar year was concluded during the period with the signing of new contracts with Origin Energy and O-I Australia. The contracts, which succeed a supply contract with Origin Energy expiring on 31 December 2018, are supported by processing agreements with Lochard Energy.

The Company commenced a marketing process for its remaining uncontracted gas, with a particular focus on supply for the years 2019 to 2021. Discussions with both utility and industrial customers are underway and expected to result in the signing of new contracts in the second half of FY19.

Exploration and Development

Offshore Otway Basin,
The Company holds offshore and onshore interests in the Otway Basin. The offshore interests comprise:

1. a 50% interest in, and Operatorship of, Production Licences 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 permit; together called the "Casino Henry Joint Venture"; and
4. a 10% interest in the Minerva joint venture comprising the offshore licence VIC/L22 and the Minerva Gas Plant, onshore Victoria. The Casino Henry Joint Venture has agreed to acquire the Minerva Gas Plant from the Minerva joint venture on the completion of production from the Minerva gas field. This date is uncertain, but expected to occur in FY20.

Offshore Otway exploration
The VIC/P44 and VIC/L24 and VIC/L30 permits are highly attractive for gas exploration, being a lightly drilled, proven gas province possessing pipeline infrastructure and access to processing and market via the Minerva Gas Plant after its acquisition.

Since acquiring the interest in VIC/P44 Cooper Energy has been re-evaluating the region's exploration prospects, including the reprocessing and interpretation of a quantitative interpretation 3D seismic inversion volume which was integrated with other exploration studies. These studies have resulted in two high-graded prospects, Annie and Elanora being approved by the joint venture for drilling and the contracting of Diamond Offshore's Ocean Monarch rig to drill the prospects in the June quarter 2019.

Offshore Otway development
Development projects in the offshore Otway Basin (including the associated onshore gas processing facilities) and their status, are as follows:

- Connection of the Casio Henry gas operations to the Minerva Gas Plant. This project is to be initiated on acquisition of the plant by the Casino Henry Joint Venture, which has been contracted to occur on the cessation of production from the Minerva gas field. Current expectations are this could occur in FY20.
- Henry development well. An additional development well is planned for the Henry gas field to access undeveloped reserves and increase production. Front end engineering and subsurface studies were conducted during the period to progress drill planning prior to an assurance review held in October. Following engagement with drilling contractors, it is expected, subject to the Casino Henry Joint Venture approval and rig contracting, the development well will be drilled in FY21.
- Upgrade and maintenance of the Casino Henry umbilical control system. To be conducted in the second half of FY19, this project is to undertake routine maintenance, restore control system communication for the re-opening of Netherby-1 and upgrade capacity for accommodation of additional production wells such as may be required in the event of exploration success.

The Company has applied for the conversion of the VIC/RL11 and VIC/RL12 retention leases into production licences for the purpose of developing the portion of the Black Watch gas field that lies within these permits.

Onshore Otway Basin
Cooper Energy's interests in the onshore Otway Basin include licences in South Australia and permits in Victoria. Activities in the latter are currently suspended pursuant to the moratorium on onshore gas exploration until June 2020 imposed by the Victorian state government. The onshore Otway interests comprise:

- 30% interests in PEL 494 and PRL 32, South Australia;
- 50% interests in PEP 150 and PEP 168 in Victoria; and
- a 100% interest in PEP 171 in Victoria, which may reduce by up to 50% on fulfilment of farm-in arrangements executed with Vintage Energy Ltd.

In South Australia, the PEL 494 Joint Venture prepared for the drilling of the Dombey-1 exploration well, which is expected to spud in the final quarter of FY19. Dombey-1 is located 20 kilometres north-west of the Katnook Gas Plant and will be part-funded through a $6.89 million PACE Gas Round 2 grant by the South Australian Government. The primary targets at Dombey-1 are the Pretty Hill Sandstone and, the Sawpit Sandstone, which was confirmed as a viable deep gas exploration target by the discovery at Haselgrove-3 ST1 in PPL 62.

Gippsland Basin
Cooper Energy's major development project, and the large majority of its Reserves and Resources, are located in the Gippsland Basin, offshore Victoria, Australia.

Interests in the region comprise:

a) a 100% interest in, and Operatorship of, VIC/L32 which holds the Sole gas field;

b) a 100 % interest in, and Operatorship of, VIC/RL13, VIC/RL14 and VIC/RL15, which hold the Manta gas field. Manta is assessed to contain Contingent Resources (2C) of 106 PJ[1] of gas and 3.2 MMbbl of liquids as well as hydrocarbon potential in deeper reservoirs. The retention leases also hold legacy non-operating oil infrastructure associated with the BMG oil project;

c) 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 Plant; and

d) a 100% interest in exploration permit VIC/P72 awarded in May 2018.

The Company is pursuing a two-phase development program of its Gippsland gas resources involving development of Sole and a subsequent development of Manta.

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

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 commencement of production from Sole, scheduled to occur within July 2019, is expected to add 24 PJ per annum to Cooper Energy's gas sales.

Sole is being developed through separate offshore and onshore projects which have a total cost of $605 million. APA Group is undertaking the onshore project comprising a $250 million upgrade to its existing Orbost Gas Plant.

The offshore project, being conducted by Cooper Energy comprises the drilling and completion of two production wells, installation and connection of subsea wellheads and infrastructure to the Orbost Gas Plant via 65 kilometres of pipe, a control umbilical and horizontally directional drilled (HDD) shore crossings.

Budgeted P50 cost for the offshore project is $355 million, with all work packages, excepting the well construction and completion, being contracted under fixed price lump sum agreements. At 31 December the project was 86% complete and within budget.

Offshore project milestones completed during the period included the testing and completion of the Sole-3 and Sole-4 production wells, final factory acceptance of the control umbilical and the laying of the gas pipeline from the shore crossing to pipeline end manifold on the sea bed at the Sole gas field.

Tasks remaining for the completion of the offshore project include rectification of the damaged pipe section advised in ASX announcements on 12 November and 11 December, confirmation of pipeline integrity, control umbilical installation and tie-in, pipeline connection and certification and final works. This includes various regulatory approvals associated with the project to commence operations.

These tasks are scheduled to be completed, and Sole ready and available to supply gas, by the end of May, well in advance of the date required for Orbost Gas Plant commissioning. The plant is expected to receive first gas flow from Sole mid-June, with the completion of plant performance testing and gas sales anticipated during July 2019.

Manta
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 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 an appraisal/exploration well, Manta-3, will also test the potential of a prospective resource in deeper reservoirs. The results of Manta-3 will inform a development decision on the field and the final firm development plan. Current expectations are that Manta-3 will be drilled in the offshore drilling campaign being planned for FY21.

The FY21 drilling campaign will also likely include drilling an exploration prospect in VIC/P72.

Cooper Basin
Cooper Energy's share of oil production from its Cooper Basin tenements for the six months to 31 December was 122.5 kbbl (average 666 bopd) compared with 140.8 kbbl (average 765 bopd) in the previous corresponding period. The 13% reduction was a result of natural field decline.

Production attributable to Cooper Energy's interest in the PEL 92 Joint Venture accounted for 115.4 kbbl, or 94% of its Cooper Basin oil production. Production from the PPL 207 Joint Venture (Worrior oil field) accounted for the balance of the company's Cooper Basin production.

Reprocessing and merging of the Caseolus, NMC and Rincon 3D seismic surveys in PEL 92 was completed in the half. The results of this activity will assist future definition of exploration prospectivity. In PRLs 231, 232 and 233, formerly PEL 93, preparations were completed to acquire the Westeros 3D seismic survey which is scheduled to commence in early 2019.

Financial Performance

Cooper Energy recorded a statutory loss after tax of $12.6 million for the six months to 31 December which compares with the profit after tax of $19.8 million recorded in the 2018 first half. The 2019 first half statutory loss included a number of items which affected the result by a total of $15.7 million. These items comprise:

- a non-cash restoration expense of $16.5 million resulting from a reassessment of the Patricia Baleen Field rehabilitation provision; and
- gain on exit provision of $0.8 million in respect of the Company's settlement of a payment relating to the exit of the Hammamet permit (Tunisia), which had been previously provided for.

The prior period result included a gain on sale on the Orbost Gas Plant of $21.9 million.

Calculation of underlying net profit/(loss) after tax by adjusting for items unrelated to the underlying operating performance is considered to provide a meaningful comparison of results between periods. Underlying net profit/(loss) after tax and underlying EBITDA are not defined measures under International Financial Reporting Standards and are not audited. Reconciliations of net profit/(loss) after tax, underlying net profit/(loss) after tax, 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 $3.1 million, compared with an underlying profit after tax of $2.2 million in the 2018 first half. The factors which contributed to the movement between the periods were:

- higher sales revenue of $4.9 million as a result of higher oil and gas prices;
- higher production costs of $2.3 million as a result of higher gas processing costs;
- higher administration costs of $1.0 million, mainly relating to the Company's increased remuneration costs as a result of increased head count due to higher activity levels across the business; and
- higher tax expense of $0.8 million including PRRT payments made in respect of the Company's producing gas assets.

Financial Performance		FY19H1	FY18H1	Change	%
Sales volume	MMboe	0.655	0.799	(0.144)	(18%)
Sales revenue	$ million	36.2	31.3	4.9	16%
Gross profit	$ million	16.7	14.1	2.6	18%
Gross profit / Sales revenue	%	46.1	45.0	1.1	2%
Operating cash flow	$ million	(0.9)	10.0	(10.9)	(109%)
Cash, other financial assets and investments	$ million	197.2	285.1	(87.9)	(31%)
Reported profit/(loss) after tax	$ million	(12.6)	19.8	(32.4)	(164%)
Underlying profit/(loss) after tax	$ million	3.1	2.2	0.9	41%
Underlying profit/(loss) before tax	$ million	5.4	4.1	1.3	32%
Underlying EBITDA*	$ million	13.8	13.0	0.8	6%

* 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.

Financial Position

Financial Position		FY19H1	FY18	Change	%
Total assets	$ million	918.9	816.8	102.1	13%
Total liabilities	$ million	486.6	372.9	113.7	30%
Total equity	$ million	432.3	443.9	(11.6)	(3%)

Assets

Total assets increased by $102.1 million from $816.8 million to $918.9 million.

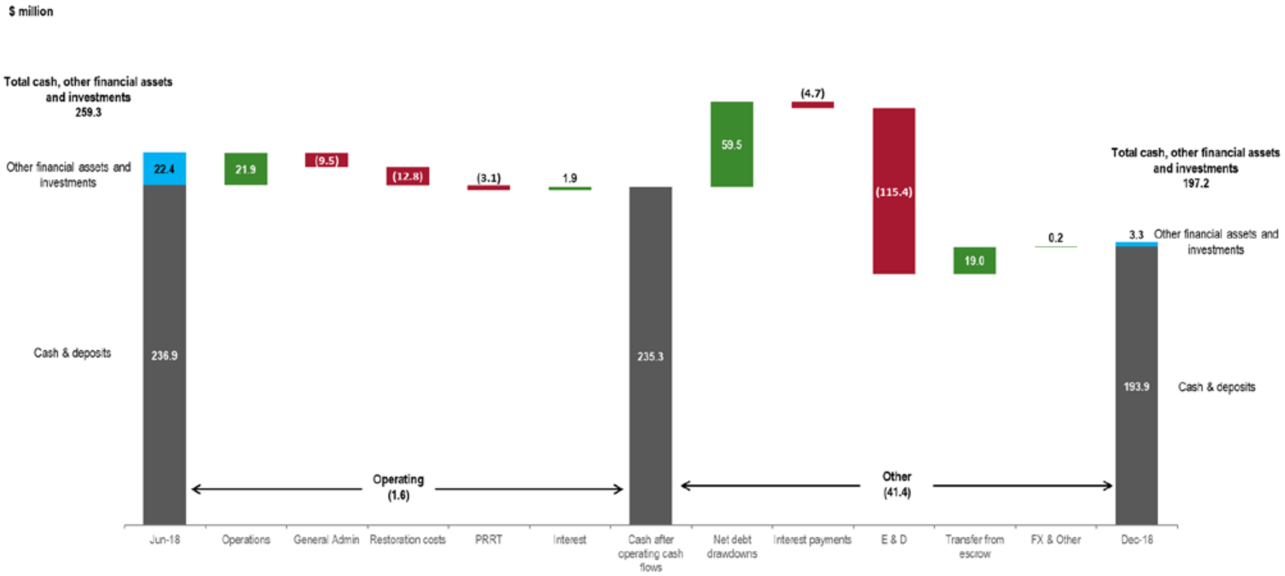
At 31 December the Company held cash and deposit balances of $193.9 million, other financial assets of $1.7 million, investments of $1.6 million and drawn debt of $186.4 million.

Cash and deposit balances decreased by $43.0 million over the period as summarised in the chart below. Operating cash outflows were $1.6 million comprising:

- cash generated from operations of $21.9 million;
- interest revenue of $1.9 million;
- general administration costs of $9.5 million;
- restoration costs of $12.8 million; and
- petroleum resource rent tax ("PRRT") payments of $3.1 million.

Financing and investing cash flows included:

- debt drawdowns of $59.5 million (net of costs of $1.0 million);
- exploration and development costs of $115.4 million;
- interest payments of $4.7 million;
- transfer of $19.0 million from escrow; and
- FX translations of $0.2 million.



Exploration and evaluation assets increased $40.1 million from $98.7 million to $138.8 million as a result of increases associated with the reset of the rehabilitation provisions and capital expenditure incurred on exploration activities.

Oil and gas assets increased by $130.5 million from $394.6 million to $525.1 million mainly as a result of capital expenditure incurred on development activities and increases associated with the reset of the rehabilitation provisions.

Total Liabilities
Total liabilities increased by $113.7 million from $372.9 million to $486.6 million.

Provisions increased by $76.4 million from $180.5 million to $256.9 million attributable to the revised gross cost assumptions of rehabilitation provisions and a lower discount rate.

Interest bearing loans and borrowings increased by $62.8 million from $116.9 million to $179.7 million. This represents the drawdowns under the reserve-based lending (RBL) facility of $186.4 million offset by associated capitalised transaction costs of $6.7 million.

Total Equity
Total equity decreased by $11.6 million from $443.9 million to $432.3 million. In comparing equity at December 2018 to June 2018 the key movements were:

- higher contributed equity of $2.5 million due to shares issued to select contract staff and shares issued on vesting of performance rights and share appreciation rights during the period;
- lower reserves of $1.5 million mainly due to the vesting of equity incentives to employees partially offset by fair value movements in the Company's interest rate swaps for which cash flow hedge relationships apply; and
- higher accumulated losses of $12.6 million due to the reported loss for the period.

Outlook
The remaining 6 months of the financial year is expected to be another significant period in the life of the Company as it completes the Sole Gas Project, drills onshore and offshore gas exploration wells and secures additional gas contracts.

The 2019 offshore drilling program, comprising the Annie and Elanora exploration wells in the Otway Basin, is expected to commence in May with each well forecast to take approximately 30 – 40 days inclusive of allowances and contingencies. Onshore drilling plans include the drilling of the Dombey-1 gas exploration well in the Otway Basin and in-fill appraisal drilling by the PEL 92 Joint Venture on the Parsons field.

Production for the second half is forecast to exceed that recorded in the six months to 31 December. The increment is expected to result from higher gas production from Casino Henry, including flush production benefits with the restoration of output from Netherby-1. This forecast includes a circa-13-day interruption to production for the umbilical repair and upgrade at Casino Henry. It is intended the upgrade be conducted at the same time as scheduled maintenance on the Iona Gas Plant to minimise interruption. A full six months' contribution from the Minerva gas field is anticipated, prior to the expected cessation of production in FY20. Full year production guidance for FY19 is unchanged at 1.4 million boe.

Revenue generation in the six months to June will benefit from the commencement of new Otway Basin gas supply contracts from 1 January 2019. Buyer enthusiasm for the gas currently being marketed is encouraging and the Company anticipates pricing outcomes consistent with the current market.

Estimates of capital expenditure for FY19 have been revised as announced in the Company's December quarter report. Capital expenditure of $243.7 million is expected to be incurred during the year, with the major variation to previous guidance being a $35.0 million increase in Otway Basin exploration arising from the commitment to drill Annie and Elanora. Capital expenditure in relation to the Sole Gas Project is unchanged and within the P50 budget of $355 million. Cooper Energy anticipates funding its 2019 capital expenditure from cash and existing facilities, with exploration components to be funded from cash.

Business Strategies and Prospects

Cooper Energy seeks to generate shareholder wealth through ownership and operation of a portfolio of gas assets with superior competitiveness in the supply of gas to south-east Australia. Key to the Company's success, and its desire to outperform its peers, is value-adding acquisition, discovery, development, contracting and supply of gas.

Execution of the strategy over the past six years has seen the Company accumulate a portfolio of gas production, development and exploration assets occupying an advantageous position on the cost curve and a portfolio of gas supply contracts with utility and industrial customers.

The cash-generation and shareholder value benefits of this position are becoming apparent and are expected to accrue over the course of the coming 12 months as a succession of value and de-risking events occur.

Otway Basin gas is sold under new gas contracts which commenced on 1 January 2019. The Sole gas field commences production and lifts gas sales by 24 PJ pa from July 2019. The acquisition of the Minerva Gas Plant is expected on the cessation of production from Minerva in FY20. Planning for expeditious connection of the plant to the Casino Henry gas operations is well advanced.

Existing assets and projects within the portfolio are forecast to generate growth in gas production through to FY21. The Company is working to deliver the next wave of production growth the existing portfolio offers from 2022 from its undeveloped reserves, Contingent and Prospective Resources. Workstreams in progress include:

- Otway Basin offshore gas exploration (as discussed on page 4); drilling of the Annie and Elanora prospects is planned for the June 2019 quarter. The prospects offer low risk exploration and in the event of success, low cost development for production from 2022.
- Minerva Gas Plant acquisition and connection; connection of the Minerva Gas Plant to the Casino Henry gas operations is forecast to deliver cost, revenue and productivity gains and offer a processing option supporting development of other gas fields.
- Henry development well (as discussed on page 5); being planned to access undeveloped reserves and increase production rates at the Henry gas field in the offshore Otway Basin.

- Manta gas field appraisal and exploration (as discussed on page 6); preparations and planning for the drilling of Manta-3 are underway to appraise the Manta gas and liquids field and potential identified in underlying reservoirs to the known Contingent Resource. Depending on the results of Manta-3 and in particular the Manta Deep exploration opportunity, the field could commence production from FY24.
- exploration of other gas exploration acreage including VIC/P72 in the Gippsland Basin acquired in FY18.

The Company reviews its portfolio and equity participation levels on an ongoing basis for optimal allocation of capital for value creation.

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, financial assets and investments of $197.2 million and drawn debt of $186.4 million[2]. The Company has a Reserve Based Lending facility to fund a portion of the Sole gas field development with a limit of $250.0 million. Of this limit, $233.0 million is available, of which $46.6 million remains undrawn at 31 December 2018. The facility can be used for general corporate purposes after project completion. The Company has additional liquidity of approximately $15 million through a working capital facility to be used for general business purposes, of which $0.9 million has been utilised in respect of bank guarantees with the remaining balance undrawn. Further information is detailed in Note 10 of the Financial Statements.

The Company continues to assess value accretive funding options as it pursues near term growth opportunities.

Risk Management

The Company manages risks in accordance with its risk management policy with the objective of ensuring risks inherent in oil and gas exploration and production activities are identified, measured and then managed or kept as low as reasonably practicable. The Management Team perform risk assessments on a regular basis and a summary is reported to the Risk and Sustainability Committee. The Committee approves and oversees an internal audit program undertaken internally and/or in conjunction with appropriate external industry or field specialists.

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

[2] Shown as $179.7 million on the balance sheet, net of prepaid transaction costs

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

Reconciliation to Underlying profit/(loss)		**FY19H1**	**FY18H1**	**Change**	**%**
Net profit/(loss) after income tax	$ million	(12.6)	19.8	(32.4)	(164%)
Adjusted for:					
Gain on derecognition of investment in associate	$ million	-	(0.4)	0.4	100%
Gain on exit provision	$ million	(0.8)	-	(0.8)	(100%)
Impairment of exploration and evaluation	$ million	-	0.7	(0.7)	(100%)
Restoration expense	$ million	16.5	4.6	11.9	259%
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	3.1	2.2	0.9	41%

Reconciliation to Underlying EBITDA*		**FY19H1**	**FY18H1**	**Change**	**%**
Underlying profit/(loss)	$ million	3.1	2.2	0.9	41%
Add back:					
Interest revenue	$ million	(1.9)	(1.8)	(0.1)	(6%)
Accretion expense	$ million	2.1	1.4	0.7	50%
Tax expense/(benefit)	$ million	2.3	1.7	0.6	35%
Depreciation	$ million	0.4	0.2	0.2	100%
Amortisation	$ million	7.8	9.2	(1.4)	(15%)
Underlying EBITDA*	$ million	13.8	13.0	0.8	6%

* Earnings before interest, tax, depreciation and amortisation

Directors' Report
For the half-year ended 31 December 2018

The Directors of Cooper Energy Limited ("the Company" or "Cooper Energy") present their report and the consolidated Financial Report for the half-year ended 31 December 2018. 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 current half-year period.

Board of Directors
John C Conde AO (Non-Executive Chairman)
David P Maxwell (Managing Director)
Elizabeth A Donaghey (Non-Executive Director)
Hector M Gordon (Non-Executive Director)
Jeffrey W Schneider (Non-Executive Director)
Alice JM 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

11 February 2019

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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 2018, 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

Ernst & Young

LACarr

L A Carr
Partner
Adelaide
11 February 2019

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Notes	**31 December 2018 $'000**	31 December 2017 (Restated) $'000
Revenue from oil and gas sales	4	**36,175**	31,250
Cost of sales	4	**(19,428)**	(17,157)
Gross profit		**16,747**	14,093
Other income	4	**2,691**	24,481
Finance costs	4	**(2,126)**	(1,478)
Other expenses	4	**(27,662)**	(15,753)
(Loss)/Profit before tax		**(10,350)**	21,343
Income tax benefit	5	**2,774**	2,662
Petroleum Resource Rent Tax expense	5	**(5,051)**	(4,174)
Total tax expense		**(2,277)**	(1,512)
(Loss)/Profit after tax		**(12,627)**	19,831
Other comprehensive income/(expenditure)			
Items that will be reclassified subsequently to profit or loss			
Fair value movements on oil price options accounted for in a hedge relationship		**-**	114
Fair value movements on interest rate swaps accounted for in a hedge relationship		**(209)**	(257)
Reclassification during the period to profit or loss of realised hedge settlements		**-**	280
Income tax effect on fair value movement on derivative financial instrument		**(47)**	(449)
Items that will not be reclassified subsequently to profit or loss			
Fair value movement on equity instruments at fair value through other comprehensive income		**(654)**	628
Other comprehensive (expenditure)/income for the period net of tax		**(910)**	316
Total comprehensive (loss)/gain for the period attributable to shareholders		**(13,537)**	20,147
		Cents	Cents
Basic earnings per share		**(0.8)**	1.4
Diluted earnings per share		**(0.8)**	1.4

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 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
Assets			
Current Assets			
Cash and cash equivalents		**193,907**	236,907
Other financial assets	12	**1,707**	20,171
Trade and other receivables	12	**19,188**	27,330
Inventory		**426**	467
Prepayments		**1,847**	2,761
Total Current Assets		**217,075**	287,636
Non-Current Assets			
Term deposits at bank		**16**	16
Equity instruments	12	**1,587**	2,241
Trade and other receivables	12	**24**	156
Other financial assets	12	**20,259**	20,146
Deferred tax asset		**13,060**	10,334
Oil and gas assets	7	**525,058**	394,632
Property, plant and equipment		**3,022**	2,864
Exploration and evaluation	8	**138,807**	98,732
Total Non-Current Assets		**701,833**	529,121
Total Assets		**918,908**	816,757
Liabilities			
Current Liabilities			
Trade and other payables	12	**32,205**	59,215
Provisions	9	**1,594**	73,812
Other financial liabilities	12	**445**	591
Total Current Liabilities		**34,244**	133,618
Non-Current Liabilities			
Deferred Petroleum Resource Rent Tax Liability		**11,833**	10,356
Provisions	9	**255,285**	106,680
Government grants		**2,067**	2,067
Interest bearing loans and borrowings	10	**179,716**	116,923
Other financial liabilities	12	**3,444**	3,231
Total Non-Current Liabilities		**452,345**	239,257
Total Liabilities		**486,589**	372,875
Net Assets		**432,319**	443,882
Equity			
Contributed equity	11	**474,397**	471,837
Reserves		**8,429**	9,925
Accumulated losses		**(50,507)**	(37,880)
Total Equity		**432,319**	443,882

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 2018

	Issued Capital $'000	Reserves $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2018	**471,837**	**9,925**	**(37,880)**	**443,882**
Loss for the period	**-**	**-**	**(12,627)**	**(12,627)**
Other comprehensive income	**-**	**(910)**	**-**	**(910)**
Total comprehensive loss for the period	**-**	**(910)**	**(12,627)**	**(13,537)**
Transactions with owners in their capacity as owners:				
Share based payments	**-**	**1,631**	**-**	**1,631**
Transferred to issued capital	**2,217**	**(2,217)**	**-**	**-**
Shares issued	**343**	**-**	**-**	**343**
Balance as at 31 December 2018	**474,397**	**8,429**	**(50,507)**	**432,319**
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 gain 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

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 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Cash Flows from Operating Activities			
Receipts from customers		**40,518**	33,727
Payments to suppliers and employees		**(24,947)**	(18,346)
Payments of exit provision		**(3,133)**	-
Payments for restoration		**(12,845)**	(2,376)
Petroleum Resource Rent Tax paid		**(3,109)**	(4,810)
Interest received		**1,894**	1,798
Net cash (used in) / from operating activities		**(1,622)**	9,993
Cash Flows from Investing Activities			
Transfers from/(to) escrow proceeds receivable		**18,984**	(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)
Receipts of consideration receivable		**129**	-
Payments for exploration and evaluation		**(2,536)**	(26,899)
Payments for oil and gas assets		**(112,878)**	(55,431)
Interest paid		**(4,746)**	-
Net cash flows used in investing activities		**(101,047)**	(79,846)
Cash Flows from Financing Activities			
Proceeds from equity issue		**-**	127,290
Proceeds from borrowings		**60,564**	89,592
Transaction costs associated with borrowings		**(1,090)**	(11,230)
Net cash flow used in financing activities		**59,474**	205,652
Net (decrease)/increase in cash held		**(43,195)**	135,799
Net foreign exchange differences		**195**	-
Cash and cash equivalents at 1 July		**236,907**	147,425
Cash and cash equivalents at 31 December		**193,907**	283,224

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

1. Corporate information

The consolidated financial report of Cooper Energy Limited (the "parent entity" or "Cooper Energy" or "Company") for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 11 February 2019.

Cooper Energy Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. Basis of preparation and accounting policies

This interim financial report for the half-year ended 31 December 2018 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. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and considered together with any public announcements made by Cooper Energy Limited during the half-year ended 31 December 2018 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, except for the adoption of AASB 15 Revenue from Contracts with Customers discussed below.

New standards, interpretations and amendments thereof, adopted by the Company

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

In accordance with the transition provisions of AASB 15 Revenue from Contracts with Customers, the Company has elected to adopt the full retrospective approach upon transition whereby any adjustment to historical revenue transactions (that impacts net profit) would be recorded against opening retained earnings as at 1 July 2017. Comparatives for the 31 December 2017 reporting period have been restated.

As part of the transition to the new standard the Company has undertaken a detailed review of its revenue contracts that existed during the transition period and has also reviewed the accounting treatment for the disposal of property, plant & equipment and producing assets in the prior year. This is because AASB 15 also makes consequential amendments to AASB 116 Property, Plant & Equipment, which may impact on the date of disposal and the amount of consideration included in the gain or loss arising from the de-recognition. This review has concluded there are no impacts to net profit or opening retained earnings.

The application of AASB 15 has resulted in the disclosure of the individual components of revenue. Revenue from contracts with customers are now shown separately from other forms of revenue in Note 4, with total revenue remaining on the face of the statement of comprehensive income. To allow the distinction between revenue from operations and interest accrued on cash and short-term deposits, interest earned has been reclassified from other revenue to finance income on the face of the statement of comprehensive income. The revised classification is detailed in note 4 and a summary of the reclassification adjustments made is set out in the table below.

	31 December 2017 $'000	Transition adjustment	**31 December 2017 (Restated) $'000**
Revenue from contracts with customers			
Oil revenue from contracts with customers	11,799	(2,570)	**9,229**
Gas revenue from contracts with customers	19,451	-	**19,451**
Total revenue from contracts with customers	31,250	(2,570)	**28,680**
Other revenue			
Fair value movement on receivables	-	2,850	**2,850**
Settlement of options	-	(280)	**(280)**
Total other revenue	-	(2,570)	**(2,570)**
Total revenue from oil and gas sales	31,250	-	**31,250**

As a consequence of adopting AASB 15 the Company has reviewed its accounting policy in relation to revenue recognition. The policy has been updated as follows to ensure alignment with the new standard:

2. Basis of preparation and accounting policies continued

Revenue

Revenue from contracts with customers is recognised at the point in time when control of the crude oil, natural gas or liquids is transferred to the customer, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. This is generally when the product is transferred to the delivery point specified in the individual customer contract. The Company's performance obligations are considered to relate only to the sale of the crude oil, natural gas or liquids, with each barrel of crude oil or GJ of natural gas considered to be a separate performance obligation under the contractual arrangements in place.

The Company has concluded that it is the principal in all of its revenue arrangements since it controls the goods before transferring them to the customer. Under the terms of the relevant joint operating arrangements the Company is entitled to its participating share in the crude oil, natural gas or liquids based on the Company's entitlement interest. Revenue from contracts with customers is recognised based on the actual volumes sold to customers.

The Company's sales of natural gas are predominantly based on contracted prices, while crude oil and liquids transactions are priced based on market prices. The crude oil sales price is the Tapis crude oil price, adjusted for a quality differential.

The crude oil sales contain provisional pricing. Revenue from contracts with customers is recognised based on the provisional pricing at the date of delivery, with the price estimate based on the forward curve. The difference between the estimated price and the price ultimately achieved for the sale of the crude oil transaction is recognised as a movement in the fair value of the receivable in accordance with AASB 9. This amount is presented as other revenue in Note 4 as these movements are not within the scope of AASB 15.

Invoices are typically paid on 15 day terms.

Interest income
Interest earned is recognised in the statement of comprehensive income as finance income, and is recognised as interest accrues using the effective interest rate. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

3. Segment Reporting

Identification of reportable segments and types of activities

The Company identified its operating segments to be Cooper Basin, South East Australia (based on the nature and geographic location of the assets) and the Corporate segments. This forms the basis that the Company 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.

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
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.

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 2018 Annual Financial Report except for the change in the revenue standard.

3. 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 2018				
Revenue from oil and gas sales	**10,564**	**25,611**	**-**	**36,175**
Total revenue	**10,564**	**25,611**	**-**	**36,175**
Segment result before interest, tax, depreciation, amortisation and impairment	**6,650**	**864**	**(6,893)**	**(6)**
Depreciation and amortisation	**(711)**	**(7,141)**	**(366)**	**(8,218)**
Finance costs	**(67)**	**(2,059)**	**-**	**(2,126)**
Profit/(loss) before tax	**5,872**	**(8,336)**	**(7,259)**	**(10,350)**
Income tax				**2,774**
Petroleum Resource Rent Tax				**(5,051)**
Net loss after tax				**(12,627)**
Segment assets	**15,469**	**662, 620**	**240,819**	**918,908**
Segment liabilities	**5,291**	**284,812**	**196,486**	**486,589**

	Cooper Basin $'000	South-East Australia $'000	Corporate $'000	Consolidated (Restated) $'000
Half-year ended 31 December 2017				
Revenue from oil and gas sales	11,799	19,451	-	31,250
Total revenue	11,799	19,451	-	31,250
Segment result before interest, tax, depreciation, amortisation and impairment	6,531	32,862	(6,449)	32,944
Depreciation and amortisation	(1,510)	(7,686)	(231)	(9,427)
Impairment expense	(696)	-	-	(696)
Finance costs	(51)	(1,427)	-	(1,478)
Profit before tax	4,274	23,749	(6,680)	21,343
Income tax				2,662
Petroleum Resource Rent Tax				(4,174)
Net profit after tax				19,831
Segment assets	19,720	206,213	475,370	701,303
Segment liabilities	6,589	157,589	102,219	266,397

4. Revenues and Expenses

	Notes	**31 December 2018 $'000**	31 December 2017 (restated) $'000
Revenue from oil and gas sales			
Revenue from contracts with customers			
Oil revenue from contracts with customers		**11,929**	9,229
Gas revenue from contracts with customers		**25,611**	19,451
Total revenue from contracts with customers		**37,540**	28,680
Other revenue			
Fair value movement on receivables		**(1,349)**	2,850
Settlement of options		**(16)**	(280)
Total other revenue		**(1,365)**	2,570
Total revenue from oil and gas sales		**36,175**	31,250
Other income			
Interest income		**1,881**	1,798
Gain on exit provision		**774**	-
Gain on sale of subsidiary		**-**	21,934
Gain on movement of consideration receivable		**36**	396
Gain on derecognition of associate		**-**	353
Total other income		**2,691**	24,481
Cost of sales			
Production expenses		**(10,949)**	(7,025)
Royalties		**(627)**	(936)
Amortisation of oil and gas assets		**(7,797)**	(7,679)
Depreciation of property, plant and equipment		**(55)**	(1,517)
Total cost of sales		**(19,428)**	(17,157)
Finance costs			
Accretion of rehabilitation provision		**(2,086)**	(1,464)
Accretion of success fee liability		**(40)**	(14)
Interest expense		**(4,746)**	-
Capitalised interest		**4,746**	-
Total finance costs		**(2,126)**	(1,478)
Other expenses			
Depreciation of property, plant and equipment		**(366)**	(231)
General administration		**(9,944)**	(8,694)
Care and maintenance		**(172)**	(385)
Restoration expense		**(16,544)**	(4,556)
Inventory written off		**(41)**	-
Exploration and evaluation expenditure written off		**(887)**	(906)
Impairment	6	**-**	(696)
Fair value movement on oil price derivatives		**199**	-
Fair value adjustment of success fee liability		**(67)**	17
Realised and unrealised foreign currency translation gain/(loss)		**160**	(302)
Total other expenses		**(27,662)**	(15,753)

4. Revenues and Expenses continued

	31 December 2018 $'000	31 December 2017 $'000
Employee benefits expense included in general administration		
Director and employee benefits	**(8,169)**	(6,129)
Share based payments	**(1,631)**	(1,232)
Superannuation expense	**(413)**	(317)
Total employee benefits expense (gross)	**(10,213)**	(7,678)
Lease payments included in general administration		
Minimum lease payment – operating lease	**(471)**	(271)

5. Income Tax Expense

The major components of income tax expense are:

	31 December 2018 $'000	31 December 2017 $'000
Consolidated Statement of Comprehensive Income		
Deferred income tax		
Recognition of tax losses	**1,848**	7,818
Origination and reversal of temporary differences	**926**	(5,156)
Income tax expense benefit	**2,774**	2,662
Current royalty tax		
Current year	**(3,574)**	(3,030)
	(3,574)	(3,030)
Deferred royalty tax		
Origination and reversal of temporary differences	**(1,477)**	(1,144)
	(1,477)	(1,144)
Total royalty tax expense	**(5,051)**	(4,174)
Numerical reconciliation between tax expense and pre-tax net profit		
Accounting (loss)/profit before income tax	**(10,350)**	21,343
Income tax using the domestic corporation tax rate of 30% (2017: 30%)	**3,105**	(6,403)
Increase/(decrease) in income tax expense due to:		
Non-deductible (expenditure)/non-assessable income	**(592)**	2,161
Recognition of royalty related income tax benefits	**443**	324
Permanent differences due to capital gains	**(182)**	6,580
Total income tax benefit	**2,774**	2,662

6. Impairment

	31 December 2018 $'000	31 December 2017 $'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. No indicators of impairment were identified, and as a result, no impairment expense was recognised (31 December 2017: $696,000).

Oil and gas asset impairment
During the half-year the Company's oil and gas assets were assessed for impairment indicators in accordance with AASB 136. Following this assessment, notwithstanding that impairment indicators were present, no impairment was recognised on oil and gas assets.

7. Oil and Gas assets

	31 December 2018 $'000
Reconciliation of carrying amounts at beginning and end of period	
Carrying amount at beginning of period	**394,632**
Additions	**138,223**
Amortisation	**(7,797)**
Carrying amount at end of period	**525,058**
Cost	**613,719**
Accumulated amortisation & impairment	**(88,661)**
Total	**525,058**

8. Exploration and evaluation assets

	31 December 2018 $'000
Reconciliation of carrying amounts at beginning and end of period	
Carrying amount at beginning of period	**98,732**
Additions	**40,864**
Unsuccessful exploration wells written off	**(887)**
Carrying amount at end of period	**138,807**

9. Provisions

	31 December 2018 $'000	30 June 2018 $'000
Current Liabilities		
Restoration provisions	**583**	67,651
Exit provision (i)	**-**	3,907
Employee provisions	**1,011**	730
Other provisions	**-**	1,524
	1,594	73,812
Non-Current Liabilities		
Long service leave provision	**491**	610
Restoration provisions	**254,794**	106,070
	255,285	106,680

(i) The exit provision relates to an amount payable in relation to the Company's exit from the JV partnership in the Hammamet permit in Tunisia. The amount payable by the JV was determined by the Tunisian government and was paid by the JV during the half-year. The amount paid to the JV by the Company was lower than the provision, with the difference being recognised as other income.

	31 December 2018 $'000
Movement in carrying amount of the current restoration provision:	
Carrying amount at beginning of period	**67,651**
Restoration expenditure incurred	**(10,230)**
New provisions recognised (i)	**597**
Transferred to non-current provisions	**(57,712)**
Impact of changes in restoration assumptions (ii)	**277**
Carrying amount at end of period	**583**
Movement in carrying amount of the non-current restoration provision:	
Carrying amount at beginning of period	**106,070**
New provisions recognised (i)	**13,450**
Transferred from current provisions	**57,712**
Increase through accretion	**2,086**
Impact of changes in restoration assumptions (ii)	**75,476**
Carrying amount at end of period	**254,794**

(i) New provisions recognised is in respect of restoration provisions arising from the Sole HDD and pipeline and exploration permits.
(ii) Changes in restoration assumptions results from a change in the discount rate and changes in gross cost estimates.

The restoration provision is the present value of the Company's share of the estimated cost to restore operating locations. The nature of restoration activities includes the obligations relating to the reclamation, waste site closure, plant closure, production facility removal and other costs associated with the restoration of the site. However, actual restoration costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions and the condition of the site at the time of the restoration. Furthermore, the timing of restoration is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The discount rate used in the calculation of the provisions as at 31 December 2018 ranged from 1.83% to 2.75% (30 June 2018: 2.00% to 2.70%) reflecting a risk-free rate that aligns to the date of restoration obligations.

10. Interest bearing loans and borrowings

	31 December 2018 $'000	30 June 2018 $'000
Interest bearing loans and borrowings		
Non-current (bank debt)	**179,716**	116,923
Total interest bearing loans and borrowings		

Net of capitalised transaction costs of $6.7 million (30 June 2018: $8.9 million).

In August 2017, Cooper Energy negotiated a $250 million senior secured Reserve Based Lending Facility, principally to fund the Sole Gas Project, and a senior secured $15 million working capital facility.

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 Company 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.

A summary of the Company's secured facilities is included below.

Facility	Reserve Based Lending Facility
Currency	Australian dollars
Limit[1]	$250.0 million (30 June 2018: $250.0 million)
Utilised amount	$186.4 million (30 June 2018: $125.9 million)
Accounting balance	$179.7 million
Effective interest rate	6.41%
Maturity	2021 – 2024

[1] As at 31 December 2018, $233.0 million of the facility limit of $250.0 million is currently available.

Facility	Working Capital Facility
Currency	Australian Dollars
Limit	$15.0 million
Utilised amount[1]	Nil (30 June 2018: Nil)
Accounting balance	Nil
Effective interest rate	Nil
Maturity	Revolving facility

[1] As at 31 December 2018, $945,825 has been utilised by way of bank guarantees.

11. Contributed equity

	31 December 2018 $'000	30 June 2018 $'000
Ordinary shares		
Issued and fully paid	**474,397**	471,837

	Thousands	$'000
Movement in ordinary shares on issue		
At 1 July 2018	1,601,079	471,837
Issuance of shares for Performance Rights and Share Appreciation Rights	19,682	2,217
Issuance of shares to contractors	790	343
At 31 December 2018	1,621,551	474,397

12. 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)

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 2018:

		Carrying amount		Fair value	
Consolidated	**Level**	**31 December 2018 $'000**	30 June 2018 $'000	**31 December 2018 $'000**	30 June 2018 $'000
Financial assets					
Trade and other receivables	**2**	**19,212**	27,330	**19,212**	27,330
Equity instruments	**1**	**1,587**	2,241	**1,587**	2,241
Cash held in escrow	**2**	**1,707**	20,171	**1,707**	20,171
Escrow proceeds receivable	**2**	**20,259**	20,146	**20,259**	20,146
Financial liabilities					
Trade and other payables	**2**	**32,205**	59,215	**32,205**	59,215
Success fee financial liability	**3**	**3,163**	3,054	**3,163**	3,054
Derivative financial instruments	**2**	**37**	236	**37**	236
Derivative financial instruments designated in a hedge relationship	**2**	**689**	532	**689**	532
Interest bearing loans and borrowings	**2**	**179,716**	116,923	**162,011**	101,842

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

Equity instruments
Equity instruments are measured 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.

Cash held in escrow and escrow proceeds receivable
During the prior period, the Company completed the sale of Orbost Gas Plant to APA Group. A portion of proceeds from the sale is held in escrow, to be released upon certain conditions being satisfied. Additional funds are held in escrow for payments to be made in connection with the Sole Gas Project drilling campaign. Amounts held in escrow are measured at amortised cost and held at the estimated realisable value in the Statement of Financial Position.

12. Financial Instruments continued

Derivative financial instruments designated in a hedge relationship
The derivative financial instruments relate to the Company's hedging activities to hedge against cash flow risks from movements in interest rates (and oil price in the prior half-year), for which hedge accounting has been applied. The derivative financial instruments are measured at fair value through other comprehensive income and the fair value is obtained from third party valuation reports.

Derivative financial instruments
Commodity derivatives are also used to manage the Company's exposure to changes in oil prices and are measured at fair value through profit and loss. The Company has elected not to apply hedge accounting to its commodity derivatives entered into during the 2018 financial year. The use of derivative financial instruments is subject to a set of policies, procedures and limits approved by the Board of Directors. The Company does not trade in derivative financial instruments for speculative purposes.

Success fee financial liability
The success fee liability is the fair value of the Company's liability to pay a $5,000,000 success fee upon the commencement of commercial production of hydrocarbons on the Company's VIC/RL 13-15 assets acquired on 7 May 2014. The significant unobservable valuation inputs for the success fee financial liability includes: a probability of 37% that no payment is made and a probability of 63% the payment is made in 2023. The discount rate used in the calculation of the liability as at 31 December 2018 equalled 1.91% (June 2018: 2.70%). The financial liability is measured at fair value through profit and loss, and valued using a discounted cash flow model and the value is sensitive to changes in discount rate and probability of payment.

13. Commitments and contingencies

There has been no material change to the commitments and contingencies disclosed in note 22 of the 2018 Annual Financial Report.

14. Subsequent events

There are no significant events subsequent to 31 December 2018 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 2018 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

11 February 2019

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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 2018, 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 summary of significant 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 2018 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 2018 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.

Building a better working world

Independence

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

Ernst & Young

Ernst & Young

L A Carr
Partner
Adelaide
11 February 2019

Corporate Directory

Directors

John C Conde AO, Chairman
David P Maxwell
Elizabeth A Donaghey
Hector M Gordon
Jeffrey W Schneider
Alice J Williams

Company Secretary

Alison Evans

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