Half-year Report

Six months ended 31 December 2015

Appendix 4D
Interim Financial Report

Cooper Energy Limited		
ABN 93 096 170 295	Report ending Corresponding period	31 December 2015 31 December 2014

Results for announcement to the market

	Percentage Change %	Amount $'000
Oil sales revenue from continuing operations	Down 47.2 %	$10,691
Loss from continuing operations after tax	Improved 55.4 %	-$25,729
Total loss for the period attributable to members	Improved 41.2 %	-$34,107
	30 June 2015	**31 December 2015**
Net tangible assets per share (inclusive of Exploration and Evaluation expenditure capitalised)	31.3 cents	**21.6 cents**

The Directors do not propose to pay a dividend.
The attached Half -Year Report has been reviewed by the company's auditor.

Review and Results of Operations

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

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Operating and Financial Review
For the half-year ended 31 December 2015

Summary Overview
The Company's operating and financial results for the six months to December have three significant features:

- the impact of, and response to, lower oil prices
- the advancement of the Company's Gippsland Basin gas projects; and
- initiatives to manage the acreage and project portfolio, most particularly the plans to divest or withdraw from international permits.

The Company recorded a statutory loss for the period of $34.1million due to impairments recorded against the carrying value of exploration and production permits brought about by the lower near term oil price outlook, and impairments to Indonesian assets held for sale. Exclusive of these significant items, Cooper Energy recorded an underlying loss of $1.3 million. Positive cash flow of $2.6 million was generated from operating activities. Analysis of these and other results including comparison with previous periods, appears under the heading 'Financial Performance' later in this report.

Cash expenditure, on all areas other than the Company's growth projects in the Gippsland Basin has been reduced substantially in comparison with prior periods (refer discussion under "Business Strategies and Prospects"). The Gippsland Basin Gas projects have been advanced through a combination of resource upgrade, the progression of Front End Engineering and Design (FEED) and the securing of the first heads of agreement for gas sales and are on track to achieve the year-end objectives.

Operations

Cooper Energy is a petroleum exploration and production company engaged in the development of gas projects to supply gas into eastern Australia and oil production and exploration in the western flank of the Cooper Basin and the South Sumatra Basin of Indonesia. The Company's strategy is focussed on the Australian energy sector, and the Indonesian and other international assets are, as discussed under "Portfolio Management" later in this review, subject to divestment proposals and withdrawal plans.

Production
Cooper Energy produced and sold oil from the Cooper Basin, Australia and the South Sumatra Basin, Indonesia, during the period. Production from these interests for the six months to 31 December 2015 ("FY16 First half" or "first half") was 0.25 MMbbl at an average direct cost (including transportation and royalties) of A$30.78/bbl. While this production volume was unchanged from the previous corresponding period, direct costs were reduced by 20% from the previous corresponding period (pcp) comparative of A$38.63/bbl.

The Cooper Basin contributed 0.18 MMbbl, or 70%, of the Company's oil production. Oil production from Indonesia for the period increased by more than 100%, rising from 0.03 MMbbl to 0.07 MMbbl. The increase in Indonesian production is attributable to the success of the Bunian-3 and Bunian-4 development and appraisal wells.

Gippsland Basin Gas Projects
The Company holds interests in gas resources and infrastructure in the Gippsland Basin offshore Victoria. These assets are considered to represent an economic and value-creating source of gas for supply to eastern Australia customers. The interests comprise:

- a 50% interest in VIC/RL3, which holds the Sole Gas Field;
- a 50% interest in the Orbost Gas Plant; and
- a 65% interest in VIC/RL26, RL27 and RL28, which hold the Manta gas field and the Basker oil and gas field.

The Company is implementing plans to develop these assets in a coordinated manner.

Sole is the most advanced project and is currently undergoing Front End Engineering and Design (FEED) for a Final Investment Decision (FID) scheduled for the September quarter of 2016. Work performed during the period has this project on schedule for this milestone. At 31 December, FEED was approximately one-third complete and its costs are below budget. Sole field resources were upgraded during the period after reinterpretation of the results of special core analysis of the reservoir section in the Sole-2 well determined that Contingent Resources were larger than previously determined. Revised Contingent Resources estimates were announced to the ASX[1] on 26 November 2015, including advice that Sole is now assessed to hold 241PJ of gas (2C Contingent Resources; Cooper Energy share 120.5 PJ) compared with 211 PJ previously.

[1] Contingent Resources assessed for the Sole field was announced to the ASX on 26 November 2015. Cooper Energy is not aware of any new information or data that materially affects the information provided in those releases and all material assumptions and technical parameters underpinning the assessment provided in the announcement continues to apply.

The first Heads of Agreement for the sale of gas from Sole, to O-I Australia, was announced during the period. Negotiations with other customers are well advanced and on schedule for the target of contracting 80% of Cooper Energy equity gas by FID.

The Company successfully concluded the Business Case study of the Basker Manta Gummy resources. The study identified a sound economic prospect for development of the Manta gas field and production of 106 PJ[2] of 2C Contingent Resources and 2.6 MMbbls of condensate via the Orbost Gas Plant. In addition, geologic studies have identified potential for significant resource additions in the deeper zones below the existing Manta field.

A sub-sea development of Manta that complements Sole and exploits synergies through sharing of infrastructure and development work within a Gippsland Basin Gas Hub concept is preferred and is the subject of further analysis.

The Company opened a data room for the Gippsland Basin Gas Hub concept for the purpose of facilitating alignment of commercial interests across the individual assets in the hub and achieving the most value accretive funding structure for Cooper Energy shareholders. The data room process which opened 26 November 2015 is ongoing.

Portfolio management
The Company's longstanding strategy has been to concentrate its efforts and resources on exploration and production activities most likely to bring the best returns for shareholders within the foreseeable future. Accordingly, the Company's focus has been directed to the Eastern Australia energy sector, specifically Cooper Basin oil production and opportunities in the Eastern Australian gas sector.

The Company initiated a sales process for its Indonesian portfolio during the period, having completed its program for reserve and production addition (refer discussion under Exploration and Development following). Subsequent to the end of the period, the Company signed agreements for the sale of its Indonesian exploration assets to Mandala Energy Limited for consideration of US$8.25 million. The sale, which is effective from 1 January 2016, is subject to the approval of the Government of Indonesia and is expected to complete within the current financial year. A data room remains open for the sale of the Sukananti asset.

As previously advised, the Company is seeking to withdraw from Tunisia. With a portfolio sale unlikely, this objective has been pursued through effecting an exit on a permit-by-permit basis whilst seeking to limit, further capital expenditure. The current status is as follows:

- Hammamet permit (COE interest 35%): Cooper Energy previously notified the joint venture of its intention not to participate in the most recent extension of the permit and is in the process of withdrawing from the joint venture.
- Nabeul permit (COE interest 85%): the joint venture did not extend or renew the permit and continued in discussions with the Tunisian government to settle the terms of exit from this permit.
- Bargou permit (COE interest 30%): the joint venture has agreed to acquire approximately 500 km2 of seismic data in the second half of FY16. This replaces a previous well commitment and is expected to complete the work program under the current permit term. Cooper Energy has the option to exit or continue when this work is complete.

Exploration and development
Cooper Energy held interests in petroleum exploration tenements in the Cooper, Otway and Gippsland Basins in Australia, the South Sumatra Basin in Indonesia and the Pelagian Basin offshore Tunisia during the period. Cooper Energy also owns a 21.6% interest in Bass Strait Oil Limited which has exploration tenements in the Gippsland Basin and Otway Basin, Australia.

Exploration and development activities have been curtailed to preserve cash given the lower oil prices. Activity during the period included the drilling and completion of the successful Bunian-4 well in the Tangai-Sukananti KSO, Indonesia and, in the Cooper Basin, the connection of the successful Callawonga-10 and

[2] Contingent Resources assessed for the Manta fields was announced to the ASX 16 July 2015. Cooper Energy is not aware of any new information or data that materially affects the information provided in those releases and all material assumptions and technical parameters underpinning the assessment provided in the announcement continues to apply.

Callawonga-11 wells, as well as optimisation work in the Cooper Basin fields. Bunian-4 identified a new oil pool reservoir and was completed as an oil producer.

Financial Performance

Financial Performance		FY16H1	FY15H1	Change	%
Production volume	MMbbl	0.248	0.246	0.002	1%
Sales volume	MMbbl	0.241	0.236	0.005	2%
Sales revenue	$ million	14.6	23.0	-8.4	-37%
Average oil price	$/bbl	60.58	97.46	-36.88	-38%
Gross profit	$ million	5.0	9.5	-4.5	-47%
Gross profit / Sales revenue	%	34.2	41.3	-7.1	-17%
Operating cash flow	$ million	2.6	-2.0	4.6	-230%
Reported NPAT / (loss)	$ million	-34.1	-58.0	23.9	-41%
Underlying NPAT / (loss)	$ million	-1.3	-0.4	-0.9	225%
Underlying EBITDA*	$ million	1.3	6.9	-5.6	-81%

* Earnings before interest, tax, depreciation and amortisation

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

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

Cooper Energy recorded a statutory loss after tax of $34.1 million for the six months to 31 December which compares with the loss after tax of $58.0 million recorded in the 2015 first half. The 2016 first half statutory loss includes a number of items which adversely affected loss after tax by a total of $32.8 million. These items principally comprise non-cash impairments to the Indonesian exploration and evaluation assets held for sale (included in discontinued operations) and the Otway exploration and evaluation assets

The underlying loss exclusive of these items was $1.3 million, compared with an underlying loss of $0.4 million in the pcp, with the factors in the movement between periods being:

- significantly lower oil prices. The average oil price of A$60.58/bbl (including hedge benefit of $3.32/bbl) was 38% lower than the 2015 first half average of $97.46 /bbl. This difference was responsible for an $8.6 million reduction in sales revenue;
- higher sales volumes, due to higher production. Sales volumes were 2% higher than in the 2015 first half, resulting in a $0.2 million increase in sales revenue;
- lower other revenue by $0.4 million, resulting principally from lower interest rates on lower cash balances;
- lower production expenses and royalties by $1.7 million due to lower oil prices;
- lower amortisation costs, $2.0 million, mainly due to prior period impairments on oil properties;
- lower exploration and evaluation expenditure written off, $1.4 million, due to lower activities and reversal of prior year accruals;
- lower general administration costs of $0.7 million, due to lower consulting and new venture costs and reversals of prior year accruals;
- lower foreign currency translation exchange gain of $0.4 million, due to a less significant decrease in exchange rates in the 2016 first half compared to pcp;
- higher plant care and maintenance costs of $0.2 million due to costs incurred in respect of the Orbost plant;
- lower finance costs, $0.4 million, due to lower accretion on rehabilitation provisions; and
- higher income tax benefit by $2.4 million, mainly due to the higher underlying loss before tax and the tax effect on the pcp's underlying adjustments.

Financial Position

Financial Position		FY16H1	FY15	Change	%
Total assets	$ million	140.7	174.0	-33.3	-19%
Total liabilities	$ million	68.6	70.1	-1.5	-2%
Total equity	$ million	72.1	103.9	-31.8	-31%

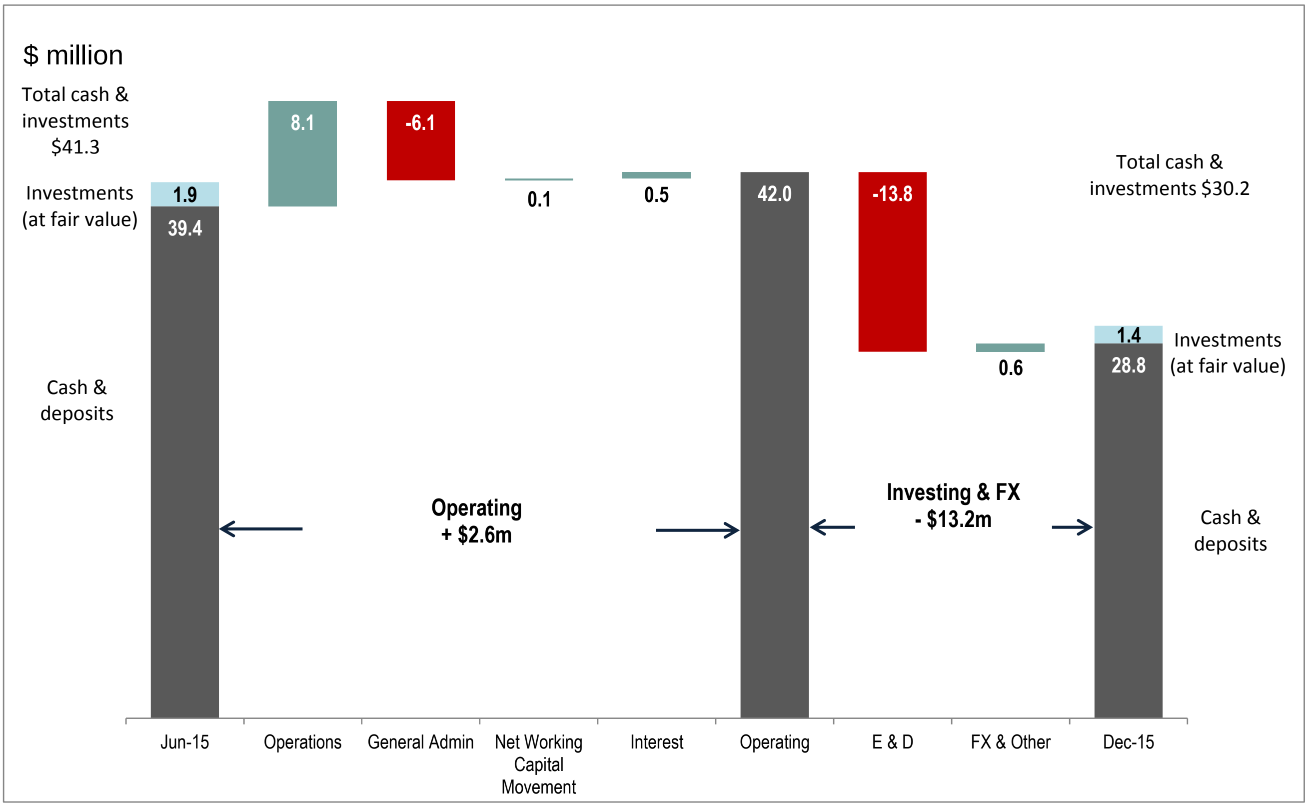
Assets

Total assets decreased by $33.3 million from $174.0 million to $140.7 million.

Cooper Energy has a strong balance sheet. At 31 December the Company held cash and deposit balances of $ 28.8 million, equity investments of $0.9 million and investment in associate of $0.5 million (together investments $1.4 million) and no debt.

Cash and deposit balances declined by $10.6 million over the period after funding exploration and development expenditure of $13.8 million partially offset by operating cash flow of $2.6 million and net foreign exchange differences of $0.6 million as summarised in the chart below.

Lower prices for equity investments resulted in investments reducing by $0.5 million over the period.



Exploration and evaluation assets (including those held for sale of $9.4 million) decreased $19.9 million from $105.4 million to $85.5 million as a result of impairments to the value of Indonesian, Otway exploration and Cooper Basin northern license assets.

Oil properties (including those held for sale of $4.4 million) decreased by $1.0 million from $11.9 million to $10.9 million mainly due to amortisation partially offset by capital expenditure during the period.

Trade and other receivables (including those held for sale of $6.3 million) decreased $1.7 million from $12.0 million to $10.3 million, mainly due to the timing of sales revenue receipts and the decrease in oil prices.

Total Liabilities

Total liabilities decreased by $1.5 million from $70.1 million to $68.6 million.

Trade and other payables (including those held for sale of $1.1 million) decreased $2.9 million from $8.9 million to $6.0 million mainly due to timing of payments to suppliers being unfavourable relative to a three year average.

Provisions increased by $0.8 million from $47.1 million to $47.9 million due to increase in the BMG rehabilitation provision arising from a lower 10 year bond rate to discount the future value and accretion during the period.

Total Equity

Total equity has decreased by $31.8 million from $103.9 million to $72.1 million. In comparing equity for the period to the prior corresponding period the key movements were:

- higher contributed equity of $0.4 million due to shares issued on vesting of performance rights during the period
- higher accumulated losses of $34.1 million due to the total loss for the FY16 half year; and
- higher reserves of $1.9 million mainly due to the fair value movement on the Group's cash flow hedges.

Business Strategies and Prospects

Business conditions and achievements during the 2016 first half have affirmed the Company's strategy of concentrating its resources and effort on opportunities to supply into the Australian gas market and low cost oil production.

Prospects for the sale of gas to the eastern Australian gas market are encouraging and provide confidence that demand, and market pricing, will be supportive of the Company's Gippsland Basin gas projects.

It is envisaged that the Sole project will assume cornerstone significance as the initial gas project to be developed and as a source of cash flow to support funding of subsequent initiatives.

Milestones expected in the coming six months include the securing of additional gas sales agreements, the completion of Sole FEED, and the determination and establishment of necessary funding structures and resources for the Sole project. The Gippsland Basin Gas Hub data room initiative, and the co-operative integration of the Sole project development with activities in other adjacent projects are also expected to result in enhancements that will optimise shareholder returns and lower capital demands for Cooper Energy.

Current timetables have the Sole project commencing gas production in the March quarter of 2019, and project progress and market developments are consistent with this objective.

It is expected that, prior to that event, Cooper Basin Western Flank oil production will remain the Company's main source of cash generation. As noted above, the cash costs of production are well below current prices and oil price hedging is in place to protect cash generation and funding.

Expenditure of cash for general and administration and capital purposes is being progressively reduced through a combination of reduced employee and contractor levels and rates and other cost management initiatives, while maintaining the resourcing necessary for delivery of the Company's growth projects. Actions taken to date have reduced the monthly Australian general and administration cash expenditure run rate by approximately 10% compared with the commencement of the year.

Exploration and development activities are being optimised for the prevailing price levels and revised guidance for full year capital guidance follows.

2016 Full Year Outlook

Cooper Energy has narrowed production guidance to 0.45 MMbbl to 0.50 MMbbl, in line with FY15.

Based on half year performance, and expectations for the second half, full year direct production costs are revised for Cooper Basin from A$35/bbl to A$32.50/bbl and Indonesia from A$45/bbl to A$35/bbl.

As at 31 December 2015 the Company had oil price hedge arrangements in place for 0.21 MMbbl over 18 months. In respect of FY16, the effect of the positions taken is that approximately 50% of the Company's second half production is hedged at an average floor price of A$68.50/bbl.

The principal focus of the Company's activities in the coming months will be the advancement of the Company's gas projects, in particular the Sole Gas Project to FID in the September quarter. This is expected to entail:

- completion of FEED (due by September, 2016);
- securing remaining gas sales agreements necessary for FID; and
- determination of optimum funding structure, including opportunities arising from the Gippsland Gas Hub data room.

Planned capital expenditure for the year has been reduced in view of lower oil prices and this will result in reductions to production, revenue and cash flow (dependent on oil price) from the existing producing assets in subsequent years. Following discussions with joint venture partners Cooper Energy now anticipates capital expenditure of approximately $30 million to $32 million for FY16 (original guidance $39 million). The majority of this expenditure will be on the Gippsland Basin Gas Projects, in particular the Sole Gas Project FEED.

Exploration and development activity has been substantially curtailed with no drilling activities planned for the period January to June 2016.

Funding and Capital Management

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

As at 31 December 2015 the Company had cash, deposits and investments of $30.2 million. During the first half of 2016, the Group completed the restructuring of its bank facilities with Westpac Banking Corporation from corporate to reserve-based lending. These facilities have no debt funding drawn against them and are detailed further in Note 3 to the Financial Statements. The Company is advancing implementation of funding options for its growth projects consistent with the funding analysis and strategy completed during the half year with input from external advisors.

Risk Management

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

Key risks which may materially impact the execution and achievement of the business strategies and prospects for Cooper Energy in future financial years are risks inherent in the oil and gas industry including technical, economic, commercial, operational, environmental and political risks. This should not be taken to be a complete or exhaustive list of risks. Many of the risks are outside the control of the Company and its officers.

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

Reconciliations for NPAT to Underlying NPAT and Underlying EBITDA

Reconciliation to Underlying (loss) / NPAT		FY16H1	FY15H1	Change	%
Net (loss) / profit after income tax (NPAT)	$ million	-34.1	-58.0	23.9	-41%
Adjusted for:					
Impairment of discontinued operations	$ million	8.3	47.5	-39.2	-83%
Exit provision	$ million	3.7	0.0	3.7	100%
Impairment of oil properties	$ million	0.0	6.1	-6.1	-100%
Impairment of exploration and evaluation	$ million	20.8	0.0	20.8	100%
Impairment of financial assets AFS	$ million	0.0	6.1	-6.1	-100%
Accounting gain on acquisition of associate investment	$ million	0.0	-0.3	0.3	-100%
Tax impact of above changes	$ million	0.0	-1.7	1.7	-100%
Underlying NPAT / (loss)	$ million	-1.3	-0.4	-0.9	225%

Reconciliation to Underlying EBITDA*		FY16H1	FY15H1	Change	%
Underlying NPAT / (loss)	$ million	-1.3	-0.4	-0.9	225%
Add back:					
Interest revenue	$ million	-0.5	-0.7	0.2	-29%
Accretion expense	$ million	0.7	1.1	-0.4	-36%
Tax expense / (benefit)	$ million	-0.1	2.3	-2.4	-104%
Depreciation	$ million	0.2	0.2	0.0	0%
Amortisation	$ million	2.3	4.4	-2.1	-48%
Underlying EBITDA*	$ million	1.3	6.9	-5.6	-81%

* Earnings before interest, tax, depreciation and amortisation

Reconciliations of other measures to the Financial Statements

Reconciliation to production volumes		FY16H1	FY15H1	Change	%
Continuing operations	MMbbl	0.175	0.215	-0.040	-19%
Add back: Indonesia held for sale / discontinued operations	MMbbl	0.073	0.031	0.042	135%
Production volume	MMbbl	0.248	0.246	0.002	1%

Reconciliation to sales volumes		FY16H1	FY15H1	Change	%
Continuing operations	MMbbl	0.172	0.206	-0.034	-17%
Add back: Indonesia held for sale / discontinued operations	MMbbl	0.069	0.030	0.039	130%
Sales volume	MMbbl	0.241	0.236	0.005	2%

Reconciliation to sales revenue		FY16H1	FY15H1	Change	%
Continuing operations	$ million	10.7	20.3	-9.6	-47%
Add back: Indonesia held for sale / discontinued operations	$ million	3.9	2.7	1.2	44%
Sales revenue	$ million	14.6	23.0	-8.4	-37%

Reconciliation to average oil price		FY16H1	FY15H1	Change	%
Continuing operations	$/bbl	62.21	98.54	-36.33	-37%
Add back: Indonesia held for sale / discontinued operations	$/bbl	56.52	90.00	-33.48	-37%
Average oil price	$/bbl	60.58	97.46	-36.88	-38%

Reconciliation to gross profit		FY16H1	FY15H1	Change	%
Continuing operations	$ million	4.1	9.7	-5.6	-58%
Add back: Indonesia held for sale / discontinued operations	$ million	0.9	-0.2	1.1	-550%
Gross profit	$ million	5.0	9.5	-4.5	-47%

Reconciliation to gross profit / sales revenue		FY16H1	FY15H1	Change	%
Continuing operations	%	38.3	47.8	-9.5	-20%
Add back: Indonesia held for sale / discontinued operations	%	23.1	-7.4	30.5	-412%
Gross profit / Sales revenue	%	34.2	41.3	-7.1	-17%

Reconciliations of other measures to the Financial Statements continued

Reconciliation to production expenses and royalties		FY16H1	FY15H1	Change	%
Continuing operations	$ million	5.0	7.5	-2.5	-33%
Add back: Indonesia held for sale / discontinued operations	$ million	2.4	1.6	0.8	50%
Production expenses and royalties	$ million	7.4	9.1	-1.7	-19%

Reconciliation to amortisation		FY16H1	FY15H1	Change	%
Continuing operations	$ million	1.6	3.0	-1.4	-47%
Add back: Indonesia held for sale / discontinued operations	$ million	0.7	1.3	-0.6	-46%
Amortisation	$ million	2.3	4.3	-2.0	-47%

Reconciliation to general administration		FY16H1	FY15H1	Change	%
Continuing operations	$ million	5.4	6.4	-1.0	-15%
Add back: Indonesia held for sale / discontinued operations	$ million	0.7	0.4	0.3	76%
General administration	$ million	6.1	6.8	-0.7	-10%

Reconciliation to foreign currency translation exchange gain		FY16H1	FY15H1	Change	%
Continuing operations	$ million	-0.3	-0.5	0.2	-40%
Add back: Indonesia held for sale / discontinued operations	$ million	0.0	-0.1	0.1	-100%
Realised and unrealised foreign curreny translation exchange gain	$ million	-0.3	-0.7	0.4	-57%

Reconciliation to tax benefit		FY16H1	FY15H1	Change	%
Underlying Continuing operations	$ million	0.2	-0.6	0.8	-133%
Tax impacts of adjustments to underlying loss	$ million	0.0	-1.7	1.7	-100%
Add back: Indonesia held for sale / discontinued operations	$ million	-0.2	0.0	-0.2	-100%
Tax benefit / (expense)	$ million	0.1	-2.3	2.4	-104%

Directors' Report
For the half-year ended 31 December 2015

The Directors of Cooper Energy Limited ("the Company" or "Cooper") present their report and the consolidated Financial Report for the half-year ended 31 December 2015. The dollar figures are expressed in Australian currency and to the nearest thousand unless otherwise indicated.

Directors

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

Board of Directors

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

Principal Activities

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

Review and Results of Operations

A review of the operations of the Group can be found in the Operating and Financial Review on page 4.

Significant events after the balance date

Refer to Note 13 of the Notes to the Financial Statements.

Auditor's Independence Declaration

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

Rounding

The 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.

Signed in accordance with a resolution of the directors

John Conde

Mr John C. Conde, AO
Chairman

David P. Maxwell

Mr David P. Maxwell
Managing Director

24 February 2016

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

As lead auditor for the review of Cooper Energy Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

L A Carr

L A Carr
Partner
Adelaide
24 February 2016

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2015

	Notes	31 December 2015 $'000	31 December 2014 $'000
Continuing Operations			
Revenue from oil sales	6	**10,691**	20,262
Cost of sales	6	**(6,602)**	(10,552)
Gross profit		**4,089**	9,710
Other revenue	6	**461**	836
Other income		**-**	281
Exploration and evaluation expenditure written off		**201**	(1,173)
Finance costs	6	**(628)**	(1,059)
Impairment	7	**(20,813)**	(59,607)
Share of loss in associate		**(39)**	(45)
Other expenses	6	**(9,242)**	(5,985)
Loss before income tax		**(25,971)**	(57,042)
Income tax benefit / (expense)	8	**242**	(603)
Total tax benefit / (expense)		**242**	(603)
Net loss after tax from continuing operations		**(25,729)**	(57,645)
Discontinued operations			
Loss for the period from discontinued operations	5	**(8,378)**	(391)
Total loss for the period attributable to members		**(34,107)**	(58,036)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation reserve		**401**	404
Fair value movements on available for sale financial assets		**-**	(10,550)
Income tax effect on fair value movements on available for sale financial assets		**-**	1,346
Reclassification during the period to profit or loss of impairment on available for sale financial assets		**-**	6,062
Fair value movements on derivatives accounted for in a hedge relationship		**2,665**	-
Income tax effect on fair value movement on derivative financial instrument		**(562)**	-
Reclassification during the period to profit or loss of realised hedge settlements		**(820)**	-
Items that will not be reclassified subsequently to profit or loss			
Fair value movements on equity instruments at fair value through other comprehensive income		**(474)**	-
Other comprehensive income/(expenditure) for the period net of tax		**1,210**	(2,738)
Total comprehensive income/(loss) for the period attributable to members		**(32,897)**	(60,774)
		Cents	cents
Basic earnings per share from continuing operations		**(7.7)**	(17.5)
Diluted earnings per share from continuing operations		**(7.7)**	(17.5)
Basic earnings per share		**(10.2)**	(17.6)
Diluted earnings per share		**(10.2)**	(17.6)

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

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	31 December 2015 $'000	30 June 2015 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	3	**28,750**	39,373
Trade and other receivables		**3,964**	12,001
Inventory		**-**	940
Income tax receivable		**-**	859
Prepayments		**233**	640
Derivative financial assets	11	**1,875**	-
		34,822	53,813
Assets classified as held for sale	5	**20,903**	-
Total Current Assets		**55,725**	53,813
Non-Current Assets			
Equity instruments at fair value through other comprehensive income		**869**	-
Available for sale financial assets		**-**	1,343
Investment in associate		**484**	520
Term deposits at banks	3	**68**	59
Oil properties		**6,512**	11,921
Property, plant & equipment		**861**	981
Exploration and evaluation		**76,134**	105,363
Total Non-Current Assets		**84,928**	120,187
TOTAL ASSETS		**140,653**	174,000
LIABILITIES			
Current Liabilities			
Trade and other payables		**4,927**	8,936
Provisions		**4,095**	1,913
		9,022	10,849
Liabilities and provisions classified as held for sale	5	**1,744**	-
Total Current Liabilities		**10,766**	10,849
Non-Current Liabilities			
Deferred tax liabilities		**10,954**	11,020
Provisions		**43,783**	45,194
Financial liabilities		**3,094**	3,066
Total Non-Current Liabilities		**57,831**	59,280
TOTAL LIABILITIES		**68,597**	70,129
NET ASSETS		**72,056**	103,871
EQUITY			
Contributed equity	4	**115,808**	115,460
Reserves		**8,095**	6,151
Accumulated losses		**(51,847)**	(17,740)
TOTAL EQUITY		**72,056**	103,871

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2015	**115,460**	**6,151**	**(17,740)**	**103,871**
Loss for the period	**-**	**-**	**(34,107)**	**(34,107)**
Other comprehensive expense	**-**	**1,210**	**-**	**1,210**
Total comprehensive income for the period	**-**	**1,210**	**(34,107)**	**(32,897)**
Transactions with owners in their capacity as owners:				
Share based payments	**-**	**1,082**	**-**	**1,082**
Transferred to issued capital	**348**	**(348)**	**-**	**-**
Balance as at 31 December 2015	**115,808**	**8,095**	**(51,847)**	**72,056**

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2014	114,625	7,440	45,728	167,793
Profit for the period	-	-	(58,036)	(58,036)
Other comprehensive income	-	(2,738)	-	(2,738)
Total comprehensive income for the period	-	(2,738)	(58,036)	(60,774)
Transactions with owners in their capacity as owners:				
Share based payments	-	734	-	734
Transferred to issued capital	208	(208)	-	-
Balance as at 31 December 2014	114,833	5,228	(12,308)	107,753

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2015

	Notes	31 December 2015 $'000	31 December 2014 $'000
Cash Flows from Operating Activities			
Receipts from customers		**16,214**	24,644
Payments to suppliers and employees		**(14,969)**	(22,397)
Income tax received / (paid)		**859**	(5,052)
Interest received – other entities		**462**	836
Net cash from / (used in) operating activities		**2,566**	(1,969)
Cash Flows from Investing Activities			
Placements on term deposits		**(9)**	(8,131)
Payments for exploration and evaluation		**(11,301)**	(6,897)
Investments in oil properties		**(2,523)**	(3,676)
Net cash flows used in investing activities		**(13,833)**	(18,704)
Cash Flows from Financing Activities			
Net cash flow used in financing activities		**-**	-
Net decrease in cash held		**(11,267)**	(20,673)
Net foreign exchange differences		**644**	857
Cash and cash equivalents at 1 July		**39,373**	47,178
Cash and cash equivalents at 31 December	3	**28,750**	27,362

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

1. Basis of preparation and accounting policies

This general purpose financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

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

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and considered together with any public announcements made by Cooper Energy Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

At the 2015 AGM the new Employee Incentive Scheme (new EIP) was approved by shareholders. During the period, the new EIP was implemented with performance rights and share appreciation rights issued to eligible participants.

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

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

The accounting policies adopted in the preparation of the half-year financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015, except for the adoption of new standards and interpretations as of 1 July 2015, noted below:

AASB 9	***Financial instruments***
Summary	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption and the Group has early adopted from 1 July 2015. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. ***Financial assets*** a. Financial assets that are debt instruments will be 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. b. 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. c. 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.

	Financial liabilities Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. ***Impairment*** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. ***Hedge accounting*** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.
Application Date of the Standard	1 January 2018
Application date for Group	1 July 2015
Impact on Group financial report	The impact of early adopting AASB 9 is discussed at note 10.

AASB 2015-3	***Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality***
Summary	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.
Application Date of the Standard	1 July 2015
Application Date for Group	1 July 2015
Impact on Group Financial report	The adoption of this standard has not had a material impact on the Group.

2. Segment Reporting

Identification of reportable segments and types of activities

The Group operates in various geographical locations 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 an as needs basis. Selective reporting is provided to the Board quarterly while the annual and bi-annual results are reported to the Board. The Managing Director is the chief operating decision maker.

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.

The current external customers by geographical location of production are the Australian Business Unit with two customers and the Asian Business Unit with one customer.

The following are the current geographical segments:

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

Asian Business Unit
The Asian business unit involves the production and sale of crude oil from the Tangai-Sukananti KSO. It is located on the island of Sumatra, Indonesia. Revenue is derived from the sale of crude oil to PT Pertamina EP. The Group is also involved in exploration and evaluation for oil and gas in the Sumbagsel and Merangin III Permit areas on the island of Sumatra, Indonesia. During the first half of 2016 the Company commenced the sale process for the Indonesian operations and received expressions of interest for the sale of the Group's Indonesian assets. The operations have been classified as assets held for sale and discontinued operations at December 2015.

African Business Unit
Exploration and evaluation for oil and gas in the Bargou, Nabeul and Hammamet permit areas off the coast of Tunisia. No income is derived from these units. The Company has announced its intention to dispose of the equity interests in the Tunisian assets. The Company has not been able to sell its Tunisian portfolio in whole or part since commencing a divestment process over a year ago. The significant decline in the oil price makes any outright sale(s) challenging in the near term. The Company has made significant progress to reduce licence commitments and exit Tunisia on a permit-by-permit basis. The Tunisian operations are no longer classified as assets held for sale or discontinued operations.

European Business Unit
The Company has disposed of all exploration interests in Poland and has liquidated the Polish and Dutch entities during the first half of the 2016 financial year. The European business unit is classified as discontinued operations.

Accounting policies and inter-segment transactions

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

2. Segment reporting continued

Geographical Segments	Australian Business Unit $'000	Elimination $'000	African Business Unit $'000	Continuing Operations Total $'000	Asian Business Unit (disc. Operation) $'000	European Business Unit (disc. operation) $'000	Discontinued Operations Total $'000	Consolidated $'000
Half year ended 31 December 2015								
Revenue	10,691	-	-	**10,691**	3,949	-	**3,949**	**14,640**
Other Income and revenue	321	140	-	**461**	-	-	**-**	**461**
Total consolidated revenue	11,012	140	-	**11,152**	3,949	-	**3,949**	**15,101**
Depreciation of property	(138)	-	-	**(138)**	(91)	-	**(91)**	**(229)**
Amortisation of development costs	(1,345)	-	-	**(1,345)**	(707)	-	**(707)**	**(2,052)**
Amortisation of exploration costs	(212)	-	-	**(212)**	-	-	**-**	**(212)**
Impairment	(21,750)	-	937	**(20,813)**	(8,318)	-	**(8,318)**	**(29,131)**
Finance costs	(628)	-	-	**(628)**	-	-	**-**	**(628)**
Share based payments	(1,083)	-	-	**(1,083)**	-	-	**-**	**(1,083)**
Exit provision	-	-	(3,723)	**(3,723)**	-	-	**-**	**(3,723)**
Exploration costs written off	201	-	-	**201**	-	-	**-**	**201**
Segment result	(23,572)	140	(2,539)	**(25,971)**	(8,185)	(14)	**(8,199)**	**(34,170)**
Income tax				**242**			**(179)**	**63**
Net Profit				**(25,729)**			**(8,378)**	**(34,107)**
Segment liabilities	62,344	-	3,946	**66,290**	1,744	-	**1,744**	**68,034**
Segment assets	119,496	-	254	**119,750**	20,903	-	**20,903**	**140,653**
Non-Current Assets	84,928	-	-	**84,928**	-	-	**-**	**84,928**
Cash flow from:								
- Operating activities	2,490	-	96	**2,586**	(9)	(11)	**(20)**	**2,566**
- Investing activities	(11,892)	-	(182)	**(12,074)**	(1,759)	-	**(1,759)**	**(13,833)**
- Financing	-	-	-	**-**	-	-	**-**	**-**
Capital Expenditure	(9,862)	-	(364)	**(10,226)**	(3,598)	-	**(3,598)**	**(13,824)**

2. Segment reporting continued

Geographical Segments	Australian Business Unit $'000	Elimination $'000	African Business Unit $'000	Continuing Operations Total $'000	Asian Business Unit (disc. Operation) $'000	European Business Unit (disc. operation) $'000	Discontinued Operations Total $'000	Consolidated $'000
Half year ended 31 December 2014								
Revenue	20,262	-	-	20,262	2,705	-	2,705	22,967
Other Income and revenue	1,359	(242)	-	1,117	-	-	-	1,117
Total consolidated revenue	21,621	(242)	-	21,379	2,705	-	2,705	24,084
Depreciation of property	(180)	-	-	(180)	(25)	-	(25)	(205)
Amortisation of development costs	(2,629)	-	-	(2,629)	(1,321)	-	(1,321)	(3,950)
Amortisation of exploration costs	(403)	-	-	(403)	-	-	-	(403)
Impairment	(12,123)	-	(47,484)	(59,607)	-	(15)	(15)	(59,622)
Finance costs	(1,059)	-	-	(1,059)	-	-	-	(1,059)
Share based payments	(734)	-	-	(734)	-	-	-	(734)
Exploration costs written off	(1,173)	-	-	(1,173)	-	-	-	(1,173)
Segment result	(9,355)	(242)	(47,445)	(57,042)	(365)	(39)	(404)	(57,446)
Income tax				(603)			13	(590)
Net Profit				(57,645)			(391)	(58,036)
Segment liabilities	69,595	-	1,595	71,190	2,065	51	2,116	73,306
Segment assets	161,438	-	240	161,678	19,362	19	19,381	181,059
Non-Current Assets	118,309	-	-	118,309	15,047	-	15,047	133,356
Cash flow from:								
- Operating activities	(5)	-	(1,300)	(1,305)	(649)	(15)	(664)	(1,969)
- Investing activities	(18,979)	-	102	(18,877)	158	15	173	(18,704)
- Financing	-	-	-	-	-	-	-	-
Capital Expenditure	(6,689)	-	(367)	(7,056)	(3,516)	-	(3,516)	(10,572)

3. Cash and Cash Equivalents and Term Deposits

Current Assets	31 December 2015 $'000	30 June 2015 $'000
Cash and cash equivalents		
Cash at banks and in hand	**8,557**	**7,380**
Short term deposits at banks (i)	**20,193**	**31,993**
	28,750	**39,373**
Non-Current Assets		
Term deposits at the banks (ii)	**68**	59

(i) Short term deposits at banks are in Australian dollars and are for periods of up to 3 months and earn interest at money market interest rates.

(ii) The carrying value of the term deposit approximates its fair value.

In the September quarter 2015, the Group completed the restructuring of its bank facilities with Westpac Banking Corporation (Westpac) from corporate to reserve based lending. The facilities are secured, committed to 30 June 2018 and comprise up to $35 million for general corporate purposes (debt funding) and $5 million for bank guarantees.

Based on reserves and forward prices as at 30 June 2015 the facilities provided $21 million of available debt funding at that time and this remains undrawn. The available debt funding is subject to bi-annual recalculation based on reserves, forward prices and the Company's latest forecasts. Based on existing reserves and forecasts it is estimated the facilities will provide approximately $15 million in available debt funding when the 31 December 2015 recalculation is finalised with Westpac by 31 March 2016.

As at 31 December 2015 bank guarantees of $4,266,726 (December 2014:$3,382,337) in relation to performance bonds on exploration permits were issued against the facility. On completion of the sale of the Indonesian exploration assets, these bank guarantee requirements will reduce.

The current low oil price environment coupled with the Company's focus on advancing its Gippsland gas growth projects is expected to result in further net cash outflows for the 12 months following the signing of these financial statements. The Company is fully funded to meet the anticipated expenditure on its existing commitments. Furthermore, Cooper Energy has announced the sale of its exploration permits in Indonesia for consideration of US$8.25 million. The sale, which is effective from 1 January 2016, is subject to the approval by the Government of Indonesia and is expected to complete within the current financial year. A data room remains open for the sale of the Sukananti producing asset.

4. Contributed equity

	31 December 2015 $'000	30 June 2015 $'000
Ordinary shares		
Issued and fully paid	115,808	115,460

	Thousands	$'000
Movement in ordinary shares on issue		
At 1 July 2015	331,905	115,460
Issue of shares	1,769	348
At 31 December 2015	333,674	115,808

5. Assets held for sale and discontinued operations

During the first half of 2016 the Company received expressions of interest for the sale of the Group's Indonesian assets and the operations have been classified as assets held for sale and discontinued operations as at 31 December 2015. On 10 February 2016, the Company announced the sale of the Indonesian exploration assets for consideration of US$8.25 million – refer to note 13 for further details. The Indonesian assets have been impaired to the fair value less cost of sale.

The losses from discontinued operations are presented on a separate line in the Consolidated Statement of Comprehensive Income.

	31 December 2015 $'000	31 December 2014 $'000
Assets held for sale	**20,903**	43
Liabilities and provisions associated with assets held for sale	**(1,744)**	(1,645)
Net assets directly associated with disposal group	**19,159**	(1,602)
Revenue for the year from discontinued operations	**3,949**	2,705
Expenses for the year from discontinued operations	**(3,830)**	(3,094)
Impairment loss recognised	**(8,318)**	(15)
Pre-tax loss for the year from discontinued operations	**(8,199)**	(404)
Income tax (expense) / benefit	**(179)**	13
Loss for the year from discontinued operations	**(8,378)**	(391)
Operating cash flows from discontinued operations	**(20)**	(664)
Investing cash flows from discontinued operations	**(1,759)**	173
Financing cash flows from discontinued operations	**-**	-
Total net cash flow from discontinued operations	**(1,779)**	(491)
Basis (loss)/earnings per share from discontinued operations (cents per share)	**(2.5)**	(0.1)
Diluted (loss)/earnings per share from discontinued operations (cents per share)	**(2.5)**	(0.1)

6. Revenues and Expenses

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

	31 December 2015 $'000	31 December 2014 $'000
Revenues from oil operations		
Oil sales	**10,691**	20,262
Total revenue from oil sales	**10,691**	20,262
Other revenue		
Interest revenue	**437**	699
Joint venture fees	**24**	137
Total other revenue	**461**	836
Cost of sales		
Production expenses	**(4,440)**	(6,010)
Royalties	**(605)**	(1,510)
Amortisation of exploration costs in areas under production	**(212)**	(403)
Amortisation of development costs in areas of production	**(1,345)**	(2,629)
Total cost of sales	**(6,602)**	(10,552)
Finance costs		
Accretion of rehabilitation cost	**(629)**	(752)
Gain on fair value of oil price derivatives	**29**	-
Accretion of BMG success fee liability	**(28)**	(307)
Total finance costs	**(628)**	(1,059)
Other expenses		
Depreciation of property, plant and equipment	**(138)**	(180)
General administration (includes employee benefits and lease payments)	**(5,417)**	(6,345)
Plant care and maintenance	**(234)**	-
Exit provision	**(3,723)**	-
Realised and unrealised foreign currency translation gain	**270**	540
Total other expenses	**(9,242)**	(5,985)
Employee benefits expense		
Director and employee benefits	**(1,235)**	(2,329)
Share based payments	**(1,082)**	(734)
	(2,317)	(3,063)
Lease payments		
Minimum lease payment – operating lease	**(159)**	(191)

7. Impairment

The following impairment losses were recognised during the half year:

	31 December 2015 $'000	31 December 2014 $'000
Impairment of CGU		
Oil Properties – PEL 93	**(35)**	(6,061)
Exploration & Evaluation	**(20,778)**	(47,484)
Available for sale financial assets	**-**	(6,062)
Total	**(20,813)**	(59,607)

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

Exploration and Evaluation Impairment
During the half-year the Group's exploration assets in the Otway basin were reviewed for impairment. Following this assessment, due to market conditions and no further clarity on the Victorian permits, for which there is a moratorium until the Victorian government completes a paper assessing the impacts on fraccing, the decision was made to fully impair PEP 168 and impair the Otway onshore deep troughs Area of Interest (AOI) by the amount of the fair value premium paid on the acquisition of Somerton Energy.

Additionally, the Cooper Basin Northern licenses, PEL 90, PEL 100 and PEL 110 were tested for impairment due to impairment indicators being present. To date, no commercially viable prospects have been discovered in these permits and no activities are planned in the near future. These assets have therefore been impaired to nil.

Further impairment losses were also recognised on the Group's Tunisian assets during the half-year relating to further capitalised exploration expenditure.

The total impairment recognised in respect of exploration assets was $20.8m.

Oil Properties Impairment

A number of factors represented indicators of impairment as at 31 December 2015, including a continuing decline in the oil price throughout the period. As a result, the Group assessed the recoverable amounts of its Cash Generating Units (CGUs).

Impairment Testing
i) Methodology
Impairment is recognised when the carrying amount exceeds the recoverable amount of a CGU. The recoverable amount of each CGU has been estimated using its value in use (VIU).

Value in use is estimated based on discounted cash flows using market based commodity price exchange rate assumptions, estimated production forecasts based on 2P reserves, operating costs and capital expenditure based on current development plans.

Estimates of production, operating costs and capital expenditure are sourced from our planning process including specific development plans of each CGU.

7. Impairment continued

ii) Key Assumptions
The table below summarises the key assumptions used:

	31 December 2015		30 June 2015	
	2016-2018	**Long term (2019 +)**	2016-2018	Long term (2019 +)
Real oil price (US$ per bbl)	**$38 increasing to $60**	**$65**	$65 increasing to $75	$80
A$:US$ exchange rate	**$0.72 decreasing to $0.70**	**$0.70**	$0.80	$0.80
CPI (%)	**2.5%**	**2.5%**	2.5%	2.5%
Pre-tax real discount rate (%)	**AUD assets 11.3% USD assets 15.1%**		AUD assets 11.2% USD assets 15.0%	

Commodity prices and exchange rates
Oil price and exchange rates are estimated with reference to external data and are reviewed quarterly. The rates applied have been obtained from spot and forward values and market analysis including equity analyst estimates.

Discount rate
In determining the VIU, the future cash flows were discounted using rates based on the Group's real pre-tax weighted average cost of capital, in line with the Capital Asset Pricing Model, for each functional currency with additional premiums being applied based on geographical location and current economic conditions.

Production, operating and capital costs
Production forecasts have been based on 2P developed and undeveloped reserves for which a developed plan will be pursued. The forecasts include all capital required to produce the reserves and, where applicable, develop the undeveloped reserves.

iii) Impacts
As a result of impairment testing, the recoverable amount of PEL 93 was reduced to nil and an impairment loss of $35,000 was recognised.

Sensitivity Analysis
Any change to the assumptions used to determine the VIU could result in a change to the recoverable amount. Given the degree of change required to each individual input before an impairment reversal on PEL 93 would be indicated, impairment reversal is not likely.

In addition to the impairment testing performed over PEL 93, testing was performed over PEL 92. The results of this testing indicated that the CGU's recoverable amount was higher than its carrying amount. No impairment was recognised in respect of PEL 92. Any reasonable change in assumptions would not result in an impairment of PEL 92.

8. Income Tax Expense

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

	31 December 2015 $'000	31 December 2014 $'000
Consolidated Statement of Comprehensive Income		
Current income tax		
Current income tax charge	**2,816**	(496)
Adjustments in respect of prior year income tax	**130**	(33)
	2,946	(529)
Deferred income tax		
Origination and reversal of temporary differences	**(2,704)**	(74)
	(2,704)	(74)
Income tax expense benefit / (expense)	**242**	(603)
Total tax benefit / (expense)	**242**	(603)
Numerical reconciliation between tax expense and pre-tax net profit		
Income Tax Expense		
Accounting loss before income tax from continuing operations	**(25,971)**	(57,042)
Income tax using the domestic corporation tax rate of 30% (2014: 30%)	**7,791**	17,113
Increase/(decrease) in income tax expense due to:		
Non-deductible (expenditure)/non-assessable income	**(7,673)**	(16,157)
(Derecognition)/recognition of capital losses	**-**	(1,346)
Adjustments in respect to current income tax previous years	**130**	(33)
Non Australian taxation jurisdictional subsidiaries	**(6)**	(180)
Total income tax benefit / (expense)	**242**	(603)

9. Financial Instruments

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

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

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

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

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

Set out below is an overview of financial instruments held by the Group, with a comparison of the carrying amounts and fair values as at 31 December 2015:

		Carrying amount		**Fair value**	
	Level	**31 December 2015 $'000**	30 June 2015 $'000	**31 December 2015 $'000**	30 June 2015 $'000
Consolidated					
Financial assets					
Available for sale investments	**1**	**-**	1,343	**-**	1,343
Equity instruments at fair value through other comprehensive income	**1**	**869**	-	**869**	-
Derivative financial instruments	**2**	**1,875**	-	**1,875**	-
Financial liabilities					
Success fee financial liability	**3**	**3,094**	3,066	**3,094**	3,066

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 of the 2015 Annual Report.

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

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

Available for sale investments
The fair value of available for sale investments is determined by reference to their quoted market price on a prescribed equity stock exchange at the reporting date, and hence is a level 1 fair value measurement.

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

9. Financial Instruments continued

Derivative financial instruments
The derivative financial instruments relate to the Group's hedging activities to hedge against cash flow risks from movements in oil price, for which hedge accounting has been applied. The fair value of the derivative financial instruments are obtained from third party valuation reports and are valued using the Black-Scholes model.

Success fee financial liability
The success fee liability is the fair value of the Group's liability to pay a $5,000,000 success fee upon the commencement of commercial production of hydrocarbons on the Group's BMG assets acquired on 7 May 2014. The significant unobservable valuation inputs for the success fee financial liability includes: a probability of 37% that no payment is made and a probability of 63% the payment is made in 2021. The discount rate used in the calculation of the liability as at 31 December 2015 equalled 2.85% (June 2015: 2.98%).

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy

	31 December 2015 $'000	30 June 2015 $'000
Success fee financial liability	**3,094**	3,006

Movement in carrying amount of the success fee financial liability:		
Opening balance	**3,066**	4,004
Finance cost	**28**	310
Fair value adjustment	**-**	(1,248)
Closing carrying value	**3,094**	3,066

10. Early adoption of AASB 9

As at 1 July 2015, Cooper Energy early adopted AASB 9 Financial Instruments (2014).

The early adoption of AASB 9 has been applied from 1 July 2015. In line with the transition requirements, comparatives are not restated.

Changes to classification and measurement of financial assets and financial liabilities
The adoption of AASB 9 has resulted in amendments to the measurement and classification requirements for financial instruments previously accounted for under AASB 139 Financial Instruments: Recognition and Measurement.

Under AASB 9 an entity classifies its financial assets as subsequently measured at either amortised cost or fair value. An election can be made to designate a financial asset as measured at fair value through profit or loss on initial recognition if this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable. The standard also allows an entity to make an irrevocable election at initial recognition of particular investments in equity instruments to be measured at fair value through other comprehensive income with no recycling through profit or loss. On adopting the new standard, the classification of the Group's available for sale financial assets has changed to fair value through other comprehensive income, as outlined in the table below.

The requirements in AASB 139 regarding classification and measurement of financial liabilities have been retained, including the related application and implementation guidance. Financial liabilities continue to be measured at either fair value through profit or loss or amortised cost. The criteria for designating a financial liability at fair value through profit or loss also remain unchanged.

10. Early adoption of AASB 9 continued

Hedge accounting
AASB 9 aligns hedge accounting more closely with common risk management practices.
The key components of the standard are as follows:

- Risk components that are separately identifiable and reliably measurable will be eligible as hedged items, including nonfinancial items
- Effectiveness measurement testing is required only on a prospective basis. New hedge effectiveness criteria include existence of an economic relationship between the hedged item and the hedging instrument
- Certain requirements must be met for discontinuing hedge relationship. Changes to the hedge relationship may result in rebalancing of the hedge ratio rather than de-designation

Derivative financial instruments for which the Group elects to adopt hedge accounting will be accounted for at fair value through other comprehensive income. Hedge ineffectiveness will be recognised in profit or loss.

Impacts of early adoption of AASB 9
The table below shows the change in classification and measurement category of the Group's financial instruments on early adoption of AASB 9.

AASB 139 (previous) classification of financial instrument	AAB 9 (current) classification of financial instrument	AASB 139 (previous) measurement category	AASB 9 (current) measurement category
Cash and cash equivalents	Cash and cash equivalents	Amortised cost	Amortised cost
Term deposits	Term deposits	Amortised cost	Amortised cost
Available for sale investments	Equity instruments at fair value through OCI	Fair value through OCI (recycled through P&L)	Fair value through OCI (not recycled through P&L)
Trade and other receivables	Trade and other receivables	Amortised cost	Amortised cost
Derivative financial instruments	Derivative financial instruments	Fair value through P&L	Fair value through P&L
Trade and other payables	Trade and other payables	Amortised cost	Amortised cost
Success fee financial liability	Success fee financial liability	Fair value through P&L	Fair value through P&L

It is noted that there is no change in the carrying amount of any of the Group's financial instruments under AASB 9 and AASB 139. In addition to accounting for hedges under AASB 9, the Group has elected that all fair value movements on equity investment at fair value through other comprehensive income will not be recycled through profit or loss and will therefore remain within equity.

The adoption of AASB 9 does not have any material impact of the Group's financial information and comparatives have not been restated.

11. Hedge accounting

The Group uses Australian dollar Brent options to manage some of its transaction exposures. The options are designated as cash flow hedges and are entered into for a period consistent with the oil price exposure of the underlying transactions, typically over a 12 to 18 month period.

Cash flow hedges
Australian dollar oil price options measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in US dollars. These forecast transactions are highly probable, and they comprise about 50% of the Group's total expected sales in US dollars to June 2017 and reducing percentages thereafter.

While the Group also enters into other oil price options with the intention of reducing the commodity price risk of expected sales, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The fair value of the options vary based on the level of sales and changes in forward rates.

	2015		2014	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Oil price options				
Fair value	1,875	-	-	-

The terms of the oil price options match the terms of the expected highly probably forecast sales other than being Australian dollar denominated options and the forecast sales being in US dollars. This does expose the group to some ineffectiveness required to be recognised in the income statement.

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealised gain of $1.9 million relating to the hedging instruments is included in OCI.

12. Commitments and Contingencies

	31 December 2015 $'000	31 December 2014 $'000
Operating lease commitments under non-cancellable office leases not provided for in the financial statements and payable:		
Within one year	**156**	320
After one year but not more than five years	**570**	681
After more than five years	**-**	-
Total minimum lease payments	**726**	1,001

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

As at 31 December 2015 the Parent entity has bank guarantees for $4,266,726 (2014: $3,432,914). These guarantees are in relation to performance bonds on exploration permits, security on the Company's credit card facilities and guarantees on office leases.

Exploration capital commitments not provided in the financial statements and payable:		
Within one year	**13,104**	7,720
After one year but not more than five years	**21,839**	30,808
After more than five years	**-**	-
Total minimum exploration commitments	**34,943**	38,528

12. Commitments and Contingencies continued

Cooper Energy elected not to participate in the most recent extension of the Hammamet Permit in Tunisia and has provided the joint venture partners with a notice of withdrawal from the Hammamet Joint Venture. The terms of withdrawal have not been finalised with the remaining joint venture partners, however it is Cooper Energy's view that it does not have any further work commitments connected with the permit, notwithstanding that the permit has been extended and work commitments for the joint venture remain in place.

13. Events Subsequent to 31 December 2015

On 10 February 2016 the Company announced the sale of its Indonesian exploration assets to Mandala Energy Limited for consideration of US$8.25 million.

The sale, which is effective from 1 January 2016, is subject to the approval of the Government of Indonesia and is expected to complete within the current financial year. The net cash proceeds are anticipated to be more than A$10.0 million at current exchange rates, after transaction costs and Indonesian transfer taxes.

Mandala will acquire 100% of the Sumbagsel and Merangin III PSCs located in the South Sumatra Basin. The Company is continuing the divestment process for its 55% interest in the Tangai-Sukananti KSO production licence.

Directors' Declaration

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

In the opinion of the directors:

a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the financial position at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity; and

   ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

John Conde

Mr John C. Conde AO
Chairman

David P. Maxwell

Mr David P. Maxwell
Managing Director

24 February 2016

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To the members of Cooper Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cooper Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies and other selected explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Cooper Energy Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

LC:RM:COOPER:031

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cooper Energy Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

LACarr

L A Carr
Partner
Adelaide
24 February 2016

Corporate Directory

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David P Maxwell
Hector M Gordon
Jeffrey W Schneider
Alice J Williams

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Alison Evans
Jason de Ross

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