Cooper Energy

2010 ANNUAL REPORT

ABN 93 096 170 295

The timely drilling of risk acceptable prospects across our **domestic and international exploration portfolio** continues to be one of the key future priorities for the Company.

Contents

www.cooperenergy.com.au

Vision and Values

Primary Objective	Create shareholder wealth.
Vision	Our Vision is to be Australia's leading mid-sized oil and gas exploration and production company with more than 50 million barrels of recoverable hydrocarbons.
Mission	Our Mission is to effectively, efficiently and profitably secure, find, develop, produce and sell more oil and gas.
Focus	To achieve our aspirations we will focus on being a dynamic and low cost onshore and shallow shelf oil and gas company that initiates opportunities and actively seeks routes to increase and expedite revenue from our projects.
Values	Value Description **People:** We recognise that good people are the only assets that bring us success. **Ethical:** We will undertake all our business dealings with transparent integrity. **Moral:** We will take all reasonable actions to not harm any person or the environment. **Commitment:** We bring all our knowledge, skills and talents to work and we have fun by working with passion, urgency and drive. **Focused:** We are clear on how we are contributing to our vision and mission, we are accountable for our actions, we control and reduce costs and we manage the risks inherent to our business. **Leading:** We are all responsible for and empowered to create opportunities. **Teamwork:** We help each other to succeed and provide and accept constructive feedback to improve our performance. **Improvement:** We are all empowered to constructively challenge and question everything we do so that we can achieve a better outcome. **Balance:** We balance our life by spending appropriate time and effort on out of work and work activities. **Reward:** We expect to be rewarded when the application of our competence, experience and effort results in the addition of value and brings us closer to achieving our vision.
Motto	Infinite potential, solid results.

Corporate Directory

Directors	**Laurence J SHERVINGTON (Chairman)** **Michael T SCOTT (Managing Director)** Gregory G HANCOCK Christopher R PORTER Stephen H ABBOTT
Company Secretary	Ian E GREGORY
Registered Office and Business Address	288-292 Churchill Avenue Subiaco, Western Australia 6008 PO Box 1281, Subiaco, Western Australia 6904 **Telephone:** + 618 9489 3777 **Facsimile:** + 618 9489 3799 **E-mail:** admin@cooperenergy.com.au **Website:** www.cooperenergy.com.au
Auditors	Ernst & Young 11 Mounts Bay Road Perth, Western Australia 6000
Solicitors	Minter Ellison Level 49, Central Park 152 – 158 St George's Terrace Perth, Western Australia 6000 Piper-Alderman 167 Flinders Street Adelaide, South Australia 5000
Bankers	National Australia Bank Limited Level 1, 177-179 Davy Street Booragoon, Western Australia 6455 Commonweath Bank of Australia Level 3, 150 St George's Terrace Perth, Western Australia 6000 Citibank N.A. 2 Park Street Sydney New South Wales 2000
Share Registry	Computershare Registry Services Pty Limited Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia 6000

Chairman and Managing Director's Letter

"EBITDAX for the financial year of A$21.2 million"

Dear Shareholders,

Cooper Energy has delivered a year of production success coupled with portfolio build.

Our nine oil fields in the Cooper Basin, South Australia delivered 465,012 barrels of oil (FY09: 487,254) and A$40 million of revenue (FY09: A$41.6 million), which enabled the Company to fund its ongoing activities and search for growth.

Our cash balance at the end of the financial year was A$92.5 million (FY09: A$93.4 million) with a working capital position of A$95.4 million (FY09: A$96.5 million).

After funding all our activities, the Company generated EBITDAX for the financial year of A$21.2 million (FY09: A$25.7 million). Following the prudent write-off of a number of historical exploration expenditures, the Company delivered a profit before tax of A$7.2 million (FY09: A$5.0 million) and a profit after tax of A$1.2 million (FY09: negative A$2.8 million).

Our international exploration portfolio – which comprises six onshore blocks in Australia, two offshore blocks in Tunisia and one onshore block in Indonesia – have been matured by varying amounts throughout the year by seismic and study activity. This has resulted in a deep and valuable portfolio of leads and prospects.

During the year the Company drilled four exploration wells – three onshore wells in the Cooper Basin, South Australia and one well offshore Gulf of Hammamet, Tunisia. Unfortunately no commercial hydrocarbons were discovered in the four wells. Due to extraordinary levels of rain and flooding in the Cooper Basin it was not possible to drill more wells in this area during the year.

The timely drilling of risk acceptable prospects across our domestic and international exploration portfolio continues to be one of the key future priorities for the Company and our management team strives to accelerate our drilling programs in order to pursue increases in our discovered hydrocarbon portfolio. A number of uncontrollable external factors such as weather, approvals, material availability and rig schedules impacted our drilling schedules during the year and we are looking forward to the delayed wells being drilling in the 2010-2011 financial year.

At 30 June 2010, the Company reported 2.0 million barrels of Proved plus Probable recoverable oil (FY09: 1.91 million barrels). The Company's developed recoverable oil replacement ratio was 11%. The less than 100% result is mainly a reflection of the low drilling activity in the Cooper Basin.

For the 2010-2011 financial year we have a "no further exploration or development success" production budget of 320,000 barrels of oil from our Cooper Basin proved developed producing recoverable oil portfolio of 1.5 million barrels (FY09: 1.91 million barrels). This year we are also budgeting 37,491 barrels of oil from

Mr Michael Scott
Managing Director

Mr Laurie Shervington
Chairman

the Company's Sukananti production area in South Sumatra, Indonesia – the Company's inaugural overseas production. Note that the final actual production volumes remain subject to a large number of positive and negative, controllable and uncontrollable variables. We would expect that any exploration discoveries or development activity success during the year will have the potential to boost our production and our recoverable oil portfolio to higher levels.

Replacement of our produced volumes through exploration and development is also a key future priority, as this sustains the magnitude of our recoverable oil portfolio and underpins our future production, revenue generating potential and Company value.

In parallel with our operational activities, the injection of new projects into the Company's portfolio is considered to be one of the critical success factors if we are to meet our longer term growth aspirations. This year the Sukananti production area in South Sumatra was added to our portfolio and we are looking forward to that project delivering production and building our operational capability in Indonesia.

In a highly competitive environment, our management and technical team continues to search for additional new ventures growth opportunities in our core focus areas of Australia, Indonesia and Tunisia and other areas of the world where the risk-reward balance is appropriate. The Company is not driven to do a deal at any cost however – we will only secure new projects if we believe they can add to the long-term prosperity of the Company. The Board is confident that further high-value and risk-balanced projects will be added to the Company's portfolio in the future.

"High-value and risk-balanced projects will be added to the Company's portfolio in the future"

The Company is healthy with high cash levels to fund its obligations, production (domestic and international), net production revenue and a deep exploration portfolio. We believe that all of these are key factors that will assist the Company to have long-term growth prospects.

In conclusion, our management team has prudently managed the Company's operational affairs during FY10 and we believe we are well positioned for a strong FY11. The hunger, passion, experience and knowledge of our staff is the sole key to the Company delivering future growth and we seek to harness these elements of performance from all our staff.

Cooper Energy's Board functions well and mindfully undertakes all its duties with due care, focus and diligence. The Board continues to strive to apply high standards and best practice to all Board processes, corporate and financial governance and clear and continuous disclosure. To ensure Directors are fully apprised of Company matters; operations status, risk management, financial position and marketing plans are line items at every Board meeting.

On behalf of the Board and management team, we thank all shareholders for their ongoing support and faith in the Company and its Vision.

We are all looking forward to Cooper Energy experiencing another safe, exciting and productive year and we hope that, as a shareholder, you will continue to follow our success. With our primary objective stated as "Creating Shareholder Wealth", we hope that our efforts will lead to operational and financial success, which will in turn result in long-term share price appreciation for our shareholders.

Mr Laurie Shervington
Chairman

Mr Michael Scott
Managing Director

Company Overview

“wealth of experience”

Board of Directors and Senior Management

The Board of Directors and Senior Management of Cooper Energy comprise of a cross section of disciplines and a wealth of experience that encompasses the skills required to manage an international oil and gas exploration and production company.

Cooper Energy recognizes that experienced, qualified and empowered employees are the key to adding value to the Company and all staff are given the full support of the Board and Managing Director to be innovative and pro-active in their areas of responsibility.

Position	Incumbent	Profession	Appointed
BOARD			
Chairman	Laurie SHERVINGTON	Legal	1 October 2003
Managing Director	Michael SCOTT	Petroleum Engineering	2 February 2004
Executive Director	Gregory HANCOCK	Finance	9 March 2001
Non-Executive Director	Christopher PORTER	Geology	18 January 2002
Non-Executive Director	Stephen ABBOTT	Accounting	8 September 2006
SENIOR MANAGEMENT			
Chief Financial Officer	John BAILLIE	Accounting	1 March 2006
New Ventures Manager	Douglas GILLIES	Geology	3 August 2008
Exploration Manager	Conrad TODD	Geology/Geophysics	1 August 2004
General Manager - Indonesia	Pedro NEMALCEFF	Finance	1 May 2007
General Manager - Tunisia	Nawfel GHARIENI	Geology/Geophysics	17 May 2010

Company Overview (Continued)

"The Company is looking forward to another strong production year."

Company Performance

The Board and management of Cooper Energy monitor several key performance indicators in order to provide a relative measure of our Company's health and growth. A table of those relevant measures is shown below.

Due to the cyclical nature of the business, this financial year was a year of portfolio build coupled with relatively high seismic acquisition activity and low drilling activity. As a result of the low drilling activity, the recoverable oil replacement ratio and recoverable oil volumes were lower than previous years. Looking forward, the portfolio build has resulted in a large number of ready to drill prospects and it is hoped that drilling activity in 2010-2011 will more than compensate for this year's results.

Production volumes and sales were reasonably sustained and the Company is looking forward to another strong production year.

Health, safety and the environment (HSE) continues to be a high priority for the company and no significant HSE incidents occurred through the year.

Cooper Energy Registered Office, Subiaco, Perth, Western Australia

Company Overview (Continued)

	Units	FY06	FY07	FY08	FY09	FY10	FY08 to FY09 change			
OPERATIONAL							**1 year performance**			
Wells drilled	number	12	6	11	7	4	-43%	▼		
Exploration success	percent	0%	17%	40%	60%	0%	-100%	▼		
Cumulative success	percent	28%	25%	28%	32%	29%	-11%	▼		
Annual production sales	barrels of oil	354,086	256,871	380,135	487,254	465,012	-5%	▼		
Proved developed recoverable oil	million barrels	0.8	1.0	1.4	1.9	1.5	-22%	▼		
Proved developed replacement ratio	percent	48%	184%	206%	196%	11%	-95%	▼		
Proved plus Probable recoverable oil	million barrels	0.8	1.0	1.4	1.9	2.0	5%	▲		
FINANCIAL							**1 year performance**			
Oil sales revenue	A$ millions	32.6	21.2	45.0	41.6	40.0	-4%	▼		
Cash	A$ millions	26.0	15.3	64.6	93.4	92.5	-1%	▼		
Working capital	A$ millions	23.8	20.9	73.6	96.5	95.4	-1%	▼		
EBITDAX	A$ millions	22.4	11.6	27.3	25.7	21.2	-17%	▼		
EBITDA	A$ millions	15.5	9.1	15.7	5.2	7.9	53%	▲		
Profit before tax	A$ millions	13.4	8.0	15.3	5.0	7.2	43%	▲		
Profit after tax	A$ millions	9.4	5.5	6.4	-2.8	1.2	-	▲		
Accumulated profit	A$ millions	14.0	19.6	26.0	23.2	24.4	5%	▲		
Franking credits	A$ millions	1.4	4.8	3.1	8.4	8.0	-4%	▼		
Cumulative franking credits	A$ millions	1.4	6.2	9.3	17.7	25.7	45%	▲		
CAPITAL									**5 year performance**	
Share price	A$ per share	0.535	0.790	0.465	0.450	0.370	-18%	▼	-31%	▼
Issued shares	millions	139.050	156.101	252.263	291.926	292.576	0.2%	▲	110%	▲
Market capitalisation	A$ millions	74	123	117	131	108	-18%	▼	46%	▲
EXTERNAL BENCHMARKS									**5 year performance**	
Small Ordinaries (XSO)	Index number	2860	3979	3050	2082	2257	8%	▲	-21%	▼
Small Resources (XSR)	Index number	3463	5576	6592	4204	4704	12%	▲	36%	▲
ASX 200 Energy (XEJ)	Index number	12516	14758	19884	14729	14093	-4%	▼	13%	▲
ASX 200 (XJO)	Index number	5074	6275	5237	3955	4302	9%	▲	-15%	▼
All Ords Index (XAO)	Index number	5034	6311	5349	3948	4325	10%	▲	-14%	▼

Note: Cooper Energy reports recoverable hydrocarbons using Cooper Energy's Recoverable Hydrocarbon Reporting Guidelines. These guidelines correct the discontinuity between probabilistic and deterministic methodologies in SPE PRMS and defines the Possible category as an inferred category, as per its original definition. The guidelines are freely available from Cooper Energy's website (www.cooperenergy.com.au > Our Business > Our Policies).

Company Overview (Continued)

"The Company is active along the whole hydrocarbon value chain..."

Assets

Due to the rapidly changing and evolving nature of Cooper Energy, this section has been kept appropriately brief. Investors are encouraged to use the ASX website **(www.asx.com.au)** and Cooper Energy's website **(www.cooperenergy.com.au)** to keep up to date with Cooper Energy's assets, activities and progress.

Cooper Energy is a conventional upstream oil and gas exploration and production company that is currently active in Australia, Indonesia and Tunisia. The Company added Romania as a focus area after year-end. The Company is active along the whole hydrocarbon value chain with on-going activities in new ventures, exploration, appraisal, design, construction, production and sales.

The Company has nine oil fields in the Cooper Basin in South Australia, six exploration blocks in South Australia, three oil fields in South Sumatra in Indonesia, one exploration block in Indonesia and two exploration blocks in Tunisia.
In addition to the oil fields infrastructure, the Company is part owner of the Tantanna oil unloading station and the Parsons-Callawonga to Tantanna flow-line in the Cooper Basin.

The Romanian interest is a shareholding in a private company that is appraising a gas field north-east of Bucharest.

Company Overview (Continued)

Cooper Energy Permit and Infrastructure Assets

Cooper Energy's Production Assets							
Name	**Permit**	**Geographic Location**	**Country**	**Interest**	**Status**	**Location**	**Area (km2)**
Sellicks	PPL204	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	2.0
Christies	PPL205	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	3.0
Worrior	PPL207	South West Cooper Basin	Australia	30.000%	Non-Operator	Onshore	6.4
Silver Sands	PPL205	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	4.3
Callawonga	PPL220	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	5.6
Parsons	PEL 92	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	n/a
Perlubie	PEL 92	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	n/a
Perlubie South	PEL 92	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	n/a
Butlers	PEL 92	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	n/a
Sukananti, Tangai, Bunian	KSO	South Sumatra	Indonesia	55.000%	Operator	Onshore	18

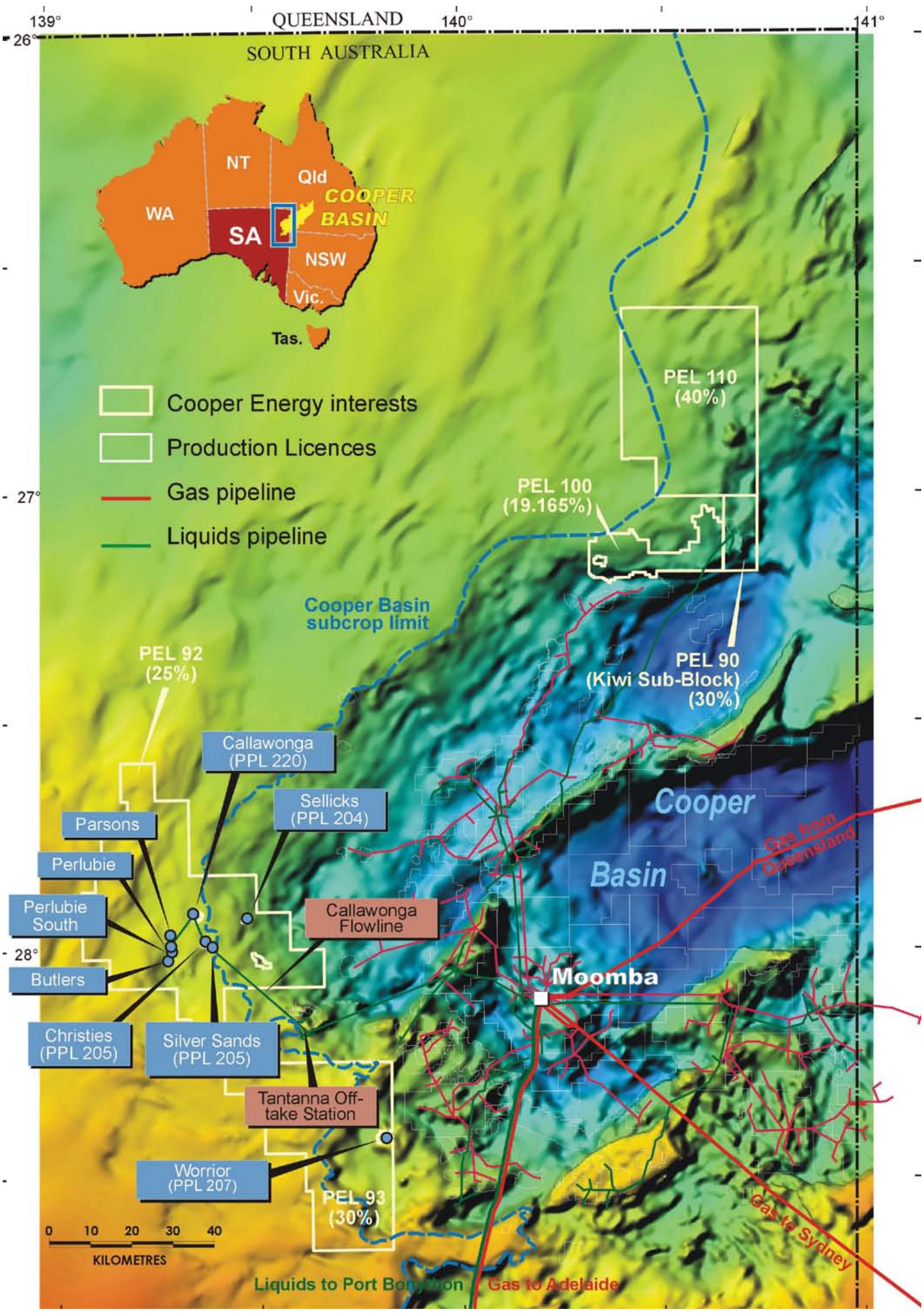
Cooper Energy's Exploration Assets						
Permit	**Geographic Location**	**Country**	**Interest**	**Status**	**Location**	**Area (km2)**
PEL90 (Kiwi sub-block)	North East Cooper Basin	Australia	25.000%	Non-Operator	Onshore	145
PEL92	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	1,906
PEL93	South West Cooper Basin	Australia	30.000%	Non-Operator	Onshore	1,250
PEL100	North East Cooper Basin	Australia	19.165%	Non-Operator	Onshore	296
PEL110	North East Cooper Basin	Australia	20.000%	Operator	Onshore	1,458
Bargou Exploration Permit	Gulf of Hammamet	Tunisia	100.000%	Operator	Offshore	4,616
Hammamet Exploration Permit	Gulf of Hammamet	Tunisia	35.000%	Non-Operator	Offshore	4,676
South Madura PSC	East Java	Indonesia	30.000%	Operator	Onshore	1,031

Cooper Energy's Infrastructure Assets							
Name	**Permit**	**Geographic Location**	**Country**	**Interest**	**Status**	**Location**	**Area (km2)**
Tantanna Unloading Station	AFL 128	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	4.9
Parsons-Callawonga-Tantanna Flowline	AFL 98	South West Cooper Basin	Australia	25.000%	Non-Operator	Onshore	2.2

Company Overview (Continued)

Location of Cooper Energy's Assets

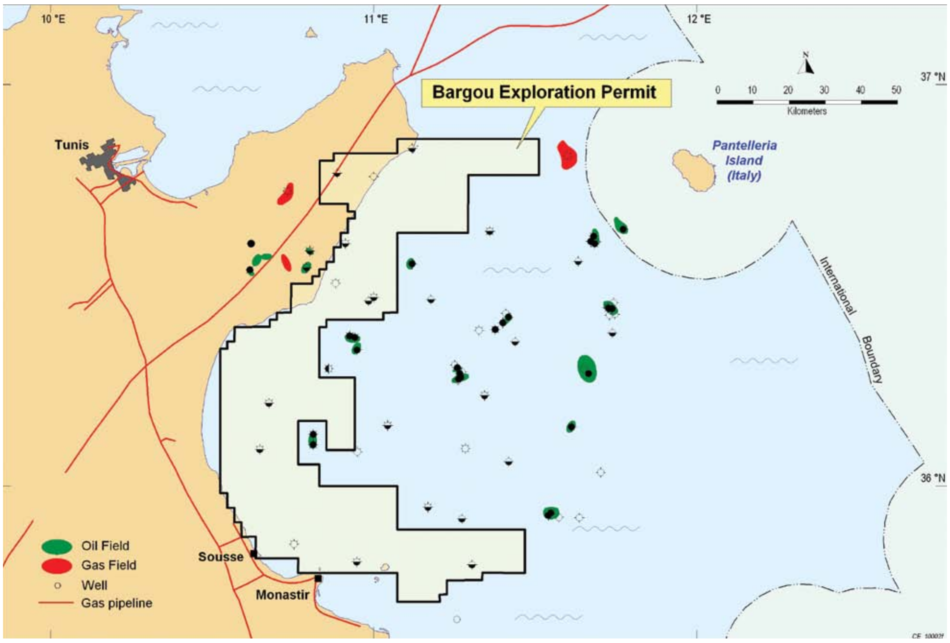
Australia
Cooper Basin
Permits



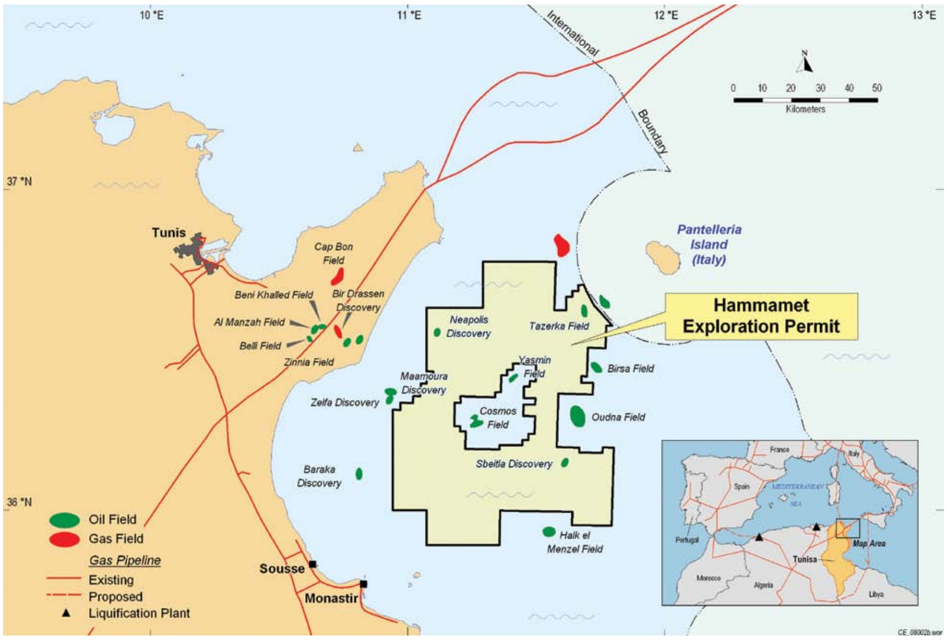
Company Overview (Continued)

Location of Cooper Energy's Assets (Continued)

Tunisia
Bargou
Exploration
Permit

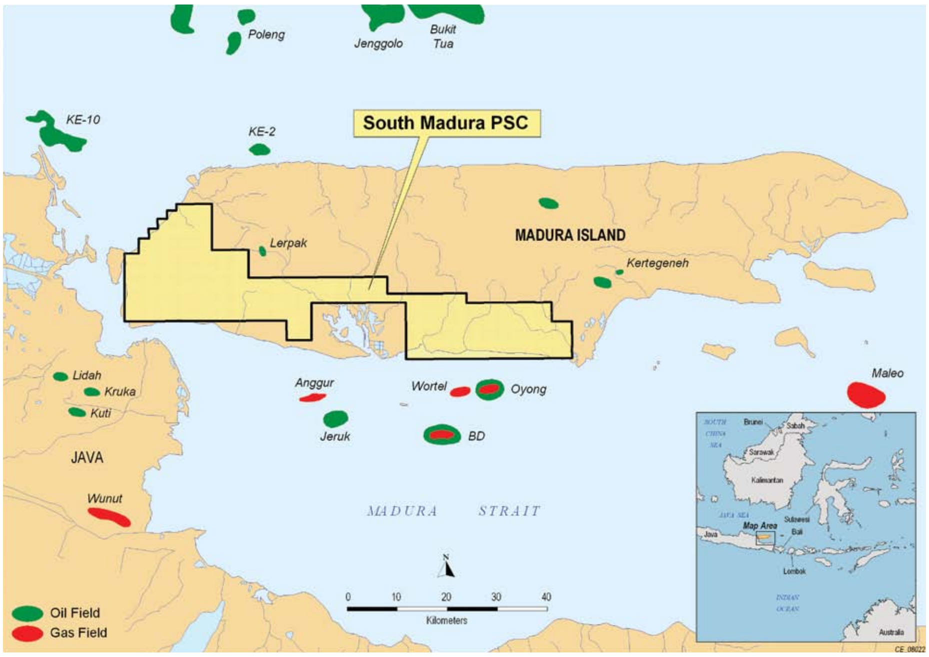


Tunisia
Hammamet
Exploration
Permit

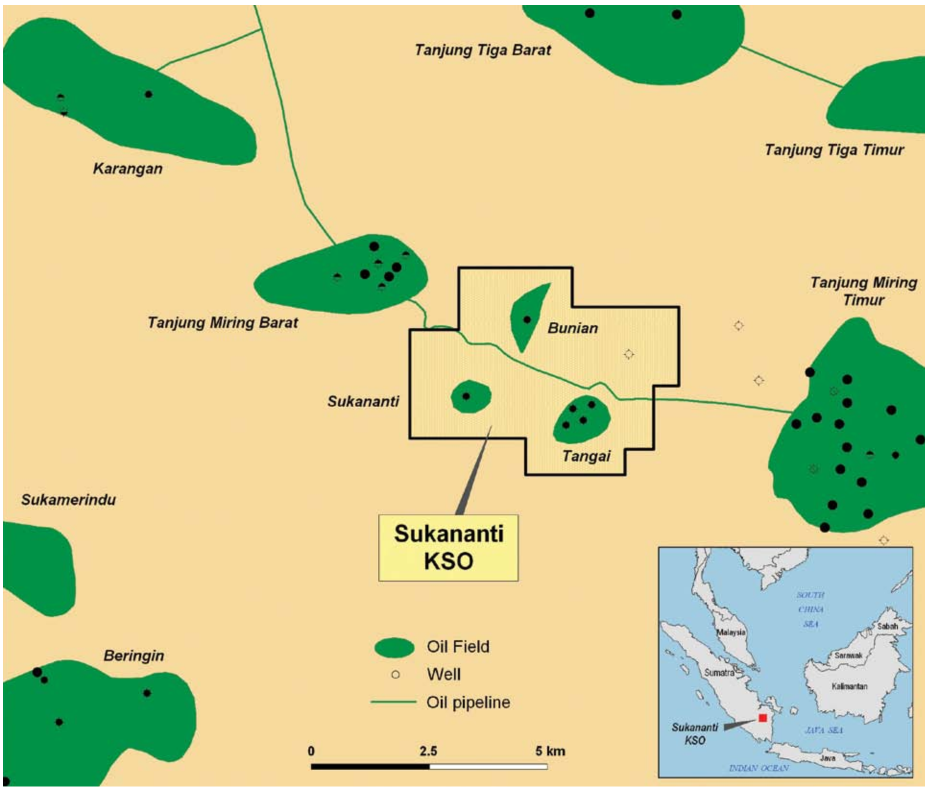


Location of Cooper Energy's Assets (Continued)

Indonesia
South Madura PSC



Indonesia
Sukananti KSO



Company Overview (Continued)

Community Support

Cooper Energy is fortunate because, through the support of our investors and production revenue, the Company is fully funded and those funds enable us to pursue our primary objectives.

However, in the broader community, many organisations are outside mainstream support and funding. These non-profit organisations have goals and objectives that are targeted towards the betterment of society and they are commonly supported by donations and the efforts of volunteers who give their time, energy and compassion.

Cooper Energy each year provides a small amount of funding to a number of organisations so that we can assist them to meet their goals and objectives.

The organisations that Cooper Energy has historically and currently supports are as follows:

Surf Lifesaving Australia
(www.slsa.com.au)

The Royal Flying Doctor Service
(www.flyingdoctor.net)

The Princess Margaret Hospital Foundation
(www.pmhfoundation.com)

The Telethon Hearing and Speech Centre
(www.speechandhearing.org.au)

The Smith Family
(www.thesmithfamily.com.au)

The Royal Society for the Protection of Cruelty to Animals
(www.rspca.org.au)

Financial Report

Directors' Statutory Report

for the year ended 30 June 2010

The Directors present their report together with the consolidated financial report of the Group, being Cooper Energy Limited (the "parent entity") and its controlled entities, for the financial year ended 30 June 2010, and the independent auditor's report thereon.

1. Directors

The directors of the parent entity at any time during or since the end of the financial year are:

Name, qualifications and independent status	Age	Experience, special responsibilities and other directorships
Mr Laurence J. Shervington LLB, SA Fin, MAICD Chairman Independent Non-Executive Director	67	Extensive commercial and corporate law experience. Mr Shervington is a practicing solicitor. Member of the Corporate Governance; Remuneration and Nomination and Audit Committees. Director since October 2003 and appointed Chairman in November 2004.
Mr Michael T. Scott BSc (Honours), MEng (Petroleum Engineering), MAICD, SPE Managing Director	48	Extensive management and engineering experience in the oil and gas exploration and production industry in Australia and overseas. Director and Managing Director since March 2004.
Mr Gregory G. Hancock BA (Econs), BEd (Honours), FFin Executive Director	59	Extensive management and financial experience and a founding Director. Non-executive Chairman of Ausquest Limited and Director since October 2003. Director since March 2001 and Chairman until November 2004.
Mr Christopher R. Porter BSc (Honours), MSc Independent Non-Executive Director	69	Extensive petroleum geological experience and consultant to the industry. Member of the Corporate Governance and Remuneration and Nomination and Audit Committees. Director since January 2002.
Mr Stephen H. Abbott FCPA Independent Non-Executive Director	65	Extensive accounting and consulting career. Chairman of the Audit Committee and Member of the Remuneration and Nomination and the Corporate Governance Committees Director since September 2007.

2. Company Secretary

Mr Ian E. Gregory, 55, BBus, FCIS, FFin, MAICD, was appointed to the position of Company Secretary in December 2005. Mr Gregory has acted as Company Secretary for the past 26 years for various listed and unlisted companies and currently consults on secretarial matters to a number of listed companies.

Directors' Statutory Report (continued)

for the year ended 30 June 2010

3. Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the parent entity during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Remuneration and Nomination Committee Meetings		Corporate Governance Committee Meetings	
	A	B	A	B	A	B	A	B
Mr L.J. Shervington	8	8	4	4	5	5	2	2
Mr M.T. Scott	8	8	–	–	–	–	–	–
Mr G.G. Hancock	8	8	–	–	–	–	–	–
Mr C.R. Porter	8	8	3	3	5	5	2	2
Mr S.H. Abbott	8	8	4	4	5	5	2	2

A = Number of meetings attended.
B = Number of meetings held during the time the director held office, or was a member of the committee, during the year.

4. Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Cooper Energy Limited support the principles of good corporate governance.

5. Remuneration Report (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the parent entity and the group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the parent entity and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent entity and includes the five highest paid executives in the Group and the parent.

For the purposes of this report, the term 'executive' encompasses the Executive Directors and Senior Employees of the parent and the group.

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors	Executive Directors
Mr L.J. Shervington (Chairman)	Mr M.T. Scott (Managing Director)
Mr C.R. Porter	Mr G.G. Hancock
Mr S.H. Abbott	
Senior Employees	
Mr C.D. Todd (Exploration Manager)	Mr D. Gillies (New Venture Manager)
Mr T.J. Magee (Chief Geologist)	Mr A. Craig (Chief Geophysicist)
Mr J.A. Baillie (Chief Financial Officer)	

5. Remuneration Report (Audited) (continued)

Principles of remuneration

The Group recognises that its performance is dependent on the quality of its directors and senior employees. To prosper, the Group must attract, motivate and retain highly skilled directors and senior employees.

Remuneration packages include a mix of fixed and variable compensation with performance based incentives.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for determining and reviewing the remuneration for non-executive directors, the executive directors and senior employees.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior employees on an annual basis by reference to relevant employment market conditions. The overall objective is to ensure shareholders benefit from the retention of a high quality Board and executive team.

The Committee may take advice from independent consultancy sources to ensure remuneration accords with market practice.

Remuneration structure

In accordance with best practice corporate governance, the structure of the non-executive directors, executive directors and other key management personnel remuneration is separate and distinct.

Non-Executive Directors' remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure of Non-Executive Directors' fees

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non executive directors for attending to their duties as directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the non executive directors as agreed. The latest determination was at the parent entity's Annual General Meeting held on 28 November 2006, when shareholders approved an aggregate remuneration of up to $325,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. In addition, the directors' may undertake, with the approval of the other directors, consultancy services to the Group from time to time.

The remuneration of directors for the period ending 30 June 2010 is detailed in Table 1 of this report.

5. Remuneration Report (Audited) (continued)

Executive Directors' remuneration

Objective

The Group aims to attract executive directors with a level and mix of remuneration, so as to:

- reward them for Group and individual performance;
- align their interests with those of shareholders;
- link rewards with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by industry standards.

Structure of the Executive Directors' remuneration package

The remuneration packages of the Executive Directors consist of the following elements:

- Fixed remuneration;
- Performance based remuneration consisting of an at risk short term incentive (STI) – cash incentive payment, paid annually at the discretion of the Board, linked to Group and individual performance; and which are described in more detail below.

Fixed Remuneration of the Executive Directors' – Salaries

Fixed remuneration comprises base salary and superannuation contributions. It is determined by the scope of each director's role, level of knowledge, skill and experience along with their individual performance.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of Group, and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Short Term Incentive Plan (STIP) of the Executive Directors'

In December 2009 the Remuneration and Nomination Committee introduced an Executive Short Term Incentive Plan (STIP) to be applied for the twelve month period commencing on the 1 July 2009. The Board invited executive directors to participate in the STIP for the 1 July 2009 to 30 June 2010 period.

The STIP is an at-risk cash based incentive measuring and rewarding performance over a twelve month period coinciding with the Group's fiscal year. STIP performance is assessed at the discretion of the Board in the September quarter and paid in September.

The incentive payment is based on a percentage of fixed remuneration. The percentage of fixed remuneration that participants may earn under the STIP for the current reporting period is set out in following table:

Award Levels and Percentage of Fixed Remuneration		Key Performance Indicators (KPIs) and Weightings						
		Quantitative (Absolute Scale)		Qualitative (Relative Scale)				
		2P Reserves Target (MMbbls)	Annual Production (bbls)	Opportunities	Staff Morale	Governance	Funding	External Relationships
Level	%	50%	10%	30%	2.5%	2.5%	2.5%	2.5%
Threshold	0%	1.5	350,000	1	1	1	1	1
Target	15%	2.0	368,000	4	4	4	4	4
Stretch	100%	4.0	500,000	10	10	10	10	10
Super Stretch	200%	10.0	1,000,000	20	20	20	20	20

5. Remuneration Report (Audited) (continued)

Executive Directors' remuneration (continued)

The quantitative KPIs for the reporting period are based on the levels of 2P Reserves at the end of the reporting period and the volumes of annual production. The quantitative KPIs account for 60% of the STIP.

The qualitative KPI's are based on the level of opportunities that the Group pursues, staff morale, governance, funding and external relationships. The qualitative KPIs which account for 40% of the STIP.

The KPIs are considered by the Board to represent the key variables that underpin the future health and external market valuation of the parent entity. The Reserves and Production categories drive the immediate value of the Group, the Opportunities category drives the future value of the Group and the other qualitative measures ensure the ongoing healthy administration of the Group. Weightings are reflective of the variables impact on value and growth.

The KPIs are set by the Remuneration and Nomination Committee at the beginning of each twelve month period. These may vary from year to year and from participant to participant in order to reflect the financial and operational goals of the Group and the contribution of the individual participants to those goals.

The Remuneration and Nomination Committee have set KPI goals at threshold, target, stretch and super stretch levels. Any KPI results that fall between the award levels are awarded proportionally between the levels that lie immediately above and below the result. The maximum STIP that can be paid is set at the Super Stretch award level.

The threshold objectives must be achieved in any individual KPI before a participant is entitled to any payment for that KPI.

The Remuneration and Nomination Committee will assess the extent to which KPIs were met for the period and any remuneration that is earned pursuant to the STIP is accrued for in the financial statements for the current financial year recognising that it will be actually paid to the executives in the following financial year.

The STIP amounts awarded to the executive directors for the twelve month period to 30 June 2010 are set out in Table 1.

Senior Employees remuneration

Objective

The Group aims to attract senior employees with a level and mix of remuneration, so as to:

- reward them for Group and individual performance;
- align their interests with those of shareholders;
- link rewards with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by industry standards.

Structure of the Senior Employees remuneration package

The remuneration packages of the Senior Employees consist of the following elements:

- Fixed remuneration;
- Variable remuneration.

5. Remuneration Report (Audited) (continued)

Senior Employees remuneration (continued)

Fixed Remuneration of Senior Employees – salary

Fixed remuneration comprises base salary and superannuation contributions. It is determined by the scope of each senior employee's role, level of knowledge, skill and experience along with their individual performance.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of Group, and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Variable Remuneration of Senior Employees

The Board and the Remuneration and Nomination Committee may consider the provision of variable remuneration in the form of short term cash bonuses and/or long term share options. There are no contractual obligations and awards are at the discretion of the Board and Remuneration Committee.

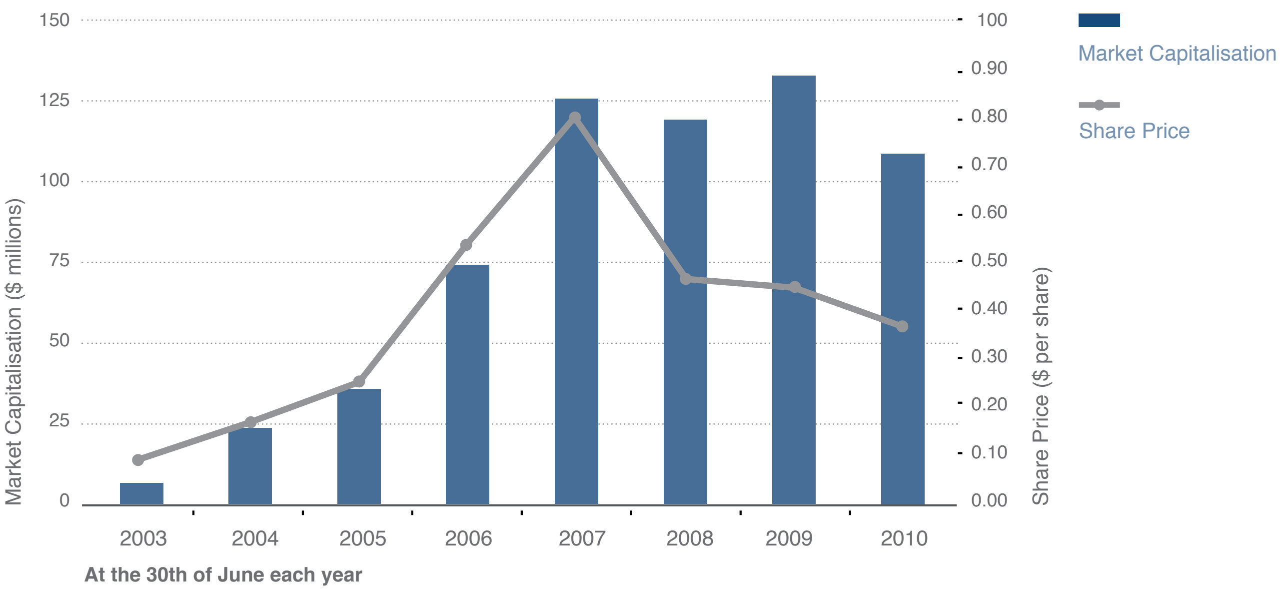
Short term cash bonus and long term incentives may be considered on the basis of increase in the Group's value brought about by recoverable hydrocarbon additions or outstanding performance.

Long term option incentives have historically been used as an incentive and to align executive directors and staff to the long term growth aspirations of the Group. To this end the Group adopted the Employee and Share and Option Plan on 9 January 2002. This plan provides a mechanism whereby the Remuneration and Nomination Committee may issue options to nominated eligible employees and executive directors – the award of options to executive directors requiring Shareholders' approval.

The Group does not have a policy which prohibits executives from entering into arrangements to protect the value of their unvested share options.

Group Performance

Cooper Energy Market Capitalisation and Share Price



5. Remuneration Report (Audited) (continued)

Group Performance (continued)

The Market Capitalisation and Share Price shows the performance of the Group for the past eight years.

Employment contracts

The remuneration and other terms of employment for the executive directors and the majority of senior employees are formalised in service agreements. Under terms of the service agreements, all parties continue to be employed until their employment is terminated.

Notice period for termination by the parent entity of senior employees is up to three months while similar notice periods must be given if the employee wishes to resign. The notice period for the executive directors is six months if their contracts of employment are terminated. The parent entity may make a payment in lieu of notice.

All employees are entitled to receive, on termination of employment, their statutory entitlements of vested annual and long service leave, together with any superannuation benefits. Any options that have been awarded but not vested at the time of resignation of the employee can be cancelled at the discretion of the Remuneration Committee and the Board.

The service contracts outline the components of compensation paid to the executive directors and senior employees. The contracts do not prescribe how compensation levels are modified year to year for senior employees but do prescribe how the STIP levels are set for executive directors. Compensation levels are reviewed each year to take into account cost-of-living changes, any changes in the scope of the role performed by the senior employee and executive director, employment market conditions and any changes required to meet the principles of the remuneration policy.

Bonuses

A bonus of $345,300 was awarded and paid to executive directors and staff on the 10 September 2010 for the discovery of additional hydrocarbons in the Cooper Basin during the during the twelve month period ending 30 June 2009. There was no forfeiture of cash bonuses. The bonus was determined and distributed at the discretion of the Board.

A bonus of $145,089 was awarded to the executive directors for the twelve month period ending the 30 June 2010 based upon the Short Term Incentive Plan for the executive directors. This bonus has not been paid to the executive directors at the date of this report.

5. Remuneration Report (Audited) (continued)

Employment contracts (continued)

Remuneration

Details of the nature and amount of each major element of remuneration of each director of the Group and each of the five named senior employees who receive the highest remuneration and other key management personnel are:

Table 1 Directors' remuneration
for the year ended 30 June 2010

	Short-term benefits			Post Employment	Share-based payment	
	Salary & Fees $	Cash Bonus (paid and accrued) $	Non-Monetary Benefits $	Super-annuation $	Options $	Total $
DIRECTORS						
Mr L.J. Shervington *Chairman*	85,000	–	–	7,650	–	92,650
Mr M.T. Scott *Managing Director*	510,539	216,086	–	14,461	137,455	878,541
Mr G.G. Hancock	240,539	58,503	–	14,461	82,473	395,976
Mr C.R. Porter	65,000	–	–	5,850	–	70,850
Mr S.H. Abbott	65,000	–	–	5,850	–	70,850
	966,078	274,589	–	48,272	219,928	1,508,867

a) Mr Scott's proportion of remuneration that is performance related is 40.2% while the value of options as a proportion of remuneration is 15.6%

b) Mr Hancock's proportion of remuneration that is performance related is 35.6% while the value of options as a proportion of remuneration is 20.8%

c) Part of Mr Scott's cash bonus, $118,430 was a proportionate share of a cash bonus that was awarded to all staff on the 10 September 2009. The balance of cash bonus of $97,656 is to be paid in accordance the STIP for the year to 30 June 2010.

d) Part of Mr Hancock's cash bonus, $11,070 was a proportionate share of a cash bonus that was awarded to all staff on the 10 September 2009. The balance of cash bonus of $47,433 is to be paid in accordance the STIP for the year to 30 June 2010.

e) Mr Hancock provides services to the parent entity three days per week via employment as an executive director and a marketing consultancy agreement.

f) The share based payment for each of Mr Scott and Mr Hancock represents the proportionate share of the value of vesting options that were awarded in December 2007 and May 2009. The basis for computing the value of these options is set out in Note 19 of the Annual Financial Statements.

5. Remuneration Report (Audited) (continued)

Employment contracts (continued)

Table 1 Directors' remuneration (continued)
for the year ended 30 June 2009

	Short-term benefits			Post Employment	Share-based payment	
	Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Super-annuation $	Options $	Total $
DIRECTORS						
Mr L.J. Shervington *Chairman*	85,000	–	–	7,650	–	92,650
Mr M.T. Scott *Managing Director*	486,596	50,520	–	13,745	318,605	869,466
Mr G.G. Hancock	218,255	–	–	13,745	183,634	415,634
Mr C.R. Porter	65,000	–	–	5,850	–	70,850
Mr S.H. Abbott	65,000	–	–	5,850	–	70,850
	919,851	50,520	–	46,840	502,239	1,519,450

a) Mr Scott's proportion of remuneration that is performance related is 42.5% while the value of options as a proportion of remuneration is 36.6%

b) Mr Hancock's proportion of remuneration that is performance related is 44.2% while the value of options as a proportion of remuneration is 44.2%

c) Mr Scott's cash bonus was a proportionate share of a cash bonus that was awarded to all staff on the 11 August 2008.

d) Mr Hancock provides services to the parent entity three days per week via employment as an executive director and a marketing consultancy agreement.

e) The share based payment for each of Mr Scott and Mr Hancock represents the proportionate share of the vesting value of options that were awarded in January 2005, December 2007 and May 2009. The basis for computing the value of these options is set out in Note 19 of the Annual Financial Statements.

5. Remuneration Report (Audited) (continued)

Employment contracts (continued)

Table 2 Executives and Senior Employees remuneration
for the year ended 30 June 2010

	Short-term benefits			Post Employment	Share-based payment	
	Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Super-annuation $	Options $	Total $
EXECUTIVES AND SENIOR EMPLOYEES						
Mr C.D. Todd *Exploration Manager*	410,539	88,290	–	14,461	79,488	592,778
Mr T.J. Magee *Chief Geologist*	330,539	77,830	–	14,461	42,434	465,264
Mr A.N. Craig *Chief Geophysicist*	278,872	33,430	–	14,461	19,126	345,889
Mr D. Gillies *New Venture Manager*	330,494	–	–	13,256	10,221	353,971
Mr J.A. Baillie *Chief Financial Officer*	220,539	11,070	–	14,461	19,126	265,196
	1,570,983	210,620	–	71,100	170,395	2,023,098

a) Messrs Todd, Magee, Craig and Baillie all received a proportionate share of a cash bonus that was awarded and distributed to all staff on the 10 September 2009.

b) Mr Todd's proportion of remuneration that is performance related is 29% while the value of options as a proportion of remuneration is 13.4%.

c) Mr Magee's proportion of remuneration that is performance related is 26.7% while the value of options as a proportion of remuneration is 9.1%.

d) Mr Gillies proportion of remuneration that is performance related is 3% while the value of options as a proportion of remuneration is 2.9%.

e) Mr Craig's proportion of remuneration that is performance related is 9.1% while the value of options as a proportion of remuneration is 5.5%.

f) Mr J.A. Baillie proportion of remuneration that is performance related is 21% while the value of options as a proportion of remuneration is 7.2%.

g) The share based payment for each of Messrs Todd, Magee, Gillies, Craig and Baillie represents the proportionate share of the value of options that were awarded in January 2005, December 2007 and May 2009. The basis for computing the value of these options is set out in Note 19 of the Annual Financial Statements.

5. Remuneration Report (Audited) (continued)

Employment contracts (continued)

Table 2 Executives and Senior Employees remuneration (continued)
for the year ended 30 June 2009

	Short-term benefits			Post Employment	Share-based payment	
	Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Super-annuation $	Options $	Total $
EXECUTIVES AND SENIOR EMPLOYEES						
Mr C.D. Todd *Exploration Manager*	412,178	36,970	–	13,745	166,095	628,988
Mr T.J. Magee *Chief Geologist*	314,589	32,550	–	13,745	78,720	439,604
Mr A.N. Craig *Chief Geophysicist*	252,178	15,080	–	13,745	35,875	316,878
Mr R.R. King *Senior Geologist*	252,922	700	–	13,745	–	267,367
Mr J.A. Baillie *Chief Financial Officer*	216,255	6,170	–	13,745	35,875	272,045
	1,448,122	91,470	–	68,725	316,565	1,924,882

a) Messrs Todd, Magee, Craig and Baillie were respectively granted 200,000; 150,000; 175,000 and 175,000 vesting options (see end of this report for further details) to recognise their contributions to the parent entity's success and to encourage their continuing involvement in the achievement of the parent entity's objectives and provide an incentive for them to strive to that end by participating in the future growth and prosperity of the parent entity through share ownership.

b) Messrs Todd, Magee, King, Craig and Baillie all received a proportionate share of a cash bonus that was awarded and distributed to all staff on the 11 September 2008.

c) Mr Todd's proportion of remuneration that is performance related is 32.3% while the value of options as a proportion of remuneration is 26.4%.

d) Mr Magee's proportion of remuneration that is performance related is 25.3% while the value of options as a proportion of remuneration is 17.9%

e) Mr Craig's proportion of remuneration that is performance related is 16.1% while the value of options as a proportion of remuneration is 11.3%.

f) Mr J.A. Baillie proportion of remuneration that is performance related is 15.5% while the value of options as a proportion of remuneration is 13.2%.

g) The share based payment for each of Messrs Todd, Magee, Craig and Baillie represents the proportionate share of the value of options, awarded in the current and prior reporting years, which vested during the current year. The basis for computing the value of these options is set out in Note 19 of the Annual Financial Statements.

5. Remuneration Report (Audited) (continued)

Value of options granted

No options were granted to executive directors and senior employees during the period. The options that were granted in previous periods have theoretical Black and Sholes binomial option-pricing model value because they have vested during the period and have not yet been exercised. The A$0.55 and A$1.00 options only have theoretical value as the share price is less than the exercise price thereby preventing the options from being exercised.

The total value of options for the executive directors and senior employees noted in tables as share based payments for the current year is $353,382. The fair value of the options is calculated at the date of the grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. In valuing the options, the then market conditions were taken into account.

Compensation options: Granted and vested during the year

Details on options over ordinary shares in the parent entity that were granted at no cost as compensation during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted	Fair value per options at grant date (cents)	Exercise price per options (cents)	Number of options vested during the period	Number of options vested to date	Percentage of options vested to date
GRANTED ON 26 NOVEMBER 2007						
Director						
Mr M.T. Scott	5,000,000	14.7	100	1,666,666	3,333,333	67%
Mr G.G. Hancock	3,000,000	14.7	100	1,000,000	2,000,000	67%
Executive						
Mr C.D. Todd	2,500,000	14.7	100	833,333	1,666,667	67%
Mr T.J. Magee	1,250,000	14.7	100	416,667	833,334	67%
Mr J.A. Baillie	500,000	14.7	100	166,667	333,334	67%
Mr A.N. Craig	500,000	14.7	100	166,667	333,334	67%
The options expire on 1 September 2011.						
GRANTED ON 21 MAY 2009						
Executive						
Mr C.D. Todd	200,000	5.97	75	200,000	200,000	100%
Mr D. Gillies	125,000	5.97	75	125,000	125,000	100%
Mr T.J. Magee	150,000	5.97	75	150,000	150,000	100%
Mr A.N. Craig	100,000	5.97	75	100,000	100,000	100%
Mr J.A. Baillie	100,000	5.97	75	100,000	100,000	100%
The first date for exercise of these options is the 30 June 2010. The options expire on 31 December 2011.						

5. Remuneration Report (Audited) (continued)

Compensation options: Granted and vested during the year (continued)

	Number of options granted	Fair value per options at grant date (cents)	Exercise price per options (cents)	Number of options vested during the period	Number of options vested to date	Percentage of options vested to date
GRANTED ON 21 MAY 2009						
Executive						
Mr D. Gillies	125,000	5.90	100	nil	nil	0%

The first date for exercise of these options is the 30 June 2011.
The options expire on 31 December 2012.

Since the end of the financial year no options have been granted.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable immediately on vesting up until the expiry date.

Value of options exercised during the year and shares issued on exercise of options

The value of options exercised during the year by Mr M.T. Scott was $76,900 and by Mr T.J. Magee $22,590.

6. Principal Activities

Cooper Energy is an upstream oil and gas exploration and production parent entity 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 year.

7. Operating and Financial Review

During FY10 the Group participated in the drilling of four wells (FY09: seven wells). Three of the wells were onshore exploration wells in the Cooper Basin, South Australia and one of the wells was an offshore exploration well in the Gulf of Hammamet, Tunisia. All four exploration wells were dry holes.

All the Group's exploration permits across Australia, Indonesia and Tunisia were matured by varying amounts with studies and/or seismic activities resulting in a deep and valuable portfolio of leads and prospects. The Group's production assets in the Cooper Basin were matured by ongoing wellbore and surface development activities.

During the year the Group was awarded the Sukananti Production Area in South Sumatra. This area contains three discovered but currently shut-in oil fields. The Group is progressing plans to redevelop these fields and recommence production.

At the end of FY10 the Group was participating in production from nine oil fields in the Cooper Basin in South Australia-Worrior, Callawonga, Christies, Sellicks, Silver Sands, Parsons, Perlubie, Perlubie South and Butlers. Production sales for the year were 465,012 barrels of oil (FY09: 487,254 barrels of oil). This production volume generated $40 million of sales revenue (FY09: $42 million).

Directors' Statutory Report (continued)

for the year ended 30 June 2010

7. Operating and Financial Review (continued)

The Group ended FY10 with 1.5 million barrels Proved Developed Producing recoverable Oil (FY09: 1.9 million barrels), 1.7 million barrels Proved recoverable oil (FY09: 1.9 million barrels) and 2 million barrels Proved plus Probable recoverable oil (FY09: 1.9 million barrels).

The Group at the end of FY10 had $92.5 million in cash deposits (FY09: $93.4 million).

From an accounting perspective, the Group recorded a working capital of $95.4 million (FY09: A$96.5 million) and an EBITDAX (Earnings before interest, tax, depreciation, amortisation and exploration expenditure written off) of $21.2 million (FY09: $25.7 million).

Profit before tax was $7.2 million (FY09: $5.0 million) and profit after tax was $1.2 million (FY09: loss of $2.8 million). Cooper Energy's profit is mainly impacted by international exploration write-offs for which there is no Australian taxation allowance.

8. Dividends

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividends since the end of the previous financial year, or to the date of this report.

9. Environmental Regulation

The Group is a party of various exploration and development licences or permits. In most cases, the contracts specify the environmental regulations applicable to oil and gas operations in the respective jurisdiction. The Group aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no significant known breaches of the environmental obligations of the Group's licences.

10. Likely Developments

Other than disclosed elsewhere in the Annual Report, further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the consolidated entity.

11. Directors' Interests

The relevant interest of each director in ordinary shares and options over shares issued by the parent entity as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this reports is as follows:

	Cooper Energy Limited	
	Ordinary Shares	Options Over Shares
Mr L.J. Shervington	405,933	–
Mr M.T. Scott	751,500	6,900,000
Mr G.G. Hancock	2,600,001	3,000,000
Mr C.R. Porter	525,933	–
Mr S.H. Abbott	60,000	–

Directors' Statutory Report (continued)

for the year ended 30 June 2010

12. Share Options

Unissued shares under options

At the date of this report unissued ordinary shares of the parent entity under option are:

Expiry Date	Exercise Price	Number of Shares
31 December 2010	55 cents	4,100,000
31 December 2010	55 cents	475,000
1 September 2011	100 cents	12,875,000
31 December 2011	75 cents	875,000
30 April 2012	75 cents	500,000
31 August 2012	100 cents	120,000
31 December 2012	100 cents	450,000

All options expire on the earlier of the expiry date or, if deemed by the Board, on termination of the employee's employment. In addition, the ability to exercise the options is conditional upon vesting dates as detailed in the Remuneration Report on pages 18 to 29.

These options do not entitle the holder to participate in any share issue of the parent entity or any other body corporate.

13. Events After Financial Reporting Date

Subsequent to the 30 June 2010, the parent entity has acquired shares in Zeta Petroleum Limited for $1,625,000. In addition the parent entity has entered into a further commitment to subscribe for a further tranche of shares up to a value of £700,000 on or before the 30 April 2011. The parent entity has also undertaken from January 2011 to July 2012, subject to various performance milestones been met, to subscribe for successive tranches of shares to the value of $US13,600,000 in Zeta Petroleum Limited.

Subsequent to the year end, a wholly owned subsidiary participated in the drilling of an exploration well in Indonesia. The drill was not successful. The subsidiary's share of the estimated cost of the well is $US1,600,000.

14. Indemnification and Insurance of Directors and Officers

Indeminification

The parent entity has agreed to indemnify the following current directors of the parent entity, Mr L.J. Shervington; Mr M.T. Scott; Mr G.G. Hancock; Mr C.R. Porter and Mr S.H. Abbott against all liabilities (subject to certain limited exclusions) to persons (other than the Group or a related body corporate) which arise out of the performance of their normal duties as a director or executive director unless the liability relates to conduct involving a lack of good faith. The parent entity has agreed to indemnify the directors and executive directors against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

Insurance premiums

Since the end of the previous financial year the parent entity has paid insurance premiums of $45,000 in respect of directors' and officers' liability and legal insurance contracts for current and former directors and officers including senior employees of the parent entity.

The insurance premium relates to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policy outlined above does not contain details of premiums paid in respect of individual directors, officers and senior employees of the parent entity.

15. Auditor's Independence Declaration

The auditor's independence declaration is set out on page 90 and forms part of the directors' report for the financial year ended 30 June 2010.

16. Non-Audit Services

During the year Ernst & Young, the Group's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and do not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Section 290 of "APES 110 – The Code of Ethics for Professional Accountants" as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Directors' Statutory Report (continued)

for the year ended 30 June 2010

16. Non-Audit Services (continued)

Details of the amounts paid to the auditor of the Group, Ernst & Young and its related practices for non-audit services provided during the year are set out below.

	Consolidated	
	2010 $	2009 $
Services other than statutory audit		
Consultation on disclosure requirements relating to a potential merger	–	25,750
	–	25,750

17. Rounding

The Group is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

Mr Michael T. Scott
Managing Director

Dated at Perth this 30th day of August 2010

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
CONTINUING OPERATIONS			
Revenue from oil sales	4	40,030	41,647
Cost of sales	4	(17,180)	(15,390)
Gross profit		22,850	26,257
Other revenue	4	4,315	4,245
Administration and other expenses	4	(19,944)	(25,461)
Profit before income tax		7,221	5,041
Income tax expense	5	(5,974)	(7,857)
Net profit/(loss) after tax from continuing operations		1,247	(2,816)
OTHER COMPREHENSIVE INCOME/(EXPENDITURE)			
Net loss on available for sale assets		–	(200)
Other comprehensive income (expenditure) for the period, net of tax		–	(200)
Total comprehensive income/(loss) for the period		1,247	(3,016)
		cents	cents
Basic earnings/(loss) per share	6	0.4	(1.0)
Diluted earnings/(loss) per share	6	0.4	(1.0)

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

Consolidated Statement of Financial Position

as at 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	92,273	92,037
Term deposits at banks	7	212	1,400
Trade and other receivables	8	9,002	11,986
Prepayments	9	114	74
Total Current Assets		101,601	105,497
Non-Current Assets			
Oil properties	10	15,205	15,465
Exploration and evaluation	11	19,601	15,276
Total Non-Current Assets		34,806	30,741
TOTAL ASSETS		136,407	136,238
LIABILITIES			
Current Liabilities			
Trade and other payables	12	5,959	5,157
Income tax payable		199	3,875
Total Current Liabilities		6,158	9,032
Non-Current Liabilities			
Deferred tax liabilities	5	4,408	3,273
Provisions	13	744	622
Total Non-Current Liabilities		5,152	3,895
TOTAL LIABILITIES		11,310	12,927
NET ASSETS		125,097	123,311
EQUITY			
Contributed equity	14	98,657	98,472
Reserves	14	2,012	1,658
Retained profits	14	24,428	23,181
TOTAL EQUITY		125,097	123,311

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

Consolidated Statement of Changes in Equity

as at 30 June 2010

	Issued Capital $'000	Consoli-dation Reserve $'000	Share Based Payment Reserve $'000	Net Unrealised Gain (Loss) Reserve $'000	Option Reserve $'000	Retained Earnings $'000	Total Equity $'000
CONSOLIDATED							
Balance at 1 July 2009	98,472	(541)	2,174	–	25	23,181	123,311
Profit for the period	–	–	–	–	–	1,247	1,247
Total comprehensive income for the period	–	–	–		–	1,247	1,247
Transactions with owners in their capacity as owners:							
Share based payments	–	–	354	–	–	–	354
Shares issued	185	–	–	–	–	–	185
Balance at 30 June 2010	98,657	(541)	2,528	–	25	24,428	125,097
Balance at 1 July 2008	88,385	(541)	1,425	200	25	25,997	115,491
Loss for the period	–	–	–		–	(2,816)	(2,816)
Total comprehensive loss for the period	–	–	–	(200)	–	(2,816)	(3,016)
Transactions with owners in their capacity as owners:							
Share based payments	–	–	749	–	–	–	749
Shares placed	9,981	–	–	–	–	–	9,981
Share issue costs	106	–	–	–	–	–	106
Balance at 30 June 2009	98,472	(541)	2,174	–	25	23,181	123,311

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		43,010	43,995
Payments to suppliers and employees		(17,466)	(15,916)
Income tax paid		(8,515)	(7,767)
Interest received – other entities		4,150	4,316
Net cash from operating activities	7	21,179	24,628
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale-financial assets		–	(8,780)
Proceeds on disposal of available-for-sale-financial assets		–	25,208
Payments for exploration and evaluation		(17,622)	(6,888)
Investments in oil properties		(4,694)	(5,340)
Net cash flows from/(used) in investing activities		(22,316)	4,200
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		185	–
Net cash flow from financing activities		185	–
NET (DECREASE)/INCREASE IN CASH HELD		(952)	28,828
CASH AT THE BEGINNING OF THE YEAR		93,437	64,609
CASH, CASH EQUIVALENTS AND TERM DEPOSITS AT THE END OF THE YEAR	7	92,485	93,437

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

Notes to the Financial Statements

for the year ended 30 June 2010

1. Corporate Information

The consolidated financial report of Cooper Energy Limited (the parent entity) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 30 August 2010.

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

The nature of the operations and principal activities of the Group are described in Note 3.

2. Summary of Significant Accounting Policies

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except for available for sale financial assets which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Class Order 98/0100. The Group is an entity to which the class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

From 1 July 2009 the Consolidate Entity has adopted the following standards and interpretations would have been applied for the first time for entities with years ending 30 June 2010 (unless early adopted):

Adoption of these standards interpretation did not have any effect on the financial position or performance of the Consolidated Entity.

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

Reference	Title	Application date of standard*	Application date for Group*
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 1039 (revised)	Concise Reporting	1 January 2009	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	1 January 2009	1 July 2009
AASB 3 (Revised)	Business Combinations	1 July 2009	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 2009	1 July 2009
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	1 July 2009	1 July 2009

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

The consolidate Entity has not elected to early adopted any new standards or amendments. The following table lists all applicable Standards/Interpretations issued but not yet effective for 30 June 2010 year end for which the Group has elected not to early adopt. The impact of the adoption of these new and revised standards onwards and interpretations onwards has not been determined by the Group. The table is accurate as at 30 June 2010.

AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]		
Summary	*The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:* *The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.* *The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.* *The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.* *The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:* • *has primary responsibility for providing the goods or service;* • *has inventory risk;* • *has discretion in establishing prices;* *bears the credit risk.* *The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.* *The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.* *The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.*		
Application date of Standard	1 January 2010	***Application date for Group***	1 July 2010

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]		
Summary	*This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.* *The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.* *The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.*		
Application date of Standard	1 January 2010	***Application date for Group***	1 July 2010

AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards		
Summary	*The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.* *Specifically, the amendments:* • *exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets* • *exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result.*		
Application date of Standard	1 January 2010	***Application date for Group***	1 July 2010

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]		
Summary	*The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.*		
Application date of Standard	1 February 2010	***Application date for Group***	1 July 2010

AASB 9	Financial Instruments		
Summary	*AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).* *These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.* *Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.* *(a) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.* *(b) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.*		
Application date of Standard	1 July 2013	***Application date for Group***	1 July 2013

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]		
Summary	*The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:* • *two categories for financial assets being amortised cost or fair value* • *removal of the requirement to separate embedded derivatives in financial assets* • *strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows* • *an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition* • *reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes* *changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income*		
Application date of Standard	1 July 2013	***Application date for Group***	1 July 2013

AASB 124 (Revised)	Related Party Disclosures (December 2009)		
Summary	*The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:* *(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;* *(b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and* *(c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.* *A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.*		
Application date of Standard	1 January 2011	***Application date for Group***	1 July 2011

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

AASB 2009-12	**Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]**		
Summary	*This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.* *In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.*		
Application date of Standard	1 January 2011	***Application date for Group***	1 July 2011

AASB 2009-13	**Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]**		
Summary	*This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.*		
Application date of Standard	1 July 2010	***Application date for Group***	1 July 2010

AASB 2009-14	**Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement**		
Summary	*These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.* *The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.*		
Application date of Standard	1 January 2011	***Application date for Group***	1 July 2011

AASB 2010-1	**Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters**		
Summary	*First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.*		
Application date of Standard	1 July 2010	***Application date for Group***	1 July 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

AASB 1053	Application of Tiers of Australian Accounting Standards		
Summary	*This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: Tier 1: Australian Accounting Standards; and Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: for-profit entities in the private sector that have public accountability (as defined in this Standard); and the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: for-profit private sector entities that do not have public accountability; all not-for-profit private sector entities; and public sector entities other than the Australian Government and State, Territory and Local Governments.*		
Application date of Standard	1 July 2013	***Application date for Group***	1 July 2013

AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements		
Summary	*This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.*		
Application date of Standard	1 July 2013	***Application date for Group***	1 July 2013

AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]		
Summary	*Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.* *Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.* *Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.* *Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.*		
Application date of Standard	1 July 2010	***Application date for Group***	1 July 2010

2. Summary of Significant Accounting Policies (continued)

b) Statement of compliance (continued)

AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]		
Summary	*Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.* *Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.* *Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.* *Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.*		
Application date of Standard	1 January 2011	***Application date for Group***	1 July 2011

Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments		
Summary	*This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.* *The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.*		
Application date of Standard	1 July 2010	***Application date for Group***	1 July 2010

*Designates the beginning of the applicable annual reporting period unless otherwise stated
**Only applicable to not-for-profit /public sector entities

The impact of the adoption of these new and revised standards onwards and interpretations onwards has not been determined by the Group.

2. Summary of Significant Accounting Policies (continued)

c) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Cooper Energy Limited ("the parent entity") and its subsidiaries ("the Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, income and expenses and profit and losses arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

d) Jointly controlled assets

The Group has an interest in joint ventures that are jointly controlled assets. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled asset involves use of assets and other resources of the venturers rather than establishment of a separate entity.

The Group's interest in joint ventures which are unincorporated joint venture assets are accounted for by recognising its proportionate share in assets that it controls and liabilities that it incurs from joint ventures.

In addition, expenses incurred by the Group and sale of the Group's entitlement to production are recognised in the Group's financial statements on a pro rata basis to the Group's interest.

e) Foreign currency

The functional currency and presentation currency of Cooper Energy Limited and its Australian and British Virgin Island subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Consolidated Statement of Financial Position date. All differences in the consolidated financial report are taken to the Consolidated Statement of Comprehensive Income.

f) Investments

Investments are classified as available-for-sale and are initially recognised at fair value plus any directly attributable transaction costs. The classification depends on the purpose for which the investments were acquired. Designation will be re-evaluated at each financial year-end.

After initial recognition, investments are remeasured to fair value. Changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative change in fair value previously reported in equity is included in earnings.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the Consolidated Statement of Financial Position date. Where investments are not actively traded, fair value is established by using other market accepted valuation techniques.

2. Summary of Significant Accounting Policies (continued)

g) Revenue and cost recognition

Revenue is recognised and measured at fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenues and costs from production sharing contracts

Revenue earned and production costs incurred from a production sharing contract are recognised when title to the product passes to the customer and is based upon the Group's share of sales and costs relating to oil production that are allocated to the Group under the contract.

Interest revenue

Interest revenue is recognised as interest accrues (using the effective interest method, which 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.

h) Depreciation and amortisation

Oil properties and other plant and equipment, other than freehold land, are depreciated to their residual values at rates based on the expected useful lives of the assets concerned.

Oil properties are amortised on the Units of Production basis using the best estimate of proved developed producing (PDP) reserves. No amortisation is charged on areas under development where production has not commenced.

Depreciation on property plant and equipment is calculated at between 7.5% and 37.5% per annum using the diminishing value method over their estimated useful lives.

i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits included wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave. Liabilities expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The general provisions for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currencies that match, as closely as possible, the estimated future cash outflows. Employees' accumulated long services leave is ascribed to individual employees at the rates payable as and when they become entitled to long service leave.

2. Summary of Significant Accounting Policies (continued)

j) Share based payments

The Group provides benefits to employees and directors of the Group in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions"). There is currently one plan in operation to provide these benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and are recorded as an expense, with a corresponding increase in reserves, on a straight-line basis over the vesting period of the related instrument.

The fair value is determined using a binomial model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

1. the extent to which the vesting period has expired; and
2. the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2. Summary of Significant Accounting Policies (continued)

k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangements conveys a right to use the asset.

Finance lease, which transfer to the Group substantially all the risks and benefits incidental to ownership of the lease item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised lease assets are depreciated over the shorter of the estimate useful life of the asst and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Consolidated Statement of Comprehensive Income on or a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

l) Management fees

Revenue is recognised when the Group's right to receive payment is established.

m) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Consolidated Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at the Consolidated Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss: or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss: or

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

m) Income tax (continued)

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be accessible against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Consolidated Statement of Financial Position date and reduced to the extent that its not longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are assessed at each Consolidated Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that were expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exits to offset current tax assets against current tax liabilities and the deferred tax asset and liabilities relate to the same taxable entity and the same taxation authority.

n) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Taxes ("GST") except:

- where the GST incurred on a purchase of foods and services in not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

o) Exploration and evaluation expenditure

Exploration and evaluation expenditure is accounted for in accordance with the area of interest method and is capitalised to the extent that:

i. the rights to tenure of the areas of interest are current and the Group controls the area of interest in which the expenditure has been incurred; and

2. Summary of Significant Accounting Policies (continued)

o) Exploration and evaluation expenditure (continued)

ii. such costs are expected to be recouped through successful development and exploration of the area of interest, or alternatively by its sale; or
iii. exploration and evaluation activities in the area of interest have not at the reporting date:
   a. reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; and
   b. active and significant operations in, or in relation to, the area of interest are continuing.

An area of interest refers to an individual geological area where the potential presence of an oil or a natural gas field is considered favourable or has been proven to exist, and in most cases will comprise an individual prospective oil or gas field.

Exploration and evaluation expenditure which does not satisfy these criteria is written off. Specifically, costs carried forward in respect of an area of interest that is abandoned or costs relating directly to the drilling of a dry well that is plugged and abandoned are written off in the year in which the decision to abandon is made. If exploratory wells encounter shows of oil and gas, the well costs remain capitalised on the Consolidated Statement of Financial Position as long as sufficient progress in assessing the reserves and the economic and operating viability of the project is being made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure is transferred to oil properties.

p) Oil properties

Oil properties are carried at cost including construction, installation of infrastructure such as roads and the cost of development of wells.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

q) Provision for restoration

The Group records the present value of its 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.

A restoration provision is recognised after the construction of the facility and then reviewed on an annual basis.

When the liability is recorded the carrying amount of the production assets is increased by the asset retirement costs and depreciated over the producing life of the asset. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs.

Any changes in the estimate of the provision for restoration arising from the annual renewal is recorded by adjusting the carrying amount of the production asset and then depreciated over the producing life of the asset. The liability is correspondingly adjusted for the change in the present value on the risk adjusted pre-tax discount rate with the unwinding of the adjusted discount recorded as an accretion change within finance costs.

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

2. Summary of Significant Accounting Policies (continued)

q) Provision for restoration (continued)

These estimated costs, whilst based on anticipated technological and legal requirements, assume no significant changes will occur in relevant State and Federal legislation.

r) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Consolidated Statement of Financial Position date. The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property, plant and equipment is the higher of fair value less cost to sell and value in use. For an asset that does not generate largely independent cash flows, recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An asset's or cash generating unit's carrying amount is written down immediately to its recoverable amount if the asset's or cash generating unit's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use. Any gains or losses arising on de-recognition of the asset (calculates as the difference between the net disposal proceeds and the net carrying amount of the asset) is included in the statement of comprehensive income in the period the asset is de-recognised

s) Impairment of non current assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

t) Cash and cash equivalents

Cash and short term deposits in the Consolidated Statement of Financial Position comprise cash at bank and short term deposits with an original maturity of three months or less. Cash also includes the Group's share of cash held as operator of joint ventures. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 90 days, net of outstanding bank overdrafts.

2. Summary of Significant Accounting Policies (continued)

u) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount, compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Bad debts are written of when identified.

The Group's share of cash held in non operated joint ventures is classified as a receivable.

v) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

w) Provisions

Provisions are recognised when the Group has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

x) Contributed equity

Issued and paid up capital is recognised as the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

y) Earnings per share

Basic earnings per share are calculated as net profit attributable to members divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members adjusted for the after tax effect of dilutive potential ordinary shares that have been recognised as expenses during the period divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

z) Judgements in applying accounting policies and key sources of estimation uncertainty

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

2. Summary of Significant Accounting Policies (continued)

z) Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Determination of recoverable hydrocarbons

Estimates of recoverable hydrocarbons impact the asset impairment assessment , depreciation and amortisation rates and decommissioning and restoration provisions.

Estimates of recoverable hydrocarbons are evaluated and reported by Competent Persons in accordance with Cooper Energy's Recoverable Hydrocarbon Guidelines *(www.cooperenergy.com.au/policies)*. A technical understanding of the geological and engineering processes enables the recoverable hydrocarbon estimates to be determined by using forecasts of production, commodity prices, production costs, exchange rates, tax rates and discount rates.

Recoverable hydrocarbon estimates may change from time to time if any of the forecast assumptions are revised.

Taxation

The Group's accounting policy for taxation requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from un recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Judgements are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility changes in circumstances will alter expectation, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Consolidated Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised.

In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting a corresponding credit or charge to the Consolidated Statement of Comprehensive Income.

Operating lease commitments

The Group has entered into a commercial property lease. The Group has determined that is does not retain any of the significant risks and rewards of ownership of this property and has thus classified the lease as an operating lease.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

2. Summary of Significant Accounting Policies (continued)

z) Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Factors which could impact the future recoverability include the level of oil reserves, future technological changes which could impact the cost of extraction, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable oil reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Impairment of capitalised development expenditure

The future recoverability of capitalised development expenditure is dependent on a number of factors, including the level of oil reserves and future technological changes which could impact the cost of extraction, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of oil extraction and the majority of this expenditure is incurred at the end of a well's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the well), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other wells. The expected timing of expenditure can also change, for example in response to changes in oil reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binominal model and applying the calculation criteria detailed in Note 2 (j).

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

3. Segment Reporting

Identification of reportable segments and types of activities

This is the first time the Group has adopted AASB 8 Operating Segments. The accounting policies used by the Group in reporting segments are in accordance with the measurement principles of Australian Accounting Standards.

The Group's operates throughout the world and prepares reports internally and externally by continental geographical segments. Within each segment the costs of operations and income are prepared firstly by legal entity and then by joint venture. Revenue and outgoings are allocated by way of their natural expense and income category. These reports are drawn up on a quarterly basis. Resources are allocated between each segment on a as needs basis. Selective reporting is provided to the Board quarterly while the annual and bi –annual results are reported to the Board.

The following are the current geographical segments:

Australian Business Unit
Exploration and evaluation for oil and gas, development and production and sale of crude oil in assigned permit areas from various projects in the Cooper Basin located in South Australia. Revenue is derived from the sale of crude oil to a consortium of buyers made up of Santos Limited and its subsidiaries; Delhi Petroleum Pty Ltd and Origin Energy Resources Limited. Interest income is earned from the placement of funds with various Australian Banks for periods of up to six months.

African Business Unit
Exploration and evaluation for oil and gas in the Bargou and Hammamet permit area off the coast of Tunisia. No income is derived from these units.

Asian Business Unit
Exploration and evaluation for oil and gas in the South Madura permit area in Indonesia. No income is derived from these units.

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

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

3. Segment Reporting (continued)

Accounting Policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts and in the prior period.

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2010 and 2009.

	Australian Business Unit $'000	African Business Unit $'000	Asian Business Unit $'000	Consolidated $'000
YEAR ENDED 30 JUNE 2010				
Revenue	40,030	–	–	40,030
Other revenue	4,315	–	–	4,315
Total consolidated revenue	44,345			44,345
Depreciation of property	(153)	–	–	(153)
Amortisation of:				
– Development costs	(3,437)	–	–	(3,437)
– Exploration costs	(1,364)	–	–	(1,364)
Share based payments	(354)	–	–	(354)
Exploration costs written off	(966)	(12,331)	–	(13,297)
Segment result				7,221
Income tax expense				(5,974)
Net Loss				1,247
Segment liabilities	11,310	–	–	11,310
Segment assets	117,613	12,201	6,593	136,407
Cash flow from:				
– Operating activities	21,179	–	–	21,179
– Investing activities	(6,108)	(14,405)	(1,803)	(22,316)
– Financing	185	–	–	185
Capital Expenditure	(5,923)	(14,405)	(1,803)	(22,131)

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

3. Segment Reporting (continued)

	Australian Business Unit $'000	African Business Unit $'000	Asian Business Unit $'000	Consolidated $'000
YEAR ENDED 30 JUNE 2009				
Revenue	41,647	–	–	41,647
Other revenue	4,245	–	–	4,245
Total consolidated revenue	45,892			45,892
Depreciation of property	(83)	–	–	(83)
Amortisation of:				
– Development costs	(3,209)	–	–	(3,209)
– Exploration costs	(787)	–	–	(787)
Share based payments	(749)	–	–	(749)
Exploration costs written off	(797)	–	(19,705)	(20,502)
Segment result				5,041
Income tax expense				(7,857)
				(5,974)
Net Loss				(2,816)
Segment liabilities	(12,927)	–	–	(12,927)
Segment assets	121,321	10,126	4,791	136,238
Cash flow from:				
– Operating activities	24,628	–	–	24,628
– Investing activities	4,200	–	–	4,200
– Financing	–	–	–	–
Capital Expenditure	(6,348)	(2,900)	(2,980)	(12,228)

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

4. 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:

	Consolidated	
	2010 $'000	2009 $'000
REVENUES FROM OIL OPERATIONS		
Oil sales	40,030	41,647
Total revenue from oil sales	40,030	41,647
COST OF SALES		
Production expenses	(8,293)	(8,486)
Royalties	(4,086)	(2,908)
Amortisation of exploration areas under production	(1,364)	(787)
Amortisation of development costs in areas of production	(3,437)	(3,209)
Total cost of sales	(17,180)	(15,390)
OTHER REVENUE		
Interest revenue	4,225	3,904
Dividend revenue	–	119
Joint venture fees	90	222
Total other revenue	4,315	4,245
OTHER EXPENSES		
Exploration and evaluation write-offs	(13,297)	(20,502)
General administration and other expenses	(5,790)	(3,420)
Share based payments	(354)	(749)
Loss on the sale of available for sale financial assets	–	(351)
Minimum lease payment – operating lease	(206)	(204)
Audit fees and other services provided by Ernst & Young	(131)	(139)
Depreciation of property, plant and equipment	(153)	(83)
Finance cost – accretion of rehabilitation cost	(13)	(13)
Total other expenses	(19,944)	(25,461)
PROFIT BEFORE TAX	7,221	5,041

5. Income Tax

The major components of income tax expense are:

	Consolidated	
	2010 $'000	2009 $'000
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Current income tax		
Current income tax charge	4,849	8,328
Adjustments in respect of prior year income tax	(8)	94
	4,841	8,422
Deferred income tax		
Origination and reversal of temporary differences	1,133	(565)
	1,133	(565)
Income tax expense reported in the Consolidated Statement of Comprehensive Income	5,974	7,857
NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT		
Profit before tax	7,221	5,041
Income tax using the domestic corporation tax rate of 30% (2009: 30%)	2,166	1,512
Increase (Decrease) in income tax expense due to:		
Non deductible expenditure	3,816	6,318
Adjustments in respect of prior year income tax	(8)	94
Other	–	(67)
	3,808	6,345
	5,974	7,857

Tax Consolidation

The parent entity and its 100% owned Australian resident subsidiary formed a tax consolidated group effective from 1 April 2007. Cooper Energy Limited is the head entity of the tax consolidated group that provides for the allocation of income tax liabilities between each other should the head entity default on its tax payment obligations. No amounts have been recognized in the financial statements in respect of this agreement on the basis that the possibility of default is remote. The Australian resident subsidiary has no current or deferred tax liability and does not carry on any other business following the withdrawal from the Seruway PSC in November 2008.

Members of the tax consolidated group have not entered into a tax funding agreement. Hence, no compensations is receivable or payable for any deferred tax asset or current tax payable (receivable) assumed by the head entity.

Unrecognized temporary differences

At 30 June 2010, there are no un recognised temporary differences associated with the Group's investments in subsidiaries or joint ventures, as the Group has no liability for additional taxation should unremitted earnings be remitted. (2009 $ nil).

5. Income Tax (continued)

Franking Tax Credits

At 30 June 2010 the parent entity had franking tax credits of $25,727,069 (2009: $17,702,367). The fully franked dividend equivalent is $60,029,828 (2009 $41,305,523).

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
DEFERRED INCOME TAX				
Deferred income tax at the 30 June relates to the following:				
Deferred tax liabilities				
Trade and other receivables	2,684	2,146	630	(1,083)
Prepayments	–	–	–	(3)
Oil property	2,316	890	(53)	107
Exploration and evaluation	242	1,226	387	255
Unrealised currency translation gain	15	–		
	5,257	4,262		
Deferred tax assets				
Oil properties	35	–	–	–
Equity raising costs	414	761	213	213
Trade and other payables	27	(6)	(3)	6
Provision for employee entitlements	140	147	(51)	(55)
Provisions	223	82	(4)	–
Unrealised currency translation loss	10	5	16	(5)
	849	989		
Deferred tax income (expense)			1,133	(565)
As represented on the Consolidated Statement of Financial Position, net deferred tax liability	4,408	3,273		

6. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net (loss)/profit for the year attributable to ordinary equity holders of the parent by the weighted average of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential options into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2010 $'000	2009 $'000
Net profit/(loss) attributable to ordinary equity holders of the parent from continuing operations	1,247	(2,816)

	Consolidated	
	2010 Thousands	2009 Thousands
Weighted average number of ordinary shares for basic earnings per share	292,576	276,562
Effect of dilution:		
Share options	–	175
Weighted average number of ordinary shares adjusted for the effect of dilution	292,576	276,737
Basic earnings/(loss) per share for the period (cents per share)	0.4	(1.0)
Diluted earnings/(loss) per share for the period (cents per share)	0.4	(1.0)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

There no instruments excluded from the calculation of dilutive earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

7. Cash and Cash Equivalents

	Consolidated	
	2010 $'000	2009 $'000
Cash at bank and in hand	2,808	1,327
Short term deposits at banks (i)	89,465	90,710
	92,273	92,037
Term deposits at the bank (ii)	212	1,400
	92,485	93,437

(i) Short term deposits at the banks are for periods of up to 90 days and earn interests at money market interest rates.

(ii) Term deposits at the bank are for periods exceeding 90 days but not longer than one year and earn interests at money market interest rates.

The Group does not have any finance facilities as of 30 June 2010.

	Consolidated	
	2010 $'000	2009 $'000
Reconciliation of net profit/(loss) after tax to net cash flows from operations.		
NET PROFIT /(LOSS) FOR THE YEAR	1,247	(2,816)
Adjustments for:		
Amortisation of development costs in areas of production	3,437	3,209
Amortisation of exploration areas under production	1,364	787
Depreciation of property, plant and equipment	153	83
Exploration and development written off	13,297	20,502
Share based payments	354	749
Amortisation of share issue costs	–	106
Finance cost – accretion of rehabilitation cost	13	13
Loss/(Profit) on sale of financial assets	–	351
(Increase)/decrease in trade and other receivables	2,984	3,357
(Increase)/decrease in prepayments	(40)	(24)
(Decrease)/increase in deferred tax liabilities	1,135	(671)
(Decrease)/increase in trade and other payables	802	(1,727)
(Decrease)/increase in current tax liability	(3,676)	561
(Decrease)/increase in provisions	109	148
Net cash from operating activities	21,179	24,628

8. Trade and Other Receivables (Current)

	Consolidated	
	2010 $'000	2009 $'000
Trade receivable (i)	8,563	11,543
Related party receivables (ii)	54	131
Interest receivable	385	312
	9,002	11,986

(i) Trade receivables are non-interest bearing and are generally on 30-90 days terms. There are no past due not impaired receivables.

(ii) All related party payments are current within agreed terms of trade and do not exceed 60 days.

9. Prepayments (Current)

	Consolidated	
	2010 $'000	2009 $'000
Insurance	114	74

10. Oil Properties (Non-Current)

	Plant and Equipment $'000	Transferred Exploration and Evaluation $'000	Development $'000	Total $'000
CONSOLIDATED				
As at 1 July 2008				
Cost	471	5,712	20,063	26,246
Accumulated depreciation	(281)	(2,622)	(9,327)	(12,230)
	190	3,090	10,736	14,016
Year end 30 June 2009				
Carrying amount at 1 July 2008	190	3,090	10,736	14,016
Additions	172	640	4,716	5,528
Depreciation	(83)	(787)	(3,209)	(4,079)
Carrying amount at 30 June 2009	279	2,943	12,243	15,465
As at 30 June 2009				
Cost	615	6,273	24,779	31,667
Accumulated depreciation	(336)	(3,330)	(12,536)	(16,202)
	279	2,943	12,243	15,465
Year end 30 June 2010				
Carrying amount at 1 July 2009	279	2,943	12,243	15,465
Additions	208	2,032	2,454	4,694
Depreciation	(153)	(1,364)	(3,437)	(4,954)
Carrying amount at 30 June 2010	334	3,611	11,260	15,205
As at 30 June 2010				
Cost	727	8,304	27,233	36,468
Accumulated depreciation	(393)	(4,693)	(15,973)	(21,263)
	334	3,611	11,260	15,205

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

11. Exploration and Evaluation (Non-Current)

	Consolidated	
	2010 $'000	2009 $'000
Regions of focus		
Africa	12,201	10,126
Asia	6,593	4,790
Australia	807	360
Total exploration and evaluation	19,601	15,276
Reconciliations of the carrying amounts of capitalised exploration at the beginning and end of the financial year are set out below:		
Carrying amount at 1 July	15,276	28,890
Expenditure	19,654	7,528
Transferred to oil properties	(2,032)	(640)
Unsuccessful exploration wells written off (i)	(13,297)	(20,502)
Carrying amount at 30 June	19,601	15,276

(i) Exploration write offs relate to exploration wells that were plugged and abandoned as dry holes, during the year.

12. Trade and Other Payables (Current)

Trade payables (i)	602	197
Other payables (i)	1,716	2,063
Accruals	2,891	2,427
	5,209	4,687
Related party payables	750	470
	5,959	5,157

(i) Trade and other payables are non-interest bearing and are normally settled on 30-90 day terms

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

13. Provisions (Non-Current)

	Consolidated	
	2010 $'000	2009 $'000
Long service leave provision	195	148
Restoration provision	549	474
	744	622
Movement in carrying amount:		
Carrying amount at 1 July	622	273
Additional provision	109	336
Increase through accretion	13	13
Carrying amount at 30 June	744	622

The Restoration Provision is the present value of the Group'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.

14. Contributed Equity and Reserves

	Consolidated	
	2010 $'000	2009 $'000
Share capital		
Ordinary shares		
Issued and fully paid	98,657	98,472
Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares		
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
	Thousands	$'000
Movement in ordinary shares on issue		
At 30 June 2008	252,263	88,385
Issued as part of the acquisition of a financial asset.	39,663	9,981
Cost of issue	–	106
At 30 June 2009	291,926	98,472
Issued from the exercise of options	650	185
At 30 June 2010	292,576	98,657

14. Contributed Equity and Reserves (continued)

Share options
The Group has a share based payment option scheme under which options to subscribe for the parent entity's shares have been granted to key management personnel and senior employees (refer Note 18).

Reserves

	Consolidation reserve $'000	Net unrealised gain (loss) reserve $'000	Option premium reserve $'000	Share based payment reserve $'000	Total $'000
Consolidated					
At 30 June 2008	(541)	200	25	1,425	1,109
Share-based payments	–	–	–	749	749
Net loss recognised directly in equity	–	(200)	–	–	(200)
At 30 June 2009	(541)	–	25	2,174	1,658
Share-based payments	–	–	–	354	354
At 30 June 2010	(541)	–	25	2,528	2,012

Nature and purpose of reserves

Consolidation reserve
The reserve comprises the premium paid on acquisition of minority shareholdings in a controlled entity.

Net unrealised gain (loss) reserve
The reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or until the investment is determined to be impaired.

Option premium reserve
This reserve is used to accumulate amounts received from the issue of options. The reserve can be used to pay dividends or issue bonus shares.

Share based payment reserve
This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 19 for further details of these plans.

Retained earnings

	Consolidated	
	2010	2009
Movement in retained earnings were as follows:		
Balance 1 July	23,181	25,997
Net profit/(loss)for the year	1,247	(2,816)
Balance at 30 June	24,428	23,181

14. Contributed Equity and Reserves (continued)

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintain optimal return to shareholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity commensurate with the business risk.

As the equity market is constantly changing management may issue new shares to provide for future exploration or developments activities. Management has no current plans to issue further shares or to borrow any funds.

15. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short term deposits, receivables, available for sale investments and payables.

The Group manages its exposure to key financial risks in accordance with its risk management policy with the objective to ensure that the financial risks inherent in oil and gas exploration activities are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business for the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring exposure to foreign exchange risk and assessments of market forecast for interest rate, foreign exchange and commodity prices. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

It is, and has been, throughout the period under review, the Board's policy that no speculative trading in financial instruments be undertaken.

Primary responsibility for identification and control of financial risks rests with the Managing Director and the Chief Financial Officer, under the authority of the Board. The Board is apprised of these and other risks at Board meetings and agrees any policies that may be taken to manage any of the risks identified below.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised , in respect of each financial instrument are disclosed in Note 2 to the financial statements.

15. Financial Risk Management Objectives and Policies (continued)

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

	Carrying amount		Fair Value	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Consolidated				
Financial assets				
Cash	92,485	93,437	92,485	93,437
Trade and other receivables	9,002	11,986	9,002	11,986
Financial liabilities				
Trade and other payables	5,959	5,157	5,959	5,157

The financial assets and liabilities of the Group are recognised in the consolidated statement of financial position in accordance with the accounting policies set out in Note 2. The following summarises the significant methods and assumptions used in estimating the value of financial instruments:

Trade and other receivables
The carrying value is a reasonable approximation of their values due to the short-term nature of trade receivables.

Risk Exposure and Response

Market Risk

Foreign currency risk
The Group has transactional currency exposure arising from all its sales which are denominated in United States dollars, whilst almost all its costs are denominated in the Group's functional currency of Australian dollars.

In addition the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Transaction exposures, where possible, are netted off across the Group to reduce volatility and provide a natural spread.

The Group may from time to time have cash denominated in United States dollars.

Currently the Group has no foreign exchange hedge programmes in place. The Chief Financial Officer manages the purchase of foreign currency to meet exploration requirements, which cannot be netted off against US Dollar's receivables.

15. Financial Risk Management Objectives and Policies (continued)

	Consolidated	
	2010 $'000	2009 $'000
The financial assets denominated in US Dollars are as follows:		
Financial assets		
Cash	3,859	4
Trade and other receivables	8,580	9,377
Financial liabilities		
Trade and other payables	1,649	1,204

The following table summarises the sensitivity of financial instruments held at the year end, to movements in the exchange rates for the Australian dollar to the US dollar, with all other variables held constant. The 10% sensitivity in 2010 is based on the changes over the previous two financial years.

	Impact on after tax profit	
	2010 $'000	2009 $'000
If the Australian dollar were higher at the balance date	(1,044)	(681)
If the Australian dollar were lower at the balance date	1,277	832

	Impact on other comprehensive income	
	2010 $'000	2009 $'000
If the Australian dollar were higher at the balance date	–	–
If the Australian dollar were lower at the balance date	–	–

Price risk

The Group is exposed to commodity price risk.

Commodity price risk arises from the sale of oil denominated in US dollars. The Group does not sell forward any of its oil and has no financial instruments at report date that relates to commodity prices.

Credit risk

Credit risk arises from the financial assets of the Group which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trade only with recognised creditworthy third parties. The Group has had no exposure to bad debts.

15. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

The Group has a concentration of credit risk with short term receivables due from three entities with all cash and short term deposits held at two financial institutions that have an Australian rating agency determined AA credit rating.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet all financial commitments in a timely and cost-effective manner. The Managing Director and Chief Financial Officer constantly reviews the liquid position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

At the balance dates, all financial liabilities are interest free and are payable within 30 to 90 days.

Interest rate opportunity profit risk

The Group has no borrowings at 30 June 2010 (2009: $ nil) nor has the Group drawn and repaid any loans from a financial institution during the reporting period.

It has no undrawn credit facilities with any financial institution.

The Group has no investment in financial instruments nor has it invested in financial instruments during the reporting period. Accordingly the Group has no exposure to an interest rate risk that could impact on the fair value of the non financial instrument.

	Impact on after tax profit	
	2010 $'000	2009 $'000
If the interest rate were 1% higher at the balance date	895	907
If the interest rate were 1% lower at the balance date	(895)	(907)

	Impact on other comprehensive income	
	2010 $'000	2009 $'000
If the interest rate were 1% higher at the balance date	–	–
If the interest rate were 1% lower at the balance date	–	–

Any fluctuation of the interest rate either up or down will have no impact on the value of the cash on deposit at the banks. The Group does not invest in financial instruments.

16. Commitments and Contingencies

	Consolidated	
	2010 $'000	2009 $'000
Operating lease commitments under non-cancellable office lease not provided for in the financial statements and payable:		
Within one year	471	244
After one year but not more than five years	1,839	124
After more than five years	413	–
Total minimum lease payments	2,723	368

The parent entity leases a suite of offices from which it conducts its operations. The lease is for seven years with an option to renew after that date.

A joint venture, in which the Group is a participant, may have to pay taxes inclusive of penalties arising from fiscal obligations incurred before the Group acquired an equity interest in a production sharing contract. In terms of an agreement with the vendor of the production sharing contract, any pre-acquisition taxes and penalties can be recovered from the vendor. Any liability that may arise is not expected to exceed $264,000 (2009: $264,000) and will be fully recoverable from the vendor of the equity interest.

The syndicate of buyers of all oil produced by the parent entity are in disagreement with the State Government of South Australia over the level of charges, set at the port of export, which are on charged to the parent entity. The Parent entity is not a party to any of the discussions with the State Government of South Australia. At this stage, the syndicate of buyers and the State Government of South Australia are in discussion to resolve their points of difference. At this time no claim has been received by the Parent entity. However in the event that a claim is made on the Parent entity or either of the above parties commences legal action, the Directors will then further assess liability recognition. At the date of this report the Parent entity estimates that the maximum contingent exposure, before any penalties and other charges, could be $913,000 (2009: $740,000) if the syndicate of buyers are not successful in resolving the disagreement.

17. Interest in Joint Venture Assets

The group has interests in a number of joint ventures which are involved in the exploration and/or production of oil in Australia, Indonesia and Tunisia. The Group has the following interests in joint ventures in the following major areas:

		Ownership Interest	
		2010	2009
a) Joint Ventures in which Cooper Energy Limited is the operator/manager			
Australia			
PEL 110	Oil and gas exploration	20%	40%
PEL 495	Oil and gas exploration	100%	100%
Indonesia			
Sukananti KSO	Oil and gas exploration	55%	–
South Madura PSC	Oil and gas exploration	30%	30%
Tunisia			
Bargou Exploration Permit	Oil and gas exploration	100%	100%
b) Joint Ventures in which Cooper Energy Limited is not the operator/manager			
Australia			
PEL 90	Oil and gas exploration	25%	25%
PEL 92	Oil and gas exploration and production	25%	25%
PEL 93	Oil and gas exploration and production	30%	30%
PEL 100	Oil and gas exploration	19.165%	19.165%
Tunisia			
Hammamet Exploration Permit	Oil and gas exploration	35%	35%

17. Interest in Joint Venture Assets (continued)

Other than detailed on the previous page, the Groups' ongoing funding obligation to each Joint Venture is no greater than the ownership interest in that joint venture. The share of assets, liabilities and expenses of the joint venture which are included in the financial statements, are as follows:

	Consolidated	
	2010 $'000	2009 $'000
ASSETS		
Non-Current Assets		
Oil properties	14,871	15,186
Exploration and evaluation	11,112	10,251
Total Non-Current Assets	25,983	25,437
LIABILITIES		
Current Liabilities		
Trade and other payables	2,399	1,569
Total Current Liabilities	2,399	1,569
NET ASSETS	23,538	23,868
Revenue	40,030	41,647
Production expenses	8,293	8,486
Royalties	4,086	2,908
Amortisation of exploration areas under production	1,364	787
Amortisation of development costs in areas of production	3,437	3,209
Exploration and development write offs	13,297	20,502

Refer to Note 16 for details of joint venture contingencies.

18. Related Parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, joint ventures (see Note 19) and with its key management personnel (refer to disclosure for key management personnel below).

Key management personnel disclosures

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors	Executive Directors
Mr L.J. Shervington (Chairman)	Mr M.T. Scott (Managing Director)
Mr C.R. Porter	Mr G.G. Hancock
Mr S.H. Abbott	

Senior Employees	
Mr C.D. Todd (Exploration Manager)	Mr D. Gillies (New Venture Manager)
Mr T.J. Magee (Chief Geologist)	Mr A. Craig (Chief Geophysicist)
Mr J.A. Baillie (Chief Financial Officer)	

The key management personnel compensation included in Other Expenses (see Note 4) are as follows:

	Consolidated	
	2010 $'000	2009 $'000
Short-term benefits	3,022,270	2,509,963
Post-employment benefits	119,372	115,565
Share-based payments	390,323	818,804
Total	3,531,965	3,444,332

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' report on pages 18 to 29.

Apart from the details disclosed in this note, no director has entered into a material contract with the parent entity or the Group since the end of the previous financial year and there were no material contracts involving directors' interest existing at year-end.

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

18. Related Parties (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Cooper Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is a follows:

	Held at 1 July 2009	Granted	Exercised	Held at 30 June 2010	Vested during the year	Vested and exercisable
DIRECTORS						
Mr M.T. Scott	7,400,000	–	500,000	6,900,000	1,666,667	5,233,333
Mr G.G. Hancock	3,000,000	–	–	3,000,000	1,000,000	2,000,000
EXECUTIVES						
Mr C.D. Todd	4,500,000	–	–	4,500,000	1,033,334	3,666,667
Mr T.J. Magee	1,750,000	–	150,000	1,600,000	566,667	1,183,334
Mr D. Gilles	350,000	–	–	350,000	125,000	225,000
Mr A.N. Craig	675,000	–	–	675,000	266,667	508,334
Mr J.A. Baillie	675,000	–	–	675,000	266,667	508,334

	Held at 1 July 2008	Granted	Exercised	Held at 30 June 2008	Vested during the year	Vested and exercisable
DIRECTORS						
Mr M.T. Scott	7,400,000	–	–	7,400,000	2,300,000	4,066,667
Mr G.G. Hancock	3,000,000	–	–	3,000,000	1,000,000	1,000,000
EXECUTIVES						
Mr C.D. Todd	4,300,000	200,000	–	4,500,000	1,433,333	2,633,333
Mr T.J. Magee	1,600,000	150,000	–	1,750,000	483,334	766,666
Mr D. Gilles	–	350,000	–	350,000	100,000	100,000
Mr A.N. Craig	500,000	175,000	–	675,000	166,667	241,668
Mr J.A. Baillie	500,000	175,000	–	675,000	166,667	241,668

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

18. Related Parties (continued)

Options and rights over equity instruments not exercisable

The movement during the reporting period in the number of options vested but not exercisable over ordinary shares in Cooper Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2009	Granted	Exercisable	Held at 30 June 2010
DIRECTORS				
Mr M.T. Scott	3,333,333	–	1,666,667	1,666,667
Mr G.G. Hancock	2,000,000	–	1,000,000	1,000,000
EXECUTIVES				
Mr C.D. Todd	1,866,667	–	1,033,334	833,333
Mr T.J. Magee	983,332	–	566,666	416,666
Mr D. Gilles	250,000	–	125,000	125,000
Mr A.N. Craig	553,333	–	386,666	166,666
Mr J.A, Baillie	433,333	–	266,667	166,666

	Held at 1 July 2008	Granted	Exercisable	Held at 30 June 2009
DIRECTORS				
Mr M.T. Scott	5,633,333	–	2,300,000	3,333,333
Mr G.G. Hancock	3,000,000	–	1,000,000	2,000,000
EXECUTIVES				
Mr C.D. Todd	3,100,000	200,000	1,433,333	1,866,667
Mr T.J. Magee	1,316,666	150,000	483,334	983,332
Mr D. Gilles	–	350,000	100,000	250,000
Mr A.N. Craig	620,000	175,000	241,667	553,333
Mr J.A. Baillie	500,000	175,000	241,667	433,333

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

18. Related Parties (continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares in Cooper Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2009	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
DIRECTORS					
Mr L.J. Shervington	405,933	–	–	–	405,933
Mr C.R Porter	525,933	–	–	–	525,933
Mr M.T. Scott	561,500	–	500,000	310,000	751,500
Mr G.G. Hancock	2,600,001	–	–	–	2,600,001
Mr S.H. Abbott	60,000	–	–	–	60,000
EXECUTIVES					
Mr C.D. Todd	207,865	–	–	–	207,865
Mr T.J. Magee	30,000	40,000	150,000	150,000	70,000
Mr A. Craig	3,845	–	–	–	3,845

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
DIRECTORS					
Mr L. J. Shervington	405,933	–	–	–	405,933
Mr C.R Porter	525,933	–	–	–	525,933
Mr M.T. Scott	557,881	3,619	–	–	561,500
Mr G.G. Hancock	3,600,001	–	–	1,000,000	2,600,001
Mr S.H. Abbott	60,000	–	–	–	60,000
EXECUTIVES					
Mr C.D. Todd	207,865	–	–	–	207,865
Mr T.J. Magee	30,000	40,000	–	–	70,000
Mr A. Craig	3,845	–	–	–	3,845

Notes to the Financial Statements (continued)

for the year ended 30 June 2010

18. Related Parties (continued)

Shares held by key management personnel's related parties

The movement during the reporting period in the number of ordinary shares in Cooper Energy Limited held, directly, indirectly or beneficially, by each key management person's related parties, is as follows:

	Held at 1 July 2009	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
DIRECTORS					
Mr C.R Porter	525,933	–	–	–	525,933
Mr M.T. Scott	550,000	–	500,000	310,000	740,000
Mr G.G. Hancock	875,001	–	–	–	875,001
Mr S.H. Abbott	60,000	–	–	–	60,000
Mr C.D. Todd	207,865	–	–	–	207,865
Mr T.J. Magee	30,000	40,000	–	–	70,000

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
DIRECTORS					
Mr C.R Porter	525,933	–	–	–	525,933
Mr M.T. Scott	550,000	–	–	–	550,000
Mr G.G. Hancock*	600,001	–	–	–	875,001
Mr S.H. Abbott	60,000	–	–	–	60,000

*Mr G.G. Hancock transferred 275,000 shares to a related party.

Subsidiaries

The Group financial statements include the financial statements of Cooper Energy Limited and the subsidiaries listed in the following table.

		Equity interest		Loans		Investments	
	Country of Incorporation	2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000
South Madura Exploration Company Ltd	British Virgin Islands	100	100	6,027	5,051	–	–
Cooper Energy Sukananti Limited	British Virgin Islands	100	–	827	–	–	–
CE Tunisia Bargou Ltd	British Virgin Islands	100	100	7,948	5,100	–	–
CE Hammamet Ltd	British Virgin Islands	100	100	4,422	5,195	–	–
				19,224	15,346	–	–

Loans are made by the parent entity to wholly owned subsidiaries for investment in various joint ventures exploring for hydrocarbons. The loans are interest free and repayable on demand.

There were no transactions between subsidiaries during the financial year (2009: $nil).

18. Related Parties (continued)

Joint Venture

During the reporting period, the Group provided geological and technical services to joint ventures it manages at a cost of $90,000 (2009: $222,000). At the end of the financial period, $47,000 was outstanding for these services (2009: $125,000).

An impairment assessment is undertaken each financial year by examining the financial position of the related party and their investment in the respective joint venture's that are prospecting for hydrocarbons to determine whether there is objective evidence that a related party receivables is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

19. Share Based Payment Plans

On 9 January 2002, the consolidated entity established a share option plan that enables employees to purchase shares in the parent entity. Further details are set out in the Remuneration Report contained in the Directors Report at pages 18 to 29.

Information with respect to the number of options granted to employees is as follows:

Granted in the year ended	Number of options granted	Vesting conditions (if any)	Average exercise price (cents)	Average contractual life of options at grant date in years
30 June 2003	2,500,000	none	25	5
30 June 2004	3,000,000	none	25	4
30 June 2005	1,900,000	none	25 to 40	5
30 June 2006	4,100,000	See below	55	5
30 June 2007	500,000	Nil	Nil	Nil
30 June 2008	12,875,000	See below	100	4
30 June 2009	1,800,000	See below	55 to 75	3
	26,675,000			

On 21 May 2009, a number of employees were granted 475,000 options to subscribe for 475,000 shares in the parent entity at an exercise price of 55 cents each; 875,000 options to subscribe for 875,000 shares in the parent entity at an exercise price of 75 cents each and 450,000 options to subscribe for 450,000 shares in the parent entity at an exercise price of 75 cents each. The vesting date for these options tranches is 30 June 2009; 30 June 2010 and 30 June 2011.

On 26 November 2007, a number of employees were granted 12,875,000 options to subscribe for shares in the parent entity at an exercise price of 100 cents each. The vesting date for these options, in three equal tranches, is 1 January 2009; 1 January 2010 and 1 January 2011.

On 1 May 2007, an employee was granted 500,000 options to subscribe for shares in the parent entity at an exercise price of 75 cents each. The vesting date for these options is when the employee is instrumental in introducing hydrocarbon opportunities that is accepted by the Board.

19. Share Based Payment Plans (continued)

The number and weighted average exercise prices of share options held by employees is as follows:

	Weighted average exercise price (cents) 2010	Number of options 2010	Weighted average exercise price (cents) 2009	Number of options 2009
Balance at beginning of year	88.1	20,545,000	89.3	18,895,000
– granted	–	–	75.0	1,800,000
– exercised	28.5	(650,000)	–	–
– expired and not exercised	75.0	(500,000)	–	–
– forfeited following employee resignation	–	–	80.0	(150,000)
Balance at end of year	90.4	19,395,000	88.1	20,545,000
Exercisable at end of year		14,795,000		10,636,667

The options outstanding at 30 June 2010 have an exercise price in the range of 55 cents to $1.00 and a weighted contractual life of 13 months remaining.

All the options were issued for nil consideration, and, other than 500,000 granted to an employee on 1 May 2007, have no associated performance hurdles. The unlisted options are issued with various expiration dates. There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the period of the options. All options are settled by physical delivery of shares.

During the financial year, 650,000 share options were exercised (2009: nil). The weighted average share price at the dates of exercise in 2010 was 44 cents.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the binomial option-pricing model. The contractual life of the option is used as an input in to this model. Expectations of early exercise are incorporated into the binominal option-pricing model.

19. Share Based Payment Plans (continued)

	21 May 2009	21 May 2009	21 May 2009
Fair value of share options and assumptions			
Fair value at measurement date	6.24 cents	5.97 cents	5.90 cents
Share price	43 cents	43 cents	43 cents
Exercise price	55 cents	75 cents	100 cents
Expected volatility	50%	50%	50%
Option life	1.5 years	2.5 years	3.5 years
Expected dividends	–	–	–
Risk free interest rate	3.43%	3.87%	4.23%

	26 November 2007	1 December 2005
Fair value of share options and assumptions		
Fair value at measurement date	14.7 cents	14.1 cents
Share price	66 cents	39 cents
Exercise price	100 cents	55 cents
Expected volatility	50%	50%
Option life	4 years	5 years
Expected dividends	–	–
Risk free interest rate	6.5%	5.154%

The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

	Consolidated	
	2010 $'000	2009 $'000
Employee expenses		
Share options granted in 2006 equity settled	–	26
Share options granted in 2007 equity settled	–	(14)
Share options granted in 2008 equity settled	257	737
Share options granted in 2009 equity settled	96	–
Total expenses recognised in employee costs	353	749

20. Auditor's Remuneration

	Consolidated	
	2010	2009
The auditor of Cooper Energy Limited is Ernst & Young		
Amounts received or due and receivable by Ernst & Young Australia for:		
Auditing and review of financial reports of the entity and the consolidated group	131,350	103,000
Other services	–	25,750
	131,350	128,750
Amounts received or due and receivable by related practices of Ernst & Young Australia for:		
Auditing and review of financial reports of an entity in the consolidated group	–	9,645
	131,350	138,395

21. Parent Entity Information

	Parent Entity	
	2010 $'000	2009 $'000
INFORMATION RELATING TO COOPER ENERGY LIMITED		
Current Assets	101,601	105,497
Total Assets	136,836	136,668
Current Liabilities	6,158	9,032
Total Liabilities	11,310	12,927
Issued capital	98,657	98,472
Retained profits	24,315	23,069
Option premium reserve	25	25
Share based payment reserve	2,529	2,175
Total shareholders' equity	125,526	123,741
Profit/(loss) or loss of the parent entity	1,247	(3,041)
Total comprehensive income of the parent entity	24,316	23,069
COMMITMENTS AND CONTINGENCIES		
Operating lease commitments under non-cancellable office lease not provided for in the financial statements and payable:		
Within one year	471	244
After one year but not more than five years	1,839	124
After more than five years	413	–
Total minimum lease payments	2,723	368

21. Parent Entity Information (continued)

The parent entity leases a suite of offices from which it conducts its operations. The lease is for seven years with an option to renew after that date.

The syndicate of buyers of all oil produced by the parent entity are in disagreement with the State Government of South Australia over the level of charges, set at the port of export, which are on charged to the parent entity. The Parent entity is not a party to any of the discussions with the State Government of South Australia. At this stage, the syndicate of buyers and the State Government of South Australia are in discussion to resolve their points of difference. At this time no claim has been received by the Parent entity. However in the event that a claim is made on the Parent entity or either of the above parties commences legal action, the Directors will then further assess liability recognition. At the date of this report the Parent entity estimates that the maximum contingent exposure, before any penalties and other charges, could be $913,000 (2009: $740,000) if the syndicate of buyers are not successful in resolving the disagreement.

22. Events After Financial Reporting Date

Subsequent to the 30 June 2010, the parent entity has acquired shares in Zeta Petroleum Limited for $1,625,000. In addition the parent entity has entered into a further commitment to subscribe for a further tranche of shares up to a value of £700,000 on or before the 30 April 2011. The parent entity has also undertaken from January 2011 to July 2012, subject to various performance milestones been met, to subscribe for successive tranches of shares to the value of $US13,600,000 in Zeta Petroleum Limited.

Subsequent to the year end, a wholly owned subsidiary participated in the drilling of an exploration well in Indonesia. The drill was not successful. The subsidiary's share of the estimated cost of the well is $US1,600,000.

Directors' Declaration

In accordance with a resolution of the directors of Cooper Energy Limited, I 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 consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2b;

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors.

Mr M.T. Scott
Managing Director

30 August 2010

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11 Mounts Bay Road
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Independent auditor's report to the members of Cooper Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Cooper Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2b, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of Cooper Energy Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the financial position of the consolidated entity at 30 June 2010 and of its performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 29 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Cooper Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
30 August 2010

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

In relation to our audit of the financial report of Cooper Energy Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R A Kirkby
Partner
30 August 2010

Securities Exchange and Shareholder Information

as at 31 August 2010

Listing

The company's shares are quoted on the Australian Securities Exchange under the code of "COE".

Number of Shareholders

There were 6,477 shareholders. All issued shares carry voting rights. On a show of hands every member at a meeting of shareholders shall have one vote and upon a poll each share shall have one vote.

Distribution of Shareholding

Size of Shareholding	Number of holders	Number of shares	% of issued capital
1-1000	704	301,352	0.10
1,001-5,000	1,761	5,459,713	1.87
5,001-10,000	1,341	11,287,289	3.86
10,001 – 100,000	2,417	77,188,884	26.38
100,001 and over	254	198,338,763	67.79
Total	6,477	292,576,001	100.00

Distribution of Unquoted Options on Issue

ASX Code	Expiry Date	Exercise price	Number of Shares	Number of holders
COEAZ	31 December 2010	55 cents	4,575,000	11
COEAC	1 September 2011	100 cents	12,875,000	8
COEAQ	31December 2011	75 cents	875,000	8
COEAK	30 April 2012	75 cents	500,000	1
COEAB	31 August 2012	100 cents	120,000	1
COEAS	31 December 2012	100 cents	450,000	5

There are no voting rights attached to these options.

Unmarketable Parcels

There were 840 members, representing 458,161 shares, holding less than a marketable parcel of 1,299 shares in the company.

Securities Exchange and Shareholder Information (continued)

as at 31 August 2010

Twenty Largest Shareholders

Shareholder	Number of shares	% of issued capital
JP Morgan Nominees Australia Limited	36,972,555	12.64
National Nominees Limited	31,454,684	10.75
Zero Nominees Pty Ltd	11,216,263	3.83
Citicorp Nominees Pty Ltd	9,648,598	3.30
Cogent Nominees Pty Ltd	6,094,217	2.08
ANZ Nominees Limited <Cash Income A/C>	6,027,186	2.06
HSBC Custody Nominees (Australia) Limited	4,928,895	1.68
CS Fourth Nominees Pty Ltd <Unpaid A/C>	4,585,060	1.57
Celtic Trust Company Limited <Three Sisters Global En A/C>	3,258,525	1.11
Kavel Pty Ltd <Kleemann Family A/C>	2,862,227	0.98
UBS Wealth Management Australia Nominees Pty Ltd	2,708,600	0.93
Mr Phillip Royston Davies and Ms Sharon Veronica Davies <The Davies Family A/C>	2,585,000	0.88
Marford Group Pty Ltd	2,314,990	0.79
RBC Dexia Investor Services Australia Nominees Pty Ltd <BKCust A/C>	1,979,872	0.68
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	1,857,995	0.64
Mr Gregory George Hancock	1,725,001	0.59
Vanez Holdings Pty Ltd <Spyglass Nominees Pty Ltd>	1,605,933	0.55
ANZ Nominees Limited <Income Reinvest Plan A/C>	1,593,779	0.54
Sydney Fund Managers Limited	1,500,000	0.51
Marford Group Pty Ltd	1,498,625	0.51
Total	136,418,005	46.62%

Substantial Shareholder

Kinetic Investment Partners Limited holds 17,869,686 shares which represents 6.11% of issued share capital.
Acorn Capital Limited holds 16,738,831 shares which represents 5.72% of issued share capital.
Aviva Investors Australia Limited holds 14,887,842 shares which represents 5.09% of issued share capital.

Share Registry

All shareholding related enquiries should be directed only to the company's registry-

Computershare Investor Services Pty Limited
GPO BOX D182
Perth Western Australia 6840.

Other contact details are
telephone: 1300 557 010;
facsimile: 08 9323 2033 or
email: web.queries@computeshare.com.au

Securities Exchange and Shareholder Information (continued)

as at 31 August 2010

Share Registry (continued)

All written queries should include your Holder Identification Number (HIN) or Security holder Reference Number (SRN) as it appears on your Holding Statement along with your current address.

It is very important that shareholders notify Computershare immediately, in writing, of any change to their registered address.

Any change in name should also be notified to Computershare in writing and attach a certified copy of the relevant marriage certificate or deed poll.

Publications and further information

The Annual Report will be mailed in October 2010 to those shareholders who have advised the company that they wish to receive a copy. Shareholders can also request the half-year report in March 2011.

Further information about the company can be obtained from the company's website at www.cooperenergy.com.au

Annual General Meeting

The 9th Annual General Meeting will be held at 10:00 am (AWST) on Thursday, 4 November 2010 at the Novotel Perth Langley Hotel, 221 Adelaide Terrace, Perth WA 6000. Full details of the meeting are contained in the Notice of Annual General Meeting.

Shareholders' calendar

2010 full year results announcement	30 August 2010
Annual General Meeting	4 November 2010
Half-year end	31 December 2010
2010 Half-year announcement	28 February 2011
Full year end	30 June 2011
2011 full year results announcement	30 August 2011

Quarterly Reporting Calendar

2010/11 First quarter activities report	29 October 2010
2010/11 Second quarter activities report	28 January 2011
2010/11 Third quarter activities report	29 April 2011
2010/11 Fourth quarter activities report	29 July 2011

Securities Exchange and Shareholder Information (continued)

as at 31 August 2010

Statement on Corporate Governance at Cooper Energy Limited

This statement reports on Cooper Energy's ("Company") key governance framework, principles and practices as at 31 August 2010. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

ASX corporate governance principles and recommendations

Cooper Energy, as a listed entity, must comply with the Corporations Act 2001 (Cth) ("Corporations Act"), the ASX Limited ("ASX") Listing Rules ("ASX Listing Rules") and other Australian laws.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Corporate Governance Principles and Recommendations ("ASX Principles") released by the ASX Corporate Governance Council. The ASX Principles require the Board to consider carefully the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

Compliance with ASX corporate governance principles and recommendations

Details of the Company's compliance with the ASX Principles are set out in this annual report.

For further information on the Company's Corporate Governance Policies please refer to Cooper Energy's website www.cooperenergy.com.au under Corporate Policies.

ASX PRINCIPLES COMPLIANCE

1. Lay solid foundations for management and oversight

1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	COMPLY

Board role and responsibilities

The Board of Directors is accountable to shareholders for the performance of Cooper Energy and is responsible for the corporate governance practices of the Company. The Board's principal objective is to maintain and build the Company's capacity to generate value for shareholders taking into account the interests of its employees, customers, suppliers, lenders and the wider community while ensuring that the Company's overall activities are properly managed. Cooper Energy's corporate governance practices provide the structure which enables this objective to be pursued, whilst ensuring that the business and affairs of the Company are conducted ethically and in accordance with the Company's constitution and relevant law.

The roles and responsibilities of the Board are formalised in the Board Charter. The Board Charter defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management. The central role of the Board is to oversee and approve the Company's strategic direction, to select and appoint a Managing Director ("MD"), to oversee the Company's management and business activities and report to shareholders.

Statement on Corporate Governance at Cooper Energy Limited (continued)

In addition to matters expressly required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- strategy – providing strategic oversight and approving strategic plans and initiatives;
- board performance and composition – evaluating the performance of non-executive directors, and determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of directors;
- leadership selection – evaluating the performance of, and selection of, the MD;
- corporate responsibility – considering the social, safety, ethical and environmental impacts of the Company's activities, and setting policy and monitoring compliance with safety, corporate and social policies and practices;
- financial performance – approving the Company's annual operating plans and budget, monitoring management, financial and operational performance;
- financial reports to shareholders – approving annual and half-year reports and disclosures to the market that contain, or relate to, financial projections, statements as to future financial performance or changes to the policy or strategy of the Company; and
- establishing procedures – ensuring that the Board is in a position to exercise its power and to discharge its responsibilities as set out in the Board Charter.

The Board delegates responsibility for day-to-day management of Cooper Energy to the MD who is accountable to the Board.

When appropriate, the Board may use a committee of directors to support the Board in matters that require more intensive review. The full Board is responsible for compliance and risk management issues and the Company has a Risk Management Policy.

The Board Charter is available in the corporate governance section of Cooper Energy's website.

Board meetings

The Board schedule is to meet formally seven times a year, and additionally, from time to time, to deal with specific matters that require attention between scheduled meetings. Meeting agendas are established by the Chairman in conjunction with the MD and Company Secretary to ensure adequate coverage of financial, strategic and major risk areas throughout the year. Typically, regular Board meetings include consideration of a broad range of matters, including financial performance reviews, risk assessment, capital management, prospective acquisitions and delegated authorities. Any director may request additional matters be added to the agenda.

Where required:

- Members of senior management attend meetings of the Board by invitation, and
- Sessions are also held for non-executive directors to meet without management present.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision making.

Statement on Corporate Governance at Cooper Energy Limited (continued)

Board committees and membership

The Board has currently three standing committees to assist in the discharge of its responsibilities. These are the:

- Audit Committee;
- Remuneration and Nomination Committee; and
- Corporate Governance Committee.

The charters of all Board committees detailing the roles and duties of each are available in the corporate governance section of Cooper Energy's website. All Board committee charters are reviewed at least annually.

Committee members are chosen for the skills, experience and other qualities they bring to the committees. The executive management attends, by invitation, board committee meetings.

All papers considered by the standing committees are available on request to directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. In addition, minutes of all committee meetings are provided to all directors.

The Company Secretary provides secretariat services for each committee.

Professional advice, access to information and other resources

All directors have unrestricted access to Company records and information and receive detailed financial and operational reports from the Managing Director during the year that enables them to carry out their duties.

The directors collectively, and each director individually, have the right to seek independent professional advice at Cooper Energy's expense to assist them to carry out their responsibilities. While prior approval of the Chairman is required, it may not be unreasonably withheld and, in its absence, approval by the Board may be sought.

The constitution sets out rules dealing with the indemnification of and insurance cover for directors and former directors of Cooper Energy. Any such arrangements are undertaken in accordance with limitations imposed by law.

Conflicts of interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a director, then the director with an actual or potential conflict of interest in relation to a matter before the Board withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision making process.

Corporate responsibility and sustainability

Cooper Energy aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from its activities.

In practise this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links into the community.

Sustainable and responsible business practices within Cooper Energy are viewed as an important long term driver of performance and shareholder value. Through such practices the Company seeks to reduce operational and reputation risk and enhance operational efficiency while contributing to a more sustainable society.

Securities Exchange and Shareholder Information (continued)

as at 31 August 2010

Statement on Corporate Governance at Cooper Energy Limited (continued)

The Company accepts that the responsibilities on the Board and management, which flow from this approach, go beyond strict legal and financial obligations.

In particular, the Cooper Energy Board seeks to take a practical and broad view of directors' fiduciary duties, in line with stakeholders' expectations.

1.2	Companies should disclose the process for evaluating the performance of senior executives.	COMPLY

The performance of the MD is reviewed annually by the Board and the Remuneration and Nomination Committee, which links the nature and amount of directors' and officers' emoluments to the consolidated entity's financial and operational performance. Remuneration of the MD is determined in accordance with Cooper Energy's executive compensation program, which is administered by the Remuneration and Nomination Committee.

Details of Cooper Energy's remuneration practice relating to key management personnel and senior employees are set out in full in the Directors' Statutory Report on pages 18 to 29.

1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	COMPLY

2. Structure the Board to add value

2.1	A majority of the Board should be independent directors.	COMPLY

Board composition and expertise

The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meet its objectives.

The current Board composition and details on each of the director's backgrounds including experience, knowledge and skills are set out on page 17 of the Directors' Statutory Report.

The Board considers that the executive and non-executive directors collectively bring the range of skills, knowledge and experience necessary to direct the company.

In assessing the composition of the Board, the directors have regard to the following policies:

- the Chairman should be non-executive and independent;
- the role of the Chairman and MD should not be filled by the same person;
- the MD should be a full-time employee of the company;
- the majority of the Board should comprise directors who are both non-executive and independent; and
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the company.

Statement on Corporate Governance at Cooper Energy Limited (continued)

The term in office held by each director in office at the date of this report is as follows:

Name	Held office from
Mr L.J. Shervington	October 2003
Mr M.T. Scott	March 2004
Mr G.G. Hancock	March 2001
Mr C.R. Porter	January 2002
Mr S.H. Abbott	September 2006

Director independence

The criteria for assessing the independence of each Director are included in Cooper Energy's Board Charter. Broadly, Directors of Cooper Energy are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the independent exercise of their judgement.

The Board has considered the associations of each of the non-executive directors in office at the date of the Directors' Statutory Report and considers that all non-executive directors are considered independent.

The following directors of Cooper Energy are considered to be independent:

Name	Position
Mr L.J. Shervington	Non-Executive Chairman
Mr C.R. Porter	Non-Executive Director
Mr S.H. Abbott	Non-Executive Director

2.2	The chair should be an independent director.	COMPLY

The Board elects one of the independent non-executive directors to be Chairman. The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the promotion of relations between Board members and between Board and management that are open, cordial and conducive to productive co-operation.

2.3	The roles of chair and Managing Director should not exercised by the same individual.	COMPLY

As stated in 2.1 above the Company has a policy that the role of the Chairman and Managing Director should not be filled by the same person.

2.4	The Board should establish a nomination committee.	COMPLY

The Company has a Remuneration and Nomination Committee which considers nominations for appointment to the Board. The Board selects the most suitable candidates taking into account the diversity of experience among the existing directors and a range of criteria such as the candidate's background, experience, professional

Statement on Corporate Governance at Cooper Energy Limited (continued)

skills, personal qualities and availability to commit themselves to Board activities. An important quality sought in candidates is demonstrated experience in corporate decision-making at senior executive level.

Directors are appointed by shareholders at the AGM. If candidates are appointed by the Board between AGMs or to fill a casual vacancy, they stand for election, in accordance with the constitution, at the next AGM of shareholders.

In addition, nominations may be proposed by shareholders under the constitution for vote at the AGM. These nominations must be received in time to be submitted with notice of the AGM and inclusion in the proxy forms for voting by shareholders not able to attend the AGM.

The present membership of the Committee is:

- Mr S.H. Abbott (Chairman)
- Mr L.J. Shervington
- Mr C.R. Porter

The Committee met five times during the financial year.

Terms of appointment, induction training and continuing education

All new directors will be provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

A formal induction is provided to all new directors. It includes comprehensive meetings with the MD, key executives and management, and information on key corporate and Board policies.

All directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

Directors' retirement and re-election

Cooper Energy's constitution states that at each annual general meeting ("AGM") one third of its directors (excluding the Managing Director and any director appointed to fill a casual vacancy) and any director who has held office for three or more years since their last election must retire. At least one non-executive director must stand for election at each AGM.

Any director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Directors who retire as required may offer themselves for re-election by shareholders at the next AGM. Re-appointment of directors retiring by rotation or filling a casual vacancy is not automatic.

Board succession planning

The Board in conjunction with the Remuneration and Nomination Committee reviews the size and composition of the Board and the mix of existing and desired competencies across members from time to time. Criteria considered by the directors when evaluating prospective candidates are contained in the Board's Charter.

2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	COMPLY

Statement on Corporate Governance at Cooper Energy Limited (continued)

An annual Board self assessment review is conducted which includes a review of the performance of the directors and Chairman.

The Chairman of the Board is responsible for determining the process for evaluating Board performance.

2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	COMPLY

3. Promote ethical and responsible decision-making

3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; and • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	COMPLY

The Company has a Corporate Governance Committee which has the responsibility to assist the Board to meet its oversight responsibilities in relation to the Company's Corporate Governance practices and policies, including but not limited to:

- ensuring that directors and staff understand and have complied with the Company's Corporate Governance Policies, and
- ensuring that the Company's Corporate Governance Policies are current and reflect current best practice.

The directors and MD may attend Committee meetings by invitation.

The present membership of the Committee is:

- Mr L.J. Shervington (Chairman)
- Mr C.R. Porter
- Mr S.H. Abbott

The Committee met twice during the financial year.

Health and safety

The Board has approved a Health and Safety Policy consistent with the Company's commitment to ensuring the highest standards of occupational health and safety management. The health, safety and wellbeing of Cooper Energy's people, contractors, suppliers and visitors is a key value for the Company.

Codes of conduct

Cooper Energy has established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Cooper Energy's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

Statement on Corporate Governance at Cooper Energy Limited (continued)

- acting with honesty and integrity
- abiding by laws and regulations
- respecting confidentiality and handling information in a proper manner
- maintaining the highest standards of professional behaviour
- avoiding conflicts of interest
- striving to be a good corporate citizen and to achieve community respect

Cooper Energy also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Cooper Energy, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

Compliance with the Code of Conduct by Directors and employees will also assist the Company in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing Cooper Energy's corporate reputation.

A copy of the Code of Conduct is available in the corporate governance section of the Company's website.

Whistleblower policy

The Board has approved a Whistleblower Policy which documents the Company's commitment to maintaining an open working environment in which employees are able to report instances of unsafe work practices, unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

A copy of the Whistleblower Policy is available in the corporate governance section of Cooper Energy's website.

3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	COMPLY

Directors may own Cooper Energy shares.

The Company has adopted a policy which imposes restrictions on directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provision of the Corporations Act. The key aspects of the policy are that no Director or employee or any entities controlled by them is allowed to:

- trade in the securities of the Company without first receiving approval from the Chairman; and
- trade at any time when they are in possession of information which if generally available would materially affect the price or value of the Company's securities or at any time for a period of 2 trading days following a public announcement in relation to the matter.

Statement on Corporate Governance at Cooper Energy Limited (continued)

Directors and senior executives' dealings in the Company's shares are also subject to specified closed periods, which are determined by the Board and communicated by the MD from time to time.

A copy of the Company's Share Trading Policy is available in the corporate governance section of Cooper Energy's website.

3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	COMPLY

4. Safeguard integrity in financial reporting

4.1	The Board should establish an audit committee.	COMPLY

The Company has an Audit Committee which has overseen throughout the year all matters concerning compliance, internal control, accounting policies and financial reporting including reviewing the half-year and annual financial statements. The Audit Committee monitors the relationship with the external auditor and makes recommendations to the Board on the appointment and removal of the external auditor, the terms of engagement, and the scope and quality of the audit. The Committee also reviews the adequacy and effectiveness of management's control of financial risk in relation to operational activities, financial reporting and legal and regulatory compliance.

The external auditors, directors, MD and Chief Financial Officer may attend Committee meetings by invitation.

The Committee met four times during the financial year.

4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members.	COMPLY

The present membership of the Audit Committee is:

- Mr S.H. Abbott (Chairman).
- Mr L.J. Shervington
- Mr C.R. Porter

These directors are independent and non-executive members of the Board.

4.3	The audit committee should have a formal charter.	COMPLY

The Audit Committee has a Charter which is available in the corporate governance section of Cooper Energy's website.

Statement on Corporate Governance at Cooper Energy Limited (continued)

Approach to audit and governance

The Board is committed to the basic principles that:

- Cooper Energy's financial reports represent a true and fair view;
- Cooper Energy's accounting practices are comprehensive, relevant and comply with applicable accounting standards and policies; and
- the external auditor is independent and serves shareholders' interests.

External auditor relationship

The Company's independent external auditor is Ernst & Young ("EY").

The Board monitors EY's rotation requirements of the audit partner, currently at least every five years, and the requirement which prohibits the reinvolvement of a previous audit partner in the audit service of Cooper Energy for two years following their rotation.

The Board also ensures receipt of the auditor's Declaration of Independence for the half year and annual financial statements.

Attendance of auditor at the AGM

Cooper Energy's external auditor attends the AGM and is available to answer questions from shareholders on:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by Cooper Energy in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	COMPLY

5. Make timely and balanced disclosure

5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	COMPLY

The Board has established and adopted a Continuous Disclosure Policy to outline the disclosure obligations of the Company as required by ASIC, ASX, the Corporations Act and the ASX Listing Rules. The Company is committed to:

- complying with the general and continuous disclosure principles contained in the ASX Listing Rules and the Act;
- preventing the selective or inadvertent disclosure of material price sensitive information;
- ensuring that shareholders and the market are provided with full and timely information about its activities; and
- ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

Securities Exchange and Shareholder Information (continued)

as at 31 August 2010

Statement on Corporate Governance at Cooper Energy Limited (continued)

A copy of the Continuous Disclosure Policy is available in the corporate governance section of the Company's website.

5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	COMPLY

6. Respect the rights of shareholders

6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	COMPLY

The Company has always regarded communication with shareholders as important and the Board has established and adopted a formal Shareholder Communication Policy to ensure that shareholders are provided with current, relevant information and are empowered through effective communication.

Cooper Energy is committed to giving all investors comprehensive, timely and equal access to information about its activities. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in Cooper Energy.

A wide range of communication approaches are employed by the Company and publication of all relevant information is posted on the ASX announcements platform and Cooper Energy's website.

Cooper Energy's Board encourages investors to access the ASX announcements platform, use Cooper Energy's website, contact the Board or MD via the website email portal or by telephone, attend the AGM and keep up to date with media articles on the Company.

A copy of the Shareholder Communication Policy is available in the corporate governance section of the Company's website.

6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	COMPLY

7. Recognise and manage risk

7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	COMPLY

Cooper Energy's Board functions well and has mindfully undertaken all of its responsibilities with due care, focus and diligence and continues to apply high standards of corporate and financial governance to the Company. To ensure that directors are fully informed and have the opportunity to dissect, understand and challenge matters, operational and administration activities, risk and financial management and corporate governance are line items at every Board meeting.

Working with the Managing Director, the Board also ensures that the Company's planning and approval processes, the application of strategy and the management of the risks inherent to the oil and gas industry are all addressed appropriately in the Company's day-to-day work activities. Shareholders will also be aware of the Company's commitment to clear and continuous disclosure - demonstrated by the transparency of the Company's timely financial reports and operational announcements.

Statement on Corporate Governance at Cooper Energy Limited (continued)

The Board and senior executives are responsible for overseeing the implementation of the Company's Risk Management Policy.

7.2	The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and disclose a summary of those policies.	COMPLY

The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks that the Board and management believe that the Company may encounter. Once the risks have been identified, the risks are then quantified in terms of their severity, the probability of occurring and the potential impact or damage they may have if they do occur. The analysis is undertaken using a Frequency Probability Matrix, which is a well accepted oil industry risk management technique. Once the risks have been identified the Company can then decide on whether to avoid, manage, insure or transfer these risks.

The executive management team is responsible for implementation of the Board approved risk management strategy and developing and enhancing the Company's policies, processes and procedures.

In general there are a large number of risks inherent in the oil and gas industry and they can broadly be classed under the following categories:

- Technical
- Economic
- Commercial
- Operational
- Political

7.3	The board should disclose whether it has received assurance from the Managing Director (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	COMPLY

The Board receives regular reports about the financial condition and operational results of Cooper Energy and its controlled entities.

The MD and Chief Financial Officer provide a formal statement to the Board confirming that the Company's annual financial reports present a true and fair view, in all material respects, and the group's financial condition and operational results have been prepared in accordance with the Corporations Act and relevant accounting standards.

The statement also confirms that the integrity of the Company's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that the Company's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	COMPLY

Statement on Corporate Governance at Cooper Energy Limited (continued)

8. Remunerate fairly and responsibly

8.1	The board should establish a remuneration committee.	COMPLY

The Remuneration and Nomination Committee reviews remuneration policies and practices, approves the reward levels for the executive management group, approves merit recognition arrangements, such as cash bonuses and the issue of staff options, and makes recommendations to the Board on the remuneration of the directors, including the MD. When appropriate, the Committee consults independent remuneration consultants to ensure that Cooper Energy's remuneration practices are consistent with market practice. The Committee also assists in the appointment of non-executive directors to the Board.

The directors and MD may attend Committee meetings by invitation.

Refer to 2.4 above for further information on the Remuneration and Nomination Committee.

8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	COMPLY

The total of Directors' fees available to directors is fixed by the shareholders in General Meeting. Payments in the current year were within the limit of $325,000.

The Remuneration and Nomination Committee determines the scale of fees for individual directors, taking account of the responsibilities inherent in the stewardship of Cooper Energy and the demands made of directors in the discharge of their responsibilities. The Committee may take independent external advice to ensure remuneration accords with market practice via peer review.

The Remuneration and Nomination Committee links the nature and amount of directors' and officers' emoluments to the consolidated entity's financial and operational performance. Remuneration of the MD is determined in accordance with Cooper Energy's executive compensation program, which is administered by the Remuneration and Nomination Committee.

There is no scheme for retirement benefits, other than statutory superannuation to directors.

Details of Cooper Energy's remuneration practice relating to directors' fees and other entitlements paid to non-executive directors, directors, key management personnel and senior employees are set out in full in the Directors' Statutory Report on pages 18 to 29.

8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	COMPLY

Securities Exchange and Shareholder Information (continued)

as at 31 August 2010

Listing Rule 4.10 Additional Information to be included by all entities

Set out below is a cross reference to pages in the Annual Report for items that need to be disclosed in the annual report, as defined by the ASX listing rules.

Listing Rule 5.11: Person Compiling Information about Hydrocarbons

Pursuant to the requirements of the ASX Listing Rules 5.11, 5.11.1, 5.12 and 5.13, the reported recoverable hydrocarbon estimates are based on information compiled by Mr Michael Scott. Mr Scott holds a Master of Engineering in Petroleum Engineering and is a member of the Society of Petroleum Engineers. Mr Scott has worked in the industry as a practicing petroleum-reservoir engineer for over 20 years. Mr Scott is employed full time by Cooper Energy as its Managing Director and has consented in writing to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Glossary of Terms

Term	Explanation or Definition
Appraisal Well or Appraisal Drilling	A well that is being drilled into a discovered hydrocarbon accumulation to further understand the extent and size of the accumulation – usually denoted by “name-2”, “name-3” etc. Appraisal wells can be drilled either before or after an accumulation has been developed. Appraisal wells can be abandoned after drilling or kept as future production wells. An Appraisal Well usually has a chance of success greater than an Exploration Well but less than a Development Well.
A$	Australian dollars.
Barrel or BBL or bbl	An oil field unit of volume. One barrel at standard conditions equals 158.9 litres.
Bscf or Bcf (gas volume)	Billions of standard cubic feet of gas. Equivalent to 1,000,000,000 standard cubic feet (nine zeros).
Cash	Cash in bank accounts, term deposits and bank discounted bills of exchange that are held by the company. The most liquid of assets.
CY10 etc	Calendar Year 2010. From 1 January to 31 December.
Development Well or Development Drilling	A well that is being drilled into a reasonably well defined hydrocarbon accumulation. – usually denoted by “name-2”, “name-3” etc. Development Wells are usually planned to exploit an accumulation of known hydrocarbons. The well usually has a chance of success greater than an Appraisal Well. It is usually expected that after drilling a Development Well it will be kept and converted into a Production Well. As nothing is certain in oil field drilling, Development Wells have an element of appraisal and as such Development Wells may also be termed Appraisal/ Development Wells.
EBITDAX	Earnings before interest, tax, depreciation, amortization and exploration. EBITDAX is an indicator of the raw earning power of the company – essentially net production revenue.

Glossary of Terms (Continued)

Exploration Permit	This is the legal instrument that allows an oil company to hold tenure or title to an area of ground and to explore for hydrocarbons. Cooper Energy holds Exploration Permits in Tunisia and Australia (see PELXXX). Once a commercial discovery has been made a portion of the Exploration Permit will usually be excised from the Exploration Permit and converted to a production area.
Exploration Well or Exploration Drilling	The first well that is drilled into a Prospect – usually denoted by "name-1". An exploration well is used to prove if hydrocarbons exist in a Prospect.
Flow-Line or Pipe-line	A cylindrical fiberglass or steel pipe used to transport oil or gas to a sales point. Usually a flow-line goes from a well head to the facilities and a flow-line or pipe-line from the facilities to the sales point. The terms flow-line and pipe-line can be used interchangeably but a pipe-line is usually considered more substantial is size than a flow-line.
Franking Credits	In its simplest form it is corporation tax that has been paid to the Government of Australia but not yet given as a tax credit to investors via a dividend.
FY10 etc	Financial Year 2010. Cooper Energy's financial year is from 1 July to 30 June.
Hydrocarbon Value Chain	The simple sequential flow of work activities from New Ventures to Exploration to Appraisal to Development to Production to Sales. Usually all projects in the oil and gas industry follow this route.
Lead	An immature unpenetrated/undiscovered exploration target that is not yet ready for drilling. A Lead may be matured into a Prospect.
Market Capitalisation	On an undiluted basis it is defined as the number of issued shares multiplied by the share price – it is a measure of the value the market puts on a company. On a fully diluted basis it is defined as the number of issued shares plus the number of options multiplied by the share price. The option price should ideally be at a price equal or less than the current share price to be included in a fully diluted basis but this is sometimes ignored.
MM (oil volume) or mm (gas flow)	An oil field abbreviation for millions. This can sometime be confusing because S.I. nomenclature uses capital M for millions.
PELXXX	Petroleum Exploration Licence as used in South Australia e.g. PEL92.

Glossary of Terms (Continued)

P50 (and P90, Mean, Expected and P10)	When probabilistic Monte Carlo type evaluations are adopted, this is a statistical confidence level for an estimate. P50 is defined as 50% of estimates exceed the P50 estimate (and by definition, 50% of estimates are less than the P50 estimate). It is a good middle estimate. Mean and Expected (same level of measure just different names) usually lie about the P40-P30 levels in oil field evaluations and are therefore high estimates. P90 and P10 are low and high estimates respectively. P90 means 90% of the estimates exceed the P90 estimate. It does not mean that the estimate has a 90% chance of occurring – that is a very different concept. The central limit theorem indicates that the P50 estimate has more chance of occurring than the P90 and P10 estimates. Further explanation on statistical confidence levels can be found under Investor Education on Cooper Energy's website (www.cooperenergy.com.au).
PPLXXX	Petroleum Production Licence as used in South Australia e.g. PPL207. Once a commercial discovery has been made in a PEL the area of the discovery is excised out of the PEL and converted to a PPL.
Production	The volume of oil that is produced at the facilities. Production should ideally be stated at standard and stabilised conditions but sometimes it can be stated at non-standard or non-stabilised conditions (i.e. the oil has not been fully stabilized and still contains some light hydrocarbon fractions or is at a pressure and temperature that is not standard conditions).
Production Sales	The volume of produced oil that has been sold to the buyer. Usually equal to Production minus fuel minus flare minus losses.
Production Well	An exploration, appraisal or development well that has successfully penetrated a hydrocarbon accumulation and has subsequently been prepared so that hydrocarbons can flow to the surface to be processed and sold.
Prospect	A reasonably mature unpenetrated/undiscovered exploration target. Usually a Prospect is ready to drill but there is a maturity grey area between a Lead and a Prospect – the Prospect simply being more mature than a Lead.

Glossary of Terms (Continued)

Proved, Probable, Possible	In deterministic evaluations; These are maturity and existence classification categories for recoverable hydrocarbons. Proved is usually well conformable, Probable is part of the continuous accumulation and Possible may exist. In probabilistic evaluations, These are uncertainty classification categories for recoverable hydrocarbons. Proved is usually defined as the P90 estimate for the whole discovered accumulation, Proved plus Probable is usually defined as the P50 estimate for the whole discovered accumulation and Proved plus Probable plus Possible is usually defined as the P10 estimate for the whole discovered accumulation. Care should be taken not to compare deterministic definitions with probabilistic definitions as they are not equivalent measures of recoverable hydrocarbons. Further information on these categories can be found in the Recoverable Hydrocarbon Reporting Guidelines on Cooper Energy's website (www.cooperenergy.com.au).
PSC	Abbreviation of Production Sharing Contract. This is the title instrument that allows an oil company to hold tenure to an area of ground and defines the work program associated with the area and the oil company's rights to any production or revenue. PSCs are used in many countries. In Tunisia the PSC allows the oil company to produce hydrocarbons after declaration of a commercial discovery. In Indonesia the PSC allows the oil company to explore for and produce hydrocarbons. Indonesia uses the PSC as the exploration and production instrument rather than issue separate exploration permits and production concessions.
Recoverable Oil Replacement Ratio	Defined as the amount of oil that has been added to the recoverable oil portfolio through the financial year divided by the amount of production. The ratio will be greater than one if more oil has been added to the portfolio than has been produced – the best result. A ratio greater than zero but less than one means that recoverable oil has been added to the portfolio but it is less than what was produced – an acceptable result. A ratio of zero means no recoverable oil has been added to the portfolio – not a good result. It is possible to go negative if no oil has been discovered during the year and/or if studies revise downwards the previous recoverable oil estimate – the worst result. Unless stated otherwise Cooper Energy usually states the ratio in relation to the Proved oil portfolio.

Glossary of Terms (Continued)

Reserves and Resources	They are simply both names for recoverable hydrocarbons. Depending upon the standard adopted: Reserves are recoverable hydrocarbon estimates that are expected to be produced and sold in the future for economic gain. At a minimum, Reserves have usually been justified and approved for development. Resources are also recoverable hydrocarbon estimates but they are usually less technically, commercially or economically mature than Reserves and usually have not been justified for development. All recoverable hydrocarbons (and Reserves and Resources) need a descriptive prefix if the maturity, existence and uncertainty of the estimate is to be fully understood. i.e. Proved Reserves. Further information on recoverable hydrocarbon categories can be found in the Recoverable Hydrocarbon Reporting Guidelines on Cooper Energy's website (www.cooperenergy.com.au).
Stabilised Conditions	"Fresh" oil from wells is often under pressure (naturally or pumped) and usually contains substantial dissolved gases. This oil needs to be "stabilised" prior to storage, shipment or refining so that is becomes a safer product to handle. This means depressurizing the oil, flashing off the gases and then running it through a process in order to set the oil to an agreed specification.
Standard Conditions	The benchmark pressure and temperature condition for measuring hydrocarbons in the petroleum industry – usually 60 °F (degrees Fahrenheit) and 14.7 psia (pounds per square inch absolute).
Sales Revenue	The Production Sales multiplied by the price that is received for each unit of sale i.e. 1 million barrels multiplied by US$100 per barrel equals US$100 million of revenue. Sales Revenue does not have deductions for operating costs or off-take costs.
Tscf or Tcf (gas volume)	Trillions of standard cubic feet of gas. Equivalent to 1,000,000,000,000 standard cubic feet (twelve zeros).
US$	United states dollars.
Unloading Station	When oil is trucked the Unloading Station is the destination point where oil is pumped out of the truck. Trucks are filled up at the Loading Station at the oil facilities before driving off to the Unloading Station.
Working Capital	Current Assets minus Current Liabilities.

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