COOPER ENERGY LIMITED

and its controlled entities

ABN 93 096 170 295

HALF-YEAR FINANCIAL REPORT

31 December 2019

Approved and authorised by David Maxwell, Managing Director, Cooper Energy Limited
Level 8, 70 Franklin Street, Adelaide, SA, 5000 www.cooperenergy.com.au

Appendix 4D
Interim Financial Report

Cooper Energy Limited		
ABN 93 096 170 295	Report ending Corresponding period	31 December 2019 31 December 2018

Results for announcement to the market

	Percentage Change %	**Amount $'000 Dec 19**	Amount $'000 Dec 18
Revenue from ordinary activities	8%	**39,090**	36,175
Total profit/(loss) for the period attributable to members	150%	**6,334**	(12,627)
Net tangible assets per share (inclusive of exploration and development expenditure capitalised)		**27.1 cents**	26.7 cents

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

Review and Results of Operations

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

Table of Contents

Operations

Cooper Energy Limited (the "Company" or "Cooper Energy") generates revenue from the supply of gas to south-east Australia and oil production in the Cooper Basin. The Company's operations and interests during the six months to 31 December 2019 ("the period" or "FY20 first half") included:

- offshore gas and gas liquids production in the Otway Basin, Victoria, from the Casino, Henry and Netherby gas fields ("Casino Henry") and the Minerva gas field. Minerva reached end-of-life during the period.
- non-operated onshore oil production and exploration from the western flank of the Cooper Basin;
- the Sole gas field development in the offshore Gippsland Basin;
- the Manta gas and liquids field in the offshore Gippsland Basin;
- gas exploration in the offshore and onshore Otway Basin; and
- gas exploration in the offshore Gippsland Basin.

The Company is the Operator of all of its offshore gas production, exploration and development activities with the exception of Minerva.

Workforce

At 31 December 2019 the Company had 64.1 full time equivalent (FTE) employees and 40.4 FTE contractors compared with 53.5 FTE employees and 43.8 FTE contractors at the beginning of the period. The increase in employee numbers is attributable to resourcing of roles for the growth of the Company's operations.

Health Safety Environment and Community

A single lost time injured occurred within the Company's operations during the period. An employee of Diamond Offshore was injured on the Ocean Monarch drill rig in September while it was on location in VIC/P44, albeit not under the direction of the Company. The Company has been advised the injured worker has recovered and returned to work. Total recordable incident frequency rate for the period was 2.4 compared with zero for the FY19 first half.

There were no reportable environmental incidents.

Production

Total production for the six months to 31 December of 0.66 million boe was unchanged from the previous corresponding period. Gas production of 3.41 PJ was 4% higher than the 3.28 PJ in the previous corresponding period, due to increased supply from Casino Henry. Liquids production was 102.6 kbbl compared with 122.5 Kbbl, reflecting natural decline in Cooper Basin oil output.

Commercial

The Company's strategy for creating shareholder value involves the development and operation of a portfolio style gas business to supply a tight south-east Australia domestic gas market.

Fundamental to this strategy is the Company's management of its gas production and contract portfolios. Cooper Energy seeks to produce gas from the most competitive sources of supply and to maintain a portfolio of contracts with blue-chip utility and industrial gas customers that support stable long-term production and optimisation of supply sourcing.

The announcement of a new gas supply agreement with VISY during the period completed full commitment of the Sole gas field's term contract capacity until 2025 (inclusive of extensions). Production from Casino Henry for the 2020 calendar year is contracted to AGL Energy under a 12-month agreement.

Operations: exploration, production and development

Offshore Otway Basin

The Company's activities in the offshore Otway Basin comprise:

a) offshore gas exploration, development and production

   i. production licences VIC/L24 and VIC/L30 containing the producing Casino, Henry and Netherby gas fields ("Casino Henry");

   ii. production licences VIC/L33 and VIC/L34 containing part of the undeveloped Black Watch gas field;

   iii. exploration permits VIC/P44, which contains the undeveloped Annie gas discovery, and VIC/P76.

   All of these interests except VIC/P76 are held in joint ventures with Mitsui E&P Australia Pty Ltd and its associated entity Peedamullah Petroleum Pty Ltd (collectively referred to hereafter as "Mitsui"), and operated by Cooper Energy. VIC/P76 is held 100% and operated by Cooper Energy.

b) a 50% interest in and Operatorship of the Minerva Gas Plant, onshore Victoria, which is jointly owned with Mitsui.

   The plant was acquired during the period to process gas from Casino Henry and other local discoveries such as Annie.

c) a 10% interest in the production licence VIC/L22 which holds the Minerva gas field and is held in the Minerva Joint Venture with the Operator and remaining interest holder, BHP Petroleum. The field was shut-in during the period having reached end of economic life.

Offshore Otway production

The Company's share of production from the Otway Basin was 3.41 PJ of gas and 1.6 thousand barrels of condensate, compared with 3.28 PJ of gas and 0.8 thousand barrels of condensate in the previous first half. The increase reflects higher production from Casino Henry, following the resumption of production from the Netherby field and high production rates recorded after the field had been shut-in during the previous period. Casino Henry accounted for 91% of the period's production and produced at an average rate of 33.6 TJ/day.

Offshore Otway exploration

During the period the Company commenced a two well gas exploration program in the offshore Otway Basin.

The first well, Annie-1 in VIC/P44, made a new gas field discovery, identifying a gross 70 metre gas column in the primary target Waarre C formation with net gas pay thickness of 62 metres. Post-drill subsurface assessments are being conducted to refine estimates of field size and provide inputs for the development concept and decisions.

Development prospects for the Annie discovery are enhanced by its location nearby the producing Casino, Henry and Netherby gas fields. The proximity of subsea infrastructure for these operations offers development options and economies for new discoveries. In addition, the Minerva Gas Plant is an attractive processing option for Annie and future developments in the region. Preliminary analysis suggests a favourable decision on field development could result in first production from Annie from mid-2022.

Drilling of the second well in the program, Elanora-1 in VIC/L24, was deferred following repeated loss of tension on the mooring lines attached to the Ocean Monarch drilling rig whilst on location at Annie-1.

Drilling of Elanora-1 will be considered for a drilling campaign being prepared for 2021 – 2022, subject to rig availability.

The granting of VIC/P76 during the quarter consolidated Cooper Energy's offshore Otway acreage position around existing infrastructure and added to the exploration prospect inventory. The permit adjoins the Annie gas discovery and Casino production licence and is traversed by the Casino gas pipeline, which is to be connected to the Minerva Gas Plant. Amplitude-supported prospects have been identified within the permit. Subsurface analysis of these prospects has commenced with a view to identifying the preferred candidate for drilling in the 2021 – 2022 campaign.

Offshore Otway development

The Company is assessing a number of development projects which offer the potential to increase production, revenue generation and returns from the Otway Basin. These include:

- connection of the recently acquired Minerva Gas Plant processing facilities to establish a low cost, operated processing hub for existing and future Otway Basin gas development. The plant offers improved resource recovery and its capacity of 150 terajoules per day (TJ/day) offers ullage for incremental gas production, such as from an additional development well at Henry or a new discovery such as Annie. Project planning is progressing to schedule with the final investment decision ("FID") planned in the current financial year with first gas into the plant approximately 12 months later.
- infill drilling of the Henry accumulation with an additional development well. Drilling of an infill development well is being assessed to access proved and probable reserves of approximately 48 PJ (100% joint venture).
- Annie gas field development. Concepts for the development of the field are being investigated, analysed and compared with a view to an FID decision by the conclusion of the calendar year for production from the 2022 calendar year.

Decisions arising from the assessment of the Henry and Annie development options are expected to determine the timing and composition of the Otway Phase 3 Development Program (OP3D) to increase production from the region utilising the Minerva Gas Plant. Development drilling required for OP3D could be incorporated into the broader drilling rig program planned for the 2021 – 2022 calendar years.

Commercialisation of the Black Watch gas field is being pursued. The production licences VIC/L33 and VIC/L34, granted in September, provide title for production from that section of the Black Watch gas field formerly covered by Retention Leases VIC/RL11 and VIC/RL12. The remainder of the field is located in acreage held by Beach Energy Limited, who are developing the field in 2020. The Company considers a commercial settlement to be the superior option for recognition of its equity in Black Watch and has initiated engagement with Beach Energy for that purpose.

Onshore Otway Basin
The Company's interests in the onshore Otway Basin include licences in South Australia and permits in Victoria. Activities in the latter are currently suspended until June 2020 pursuant to the moratorium on onshore gas exploration imposed by the Victorian State Government.

The onshore Otway Basin interests comprise:

a) 30% interests in PEL 494 and PRL 32, South Australia. The remaining interest in the PEL 494 and PRL 32 joint ventures is held by the Operator, Beach Energy Limited.

b) 50% interests in PEP 150 and PEP 168 in Victoria. The remaining interests in the PEP 150 and PEP 168 joint ventures are held respectively by the Operators, Bridgeport Energy Limited and Beach Energy Limited.

c) a 75% interest in PEP 171 in Victoria, which may reduce to 50% on fulfilment of farm-in arrangements executed with Vintage Energy Ltd who currently hold 25% of the permit.

An exploration well, Dombey-1, was drilled in PEL 494 during the period and recorded a new gas field discovery, identifying a gross gas column of 44.5 metres with net pay thickness of 25 metres in the primary target Pretty Hill formation. A production test, comprising flow testing over five days followed by a 32 day shut-in period, was concluded subsequent to the end of the period. The flow test recorded initial rates exceeding 18 MMscf/d indicating good reservoir productivity. Subsequent decline in flow rates, followed by re-pressurisation, suggests Dombey-1DW1 has drilled a small compartment partially connected to a broader accumulation. The results of Dombey-1 have affirmed the prospectivity of the onshore Otway Basin and the merit of further investigation and analysis.

Dombey-1 was part-funded through a $6.89 million PACE Gas Round 2 grant by the South Australian Government and is located 20 kilometres north-west of the Katnook Gas Plant.

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

Interests in the region comprise:

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

b) 100% interests in and Operatorship of VIC/RL13, VIC/RL14 and VIC/RL15, which contain the Manta gas and liquids field. The retention leases also hold legacy infrastructure associated with the BMG oil project;

c) a 100% interest in and Operatorship of VIC/L21 which contains the largely depleted and shut-in Patricia-Baleen gas field, and infrastructure offering connection to the Orbost Gas Processing Plant; and

d) 100% interests in and Operatorship of exploration permits VIC/P72 and VIC/P75.

The Company is pursuing a phased development program of its Gippsland gas reserves and resources through development of Sole and a subsequent development of Manta.

Sole Gas Project
The Sole Gas Project is being undertaken to develop the Sole gas field, offshore Victoria. The project comprises offshore and onshore elements. Cooper Energy has undertaken the offshore development of the Sole gas field and its connection to the Orbost Gas Processing Plant. APA is conducting the upgrade of the plant to process gas from Sole. Production from Sole is expected to add 24 PJ per annum to the Company's gas sales.

At 31 December the offshore development of the Sole gas field was complete and awaiting completion and commissioning of the upgrade to APA Group's Orbost Gas Processing Plant. Commissioning of the plant was interrupted by the bushfires in East Gippsland in January. While the plant was unaffected, and all personnel were kept safe and unharmed, the suspension of work, and subsequent interruptions necessitated by poor air quality have delayed plant readiness to receive gas from the field. APA advised commissioning, using gas from the Eastern Gas Pipeline commenced in the week commencing 17 February. APA advise commercial operations from Sole are anticipated to begin in March 2020 subject to satisfactory progress of commissioning.

Manta
Development of the Manta gas and liquids field is being pursued as the next phase of the Gippsland gas development, utilising economies available through coordination with the Sole gas field development. Manta is assessed to contain Contingent Resources[1] (2C) of 121 PJ of sales gas and 3.4 million barrels of condensate.

[1] Cooper Energy announced its assessment of the Manta Contingent Resource to the ASX on 12 August 2019. Cooper Energy is not aware of any new information or data that materially affects the information provided in that release and all material assumptions and technical parameters underpinning the assessment provided in the announcement continues to apply.

A business case undertaken in 2015 affirmed the commercial potential of the field. Appraisal of the field's Contingent Resources is considered necessary for confirmation of the assessed resource. An appraisal/exploration well, Manta-3, will also test the potential of a prospective resource in deeper reservoirs and inform a development decision on the field and the final firm development plan. The drilling of Manta-3 is being considered in the planning of the offshore drilling campaign for 2021 – 2022.

Exploration
Interpretation of reprocessed 3D seismic and quantitative interpretation volumes in VIC/P72 progressed during the period. Prospects identified in VIC/P72 are analogues to offset fields. The prospects identified will be ranked to determine preferred drilling targets.

VIC/P75 was granted in September 2019. The permit is located in the central area of the Gippsland Basin surrounded by major oil and gas fields, including the Marlin, Snapper and Barracouta gas fields to the north and the Kingfish and Fortescue oil fields in the south and east respectively. Good quality 3D seismic data covers most of the permit.

The permit has been granted to the Company for a six-year term, the first three years of which carries a guaranteed work program consisting of seismic reprocessing and geological/geophysical studies.

Cooper Basin
Cooper Energy's Cooper Basin interests comprise:

a) 25% interest in PRLs 85-104 (the "PEL 92 Joint Venture") with the remaining interest in the joint venture held by the Operator, Beach Energy Limited;
b) 30% interest in PRLs 231-233 (the "PEL 93 Joint Venture"), with the remaining interest in the joint venture held by the Operator, Senex Energy Limited;
c) 20% interest in PRL 237, with the remaining interests in the joint venture held by Metgasco Limited and the Operator, Senex Energy Limited[2];
d) 19.165% interest in PRLs 207-209 (formerly PEL 100), with the remaining interests in the joint venture held by Santos QNT Pty Ltd and the Operator, Senex Energy Limited; and
e) 20% interest in PRLs 183-190 (formerly PEL 110), with the remaining interest in the joint venture held by the Operator, Senex Energy Limited.

Exploration and development
The PEL 92 joint venture approved an escalated drilling program for FY20.

During the first half, 11 appraisal wells were drilled as part of a program to test the limits of the Callawonga, Butlers, Parsons and Rincon fields where performance has surpassed that expected by the known field boundaries. Three further wells have been drilled since 31 December to complete the program.

Three wells in the program, Butlers-12, Parsons-5 and Rincon-3, were cased and suspended as future oil producers. Results from the program are being analysed for incorporation into review of field mapping, development drilling decisions and year-end reserve estimates.

[2] 10% title transfer from Cooper Energy to Metgasco Limited yet to be registered and approved by the department.

Financial Performance

Cooper Energy recorded a statutory profit after tax of $6.3 million for the six months to December 2019 which compares with the loss after tax of $12.6 million recorded in the 2019 first half. The 2020 first half statutory profit included a number of significant items considered to fall outside underlying operating performance which affected the result by a total of $8.3 million. These items comprise:

- liquidated damages income of $9.9 million received from APA as a consequence of the delay to the commencement of gas production from the Orbost Gas Processing Plant;
- non-cash restoration income of $1.4 million resulting from a change in the government bond rate used to discount the Patricia Baleen field and Minerva field rehabilitation provision; and
- tax impact of the above items of $3.0 million.

The prior period result included a non-cash restoration expense of $16.5 million and a gain on exit provision of $0.8 million.

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

Underlying EBITDAX of $16.3 million was 11% higher than the prior comparative period figure of $14.7 million. This growth in earnings did not flow through to underlying profit after tax due to the impact of increased depreciation and amortisation, exploration and expenditure write-off and tax.

An underlying loss after tax of $2.0 million was recorded for the period, which compares to the underlying profit after tax of $3.1 million in the 2019 first half. The factors which contributed to the movement between the periods were:

- higher oil and gas sales revenue of $2.9 million attributed to better performance of the Casino Henry wells and higher contracted gas prices. This was partially offset by the decline in oil sales volumes and price;
- higher costs of sales of $5.6 million; largely due to non-cash factors. Amortisation and depreciation was $5.0 million higher because of increases in future development costs of undeveloped proved and probable reserves and early cessation of the Minerva Field. Gas processing costs and royalties were $0.6 million higher;
- higher net finance costs of $1.0 million and other costs of $1.4 million;
- higher exploration and evaluation write off of $2.3 million attributable to unsuccessful wells in the Cooper Basin and costs associated with the deferred Elanora well in the offshore Otway basin; and
- lower tax expense on an underlying basis of $2.3 million due to PRRT refund as a result of transferable exploration credits.

Financial Performance		FY20H1	FY19H1	Change	%
Sales volume	MMboe	0.66	0.66	0.00	0%
Sales revenue	$ million	39.1	36.2	2.9	8%
Gross profit	$ million	14.1	16.8	(2.7)	(16%)
Gross profit / Sales revenue	%	36.1	46.4	(10.3)	(22%)
Operating cash flow	$ million	31.4	(0.9)	32.3	3589%
Cash, other financial assets and investments	$ million	151.9	197.2	(45.3)	(23%)
Reported profit/(loss) after tax	$ million	6.3	(12.6)	18.9	150%
Underlying (loss)/profit after tax	$ million	(2.0)	3.1	(5.1)	(165%)
Underlying (loss)/profit before tax	$ million	1.0	5.4	(4.4)	(82%)
Underlying EBITDAX*	$ million	16.3	14.7	1.6	11%

* Earnings before interest, tax, depreciation, amortisation, restoration, exploration and evaluation expense and impairment

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.

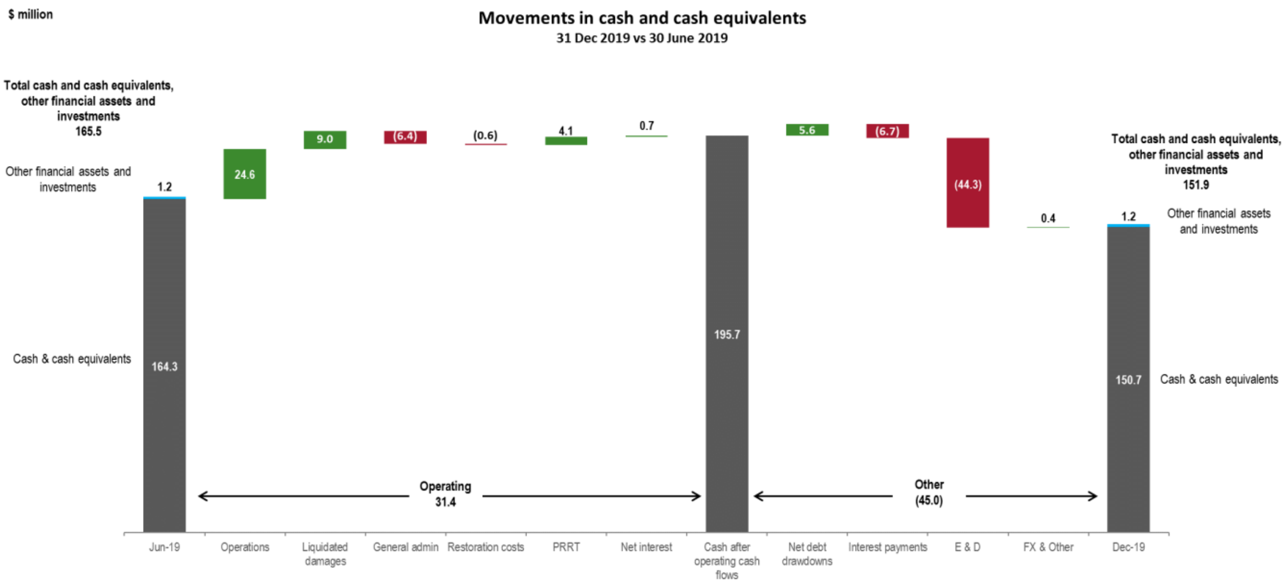
Operating cashflows for the period were $31.4 million comprising:

- cash generated from operations of $24.6 million
- liquidated damages of $9.0 million received as a consequence of the delay to the commencement of gas production from the Orbost Gas Processing Plant disclosed as a significant item above;
- general administration costs of $6.4 million;
- restoration costs of $0.6 million;
- Petroleum Resource Rent Tax (PRRT) receipts of $4.1 million as a result of transferable exploration credits; and
- net interest received of $0.7 million.

Financing, investing and other cash flows for the period were $45.0 million and included:

- debt drawdowns of $5.6 million (net of costs of $0.2 million);
- interest payments of $6.7 million;
- exploration, development and property, plant and equipment costs of $44.3 million, mainly in relation to the drilling of Annie-1, Dombey-1, and Cooper Basin appraisal wells. Other items in this category included payments made on the Minerva Gas Plant acquisition and for the Sole Gas Project; and
- foreign exchange differences and other of $0.4 million.

Cash and cash equivalents balance decreased by $13.6 million over the period as summarised in the chart below.



Financial Position

Financial Position		FY20H1	FY19	Change	%
Total assets	$ million	1,061.0	1,001.8	59.2	6%
Total liabilities	$ million	619.1	568.1	51.0	9%
Total equity	$ million	441.9	433.7	8.2	2%
Net debt	$ million	73.3	53.9	19.4	36%

Total Assets
Total assets increased by $59.2 million from $1,001.8 million to $1,061.0 million.

At 31 December the Company held cash and cash equivalents of $150.7 million and investments of $1.2 million.

Exploration and evaluation assets increased by $50.6 million from $152.3 million to $202.9 million as a result of increases associated with capital expenditure incurred on the drilling of Annie-1, Dombey-1 and Cooper Basin wells, and the re-set of the restoration provisions.

Oil and gas assets increased by $10.1 million from $613.2 million to $623.3 million mainly as a result of capital expenditure incurred on development activities.

Total Liabilities
Total liabilities increased by $51.0 million from $568.1 million to $619.1 million.

Provisions increased by $28.2 million from $287.9 million to $316.1 million, with the increase being attributable to revised gross cost assumptions for restoration provisions and changes in government bond rates.

Interest bearing loans and borrowings increased by $8.1 million from $213.7 million to $221.8 million. The movement represents drawdowns under the reserve-based lending (RBL) facility of $5.9 million, in addition to the amortisation of capitalised transaction costs of $2.2 million.

Lease liabilities of $13.6 million were recognised at 31 December 2019 as a result of adoption of AASB 16 *Leases* during the period.

Total Equity
Total equity increased by $8.2 million from $433.7 million to $441.9 million. In comparing equity at 31 December 2019 to 30 June 2019, the key movements were:

- higher contributed equity of $1.5 million due to shares issued on vesting of performance rights and share appreciation rights during the period;
- higher reserves of $0.4 million, mainly due to fair value movements in the Company's interest rate swaps for which cash flow hedge relationships apply, partially offset by the vesting of equity incentives to employees; and
- lower accumulated losses of $6.3 million due to the statutory profit for the period.

Outlook
Cooper Energy expects to record substantial growth in production, revenue and cash generation during the 6 months to 30 June 2020. The workstreams required for commitment to projects expected to deliver the next wave of growth from 2022 are to be advanced through a program outlined under Business Strategies and Prospects below.

The commencement of gas sales from Sole is forecast to trigger and underpin the anticipated production and financial growth. Revenue generation has been enhanced by the commencement of a new 12-month gas supply agreement for Casino Henry gas from 1 January 2020.

The Company plans to issue revised guidance for FY20 production after Sole gas supply has commenced and the revised production outlook is known. Expectation of production from other assets for the year is unchanged from the guidance provided in August 2019 being for output totalling a total of 1.2 million boe, comprising gas production of approximately 5 PJ and oil production of approximately 240,000 barrels. Sole is expected to add daily production of 68 terajoules per day (approximately 11,000 boepd) at plant design rates.

Drilling will be concentrated on the Cooper Basin where three exploration wells are planned. Development wells arising from the first half appraisal campaign will be considered.

Business Strategies and Prospects

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

The first gas sales from Sole will be a milestone in that strategy and fulfils a five-year effort to commercialise, develop and bring the field's gas to a market keen for new supply. This effort will deliver additional annual gas production of 24 PJ per annum for approximately 10 years, an increment of nearly four times total FY19 gas production.

The Company foresees further opportunity. Local gas production is forecast to become increasingly insufficient to meet local demand, which in turn will become increasingly dependent on gas transported from northern Australia. The Company's strategic focus on gas resources that rank amongst the most competitive sources of supply, and for which a development decision is foreseeable, have the Company well placed to increase production and gas sales in the coming years.

The period to 30 June 2020 will see Cooper Energy advance a number of projects within its portfolio that could bring additional gas production over the period 2022 to 2025. These projects, and the work proposed, include:

- an additional development well at the Henry gas field in the Otway Basin. Concept Select is targeted for completion in the current financial year in preparation for FID before the conclusion of the current calendar year;
- development of the Annie gas discovery. Completion of the Assess and Concept Select phases is expected in the current financial year in preparation for FID before the conclusion of the current calendar year;
- exploration for new gas discoveries in the offshore Otway Basin. Engagement with rig contractors and subsurface evaluation and comparison of prospects, including Elanora and Nestor, will be undertaken in preparation for a drilling campaign targeted for 2021-2022 subject to rig availability;
- the Manta gas and liquids resource, with preparation for drilling of Manta-3 appraisal and exploration well in 2021-2022; and
- Gippsland gas exploration opportunities. Ongoing subsurface analysis of prospects in VIC/P72 and VIC/P75.

In addition, projects to improve returns and cash generation are also expected to be initiated through:

- FID for the upgrade and connection of the Minerva Gas Plant and its connection to Casino Henry; and
- optimisation of Sole gas production through the Orbost Gas Processing Plant. Performance of the Sole-3 and Sole-4 gas wells during post-completion production test demonstrated capacity for the field to produce above the plant design rate of 68 TJ/day. The Company and APA intend, once output has been established at the plant design rate, to collaborate in de-bottlenecking to ascertain what optimal higher rate of production can be sustained.

The performance of these workstreams will position the Company to commit to projects that will deliver incremental gas production during the coming three years additional to that scheduled from Sole and to commit to appraisal drilling at Manta and exploration drilling in the offshore Otway Basin. Success from this campaign could enable incremental new gas production from 2025.

The Company is vigilant in identifying potential value-creation opportunities through participation in assets that fit with its strategy and portfolio. The Company reviews its portfolio and equity participation levels on an ongoing basis for optimal allocation of capital for value creation.

Funding and Capital Management

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

At 31 December 2019 the Company had cash, deposits, and equity instruments of $151.9 million and drawn debt of $224.0 million[3]. The Company has a Reserve Based Lending facility to fund a portion of the Sole gas field development with a limit of $250.0 million. Of this limit, $233.0 million is available, of which $9.0 million was undrawn at 31 December 2019. The facility can be used for general corporate purposes after project completion. Cooper Energy has additional liquidity of approximately $15 million through a working capital facility to be used for general business purposes, of which $1.5 million has been utilised in respect of bank guarantees with the remaining balance undrawn. Further information is detailed in Note 10 of the Financial Statements.

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

Risk Management

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

Policies and procedures are in place to manage these risks.

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

Reconciliation to Underlying profit/(loss)		**FY20H1**	**FY19H1**	**Change**	**%**
Net profit/(loss) after income tax	$ million	6.3	(12.6)	18.9	150%
Adjusted for:					
Gain on exit provision	$ million	-	(0.8)	0.8	100%
Liquidated damages	$ million	(9.9)	-	(9.9)	(100%)
Restoration (income)/expense	$ million	(1.4)	16.5	(17.9)	(108%)
Tax impact of underlying adjustments	$ million	3.0	-	3.0	100%
Underlying (loss)/profit	$ million	(2.0)	3.1	(5.1)	(165%)

Reconciliation to Underlying EBITDAX*		**FY20H1**	**FY19H1**	**Change**	**%**
Underlying (loss)/profit	$ million	(2.0)	3.1	(5.1)	(165%)
Add back:					
Tax impact of underlying adjustments	$ million	(3.0)	-	(3.0)	(100%)
Net finance costs	$ million	1.2	0.2	1.0	500%
Tax expense	$ million	3.0	2.3	0.7	30%
Depreciation	$ million	1.4	0.4	1.0	250%
Amortisation	$ million	12.5	7.8	4.7	60%
Exploration and evaluation expense	$ million	3.2	0.9	2.3	256%
Underlying EBITDAX*	$ million	16.3	14.7	1.6	11%

* Earnings before interest, tax, depreciation, amortisation, restoration, exploration and evaluation expense and impairment

[3] Shown as $221.8 million on the Consolidated Statement of Financial Position, net of prepaid transaction costs.

Directors' Report

For the half-year ended 31 December 2019

The Directors of Cooper Energy Limited ("the Company" or "Cooper Energy") present their report and the consolidated Financial Report for the half-year ended 31 December 2019. 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 as of the date of this report are:

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

Principal Activities

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

Review and Results of Operations

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

Significant Events After the Balance Date

Refer to Note 15 of the Notes to the Consolidated 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 Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 24 March 2016 and in accordance with the Legislative Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors

Mr John C. Conde AO
Chairman

Mr David P. Maxwell
Managing Director

24 February 2020

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Building a better working world

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

As lead auditor for the review of the half-year financial report of Cooper Energy Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

LACarr

L A Carr
Partner
Adelaide
24 February 2020

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2019

	Notes	31 December 2019 $'000	31 December 2018 $'000
Revenue from oil and gas sales	4	**39,090**	36,175
Cost of sales	4	**(24,991)**	(19,356)
Gross profit		**14,099**	16,819
Other income	4	**11,267**	810
Other expenses	4	**(14,857)**	(27,734)
Finance income	11	**1,150**	1,881
Finance costs	11	**(2,304)**	(2,126)
Profit/(Loss) before tax		**9,355**	(10,350)
Income tax (expense)/benefit	5	**(921)**	2,774
Petroleum Resource Rent Tax expense	5	**(2,100)**	(5,051)
Total tax expense		**(3,021)**	(2,277)
Profit/(Loss) after tax		**6,334**	(12,627)
Other comprehensive income/(expenditure)			
Items that will be reclassified subsequently to profit or loss			
Fair value movements on interest rate swaps accounted for in a hedge relationship		**687**	(209)
Income tax effect on fair value movement on derivative financial instrument		**(156)**	(47)
Items that will not be reclassified subsequently to profit or loss			
Fair value movement on equity instruments at fair value through other comprehensive income		**(79)**	(654)
Other comprehensive income/(expenditure) for the period net of tax		**452**	(910)
Total comprehensive gain/(loss) for the period attributable to shareholders		**6,786**	(13,537)
		Cents	Cents
Basic earnings per share		**0.4**	(0.8)
Diluted earnings per share		**0.4**	(0.8)

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 $'000	30 June 2019 $'000
Assets			
Current Assets			
Cash and cash equivalents		**150,652**	164,289
Trade and other receivables		**14,814**	21,169
Prepayments		**1,998**	3,346
Inventory		**822**	426
Total Current Assets		**168,286**	189,230
Non-Current Assets			
Other financial assets	13	**22,040**	21,740
Property, plant and equipment		**13,241**	4,580
Intangible assets		**783**	36
Right-of-use assets	2	**10,815**	-
Exploration and evaluation assets	7	**202,860**	152,268
Oil and gas assets	8	**623,329**	613,198
Deferred tax asset		**19,609**	20,757
Total Non-Current Assets		**892,677**	812,579
Total Assets		**1,060,963**	1,001,809
Liabilities			
Current Liabilities			
Trade and other payables		**41,422**	44,533
Provisions	9	**18,779**	11,131
Lease Liabilities	2	**1,027**	-
Other financial liabilities	13	**1,000**	1,758
Total Current Liabilities		**62,228**	57,422
Non-Current Liabilities			
Provisions	9	**297,332**	276,789
Government grants		**-**	430
Interest bearing loans and borrowings	10	**221,766**	213,680
Lease liabilities	2	**12,526**	-
Other financial liabilities	13	**3,507**	3,482
Deferred Petroleum Resource Rent Tax liability		**21,693**	16,293
Total Non-Current Liabilities		**556,824**	510,674
Total Liabilities		**619,052**	568,096
Net Assets		**441,911**	433,713
Equity			
Contributed equity	12	**475,862**	474,397
Reserves		**9,646**	9,247
Accumulated losses		**(43,597)**	(49,931)
Total Equity		**441,911**	433,713

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Issued Capital $'000	Reserves $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2019	**474,397**	**9,247**	**(49,931)**	**433,713**
Profit for the period	**-**	**-**	**6,334**	**6,334**
Other comprehensive income	**-**	**452**	**-**	**452**
Total comprehensive gain for the period	**-**	**452**	**6,334**	**6,786**
Transactions with owners in their capacity as owners:				
Share based payments	**-**	**1,412**	**-**	**1,412**
Transferred to issued capital	**1,465**	**(1,465)**	**-**	**-**
Balance as at 31 December 2019	**475,862**	**9,646**	**(43,597)**	**441,911**

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

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019

	31 December 2019 $'000	31 December 2018 $'000
Cash Flows from Operating Activities		
Receipts from customers	**48,369**	40,518
Payments to suppliers and employees	**(21,174)**	(24,947)
Payments of exit provision	**-**	(3,133)
Payments for restoration	**(583)**	(12,845)
Petroleum Resource Rent Tax refund/(paid)	**4,112**	(3,109)
Interest received	**1,025**	1,894
Interest paid	**(317)**	-
Net cash flows from/(used in) operating activities	**31,432**	(1,622)
Cash Flows from Investing Activities		
Transfers from escrow proceeds receivable	**-**	18,984
Receipts of consideration receivable	**804**	129
Payments for property, plant and equipment	**(4,507)**	(314)
Payments for exploration and evaluation	**(28,078)**	(2,536)
Payments for oil and gas assets	**(11,717)**	(112,564)
Interest paid	**(6,738)**	(4,746)
Net cash flows used in investing activities	**(50,236)**	(101,047)
Cash Flows from Financing Activities		
Repayment of lease liabilities	**(446)**	-
Proceeds from borrowings	**5,848**	60,564
Transaction costs associated with borrowings	**(230)**	(1,090)
Net cash flows from financing activities	**5,172**	59,474
Net decrease in cash held	**(13,632)**	(43,195)
Net foreign exchange differences	**(5)**	195
Cash and cash equivalents at 1 July	**164,289**	236,907
Cash and cash equivalents at 31 December	**150,652**	193,907

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

1. Corporate information

The consolidated financial report of Cooper Energy Limited ("Cooper Energy" or "the Group") for the half year ended 31 December 2019 was authorised for issue on 24 February 2020 in accordance with a resolution of the Directors. Cooper Energy Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

2. Basis of preparation and accounting policies

This interim financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and considered together with any public announcements made by Cooper Energy Limited during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report, except for the adoption of AASB 16 *Leases* and IFRIC 23 *Uncertainty Over Income Tax Treatments* discussed below.

New standards, interpretations and amendments thereof, adopted by the Group
The Group has adopted AASB 16 and IFRIC 23, issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

<u>AASB 16 Leases</u>
The Group adopted AASB 16 from 1 July 2019. AASB 16 introduced a single, on-balance sheet accounting model for leases, which replaced AASB 117 *Leases, Interpretation 4 Determining Whether an Arrangement contains a Lease* and *AASB Interpretation 127 Evaluation of the Substance of Transactions Involving the Legal Form of a Lease*. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease depending on whether risks and rewards incidental to ownership of the leased asset transferred to the Group. Under this approach only finance leases were recognised on the balance sheet from the lease commencement date. Upon adoption of AASB 16, the Group applied a single on-balance sheet recognition and measurement approach for all leases for which it is the lessee. The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

In accordance with the transition provisions of AASB 16 *Leases*, the Group has adopted the modified retrospective method, measuring the right of use asset as equal to the lease liability, with the cumulative effect of adopting AASB 16 recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. This resulted in the Group recognising its property leases on balance sheet, finance costs in relation to the lease and depreciation of the right-of-use asset. These property leases were previously recognised as a lease expense in the Consolidated Statement of Comprehensive Income.

Orbost Gas Processing Plant
Under AASB 16, the Group will recognise a right of use asset and corresponding lease liability in relation to the Orbost Gas Processing Plant. The Sole Gas Processing Agreement creates a right-of-use asset and will be recognised at an amount equal to the corresponding lease liability. The Group will recognise a right of use asset and lease liability under AASB 16 for the Orbost Gas Processing Plant at the date the underlying asset is available for use. The Group currently expects the agreement, which was signed prior to 1 July 2019, to result in a right of use asset and lease liability of approximately $260 million to $290 million based on current information, with recognition to occur in the second half of the 2020 financial year once the asset is available for use. The right-of-use asset and lease liability is dependent on a number of factors that will be known at the time the asset is available for use.

AASB 16 requires that the lessee's rate implicit in the lease arrangement be used to measure the present value of the lease liability, unless that cannot be determined, in which case the incremental borrowing rate should be used. In determining the discount rate applicable to the Orbost Gas Processing Plant lease liability, the Group will use the rate implicit in the lease.

The Group will recognise a depreciation expense and interest expense from the date the underlying asset is available for use.

The AASB 16 charge is calculated based on the fixed payments required under the agreements. The variable charges based on volumes of gas processed do not form part of the lease liability and will be recognised as production costs as incurred.

2. Basis of preparation and accounting policies continued

Transition period
At transition, the Group recognised a right-of-use asset representing its right to use the underlying asset and lease liabilities for all leases with a term of more than 12 months, excluding low-value leases. The group elected to apply the following available transition practical expedients:

- Applied a single discount rate to a portfolio of leases with similar characteristics. The portfolio of leases is grouped based on similar remaining lease terms, similar class of underlying asset and similar economic environment.
- Applied the short-term lease exemption to leases with a lease term that ends within 12 months at the date of initial recognition
- Applied the exemption for leases of low-value assets.

As a result, as at 1 July 2019, the following were the impacts of the transition:

	1 July 2019 $'000
Assets: Right-of-use assets	**8,135**
Liabilities: Trade and other payables	**1,243**
Liabilities: Lease liabilities	**(9,378)**

The table below reconciles the operating lease commitments as at 30 June 2019 to the lease liabilities as at 1 July 2019. There was no impact on opening retained earnings.

	$'000
Operating lease commitments as at 30 June 2019	**9,346**
Weighted average incremental borrowing rate as at 1 July 2019	**4.925%**
Discounted operating lease commitments at 1 July 2019	**5,240**
Add	
Payments in optional extension periods not recognised as at 30 June 2019	**4,138**
Lease liabilities as at 1 July 2019	**9,378**

Current period

The table below provides a summary of the impact of AASB 16 on the Group's consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows for the six months ended 31 December 2019.

Impact on the Consolidated Statement of Comprehensive Income for the six months ended 31 December 2019

	31 December 2019 $'000
Depreciation expense included in Other expenses	**(699)**
Rent expense included in Other expenses	**763**
Finance costs	**(317)**
	(253)

Impact on the Consolidated Statement of Financial Position as at 31 December 2019

	31 December 2019 $'000
Assets: Right-of-use assets	**10,815**
Liabilities: Trade and other payables	**2,485**
Liabilities: Lease liabilities	**(13,553)**
Impact on net assets	**(253)**

2. Basis of preparation and accounting policies continued

Impact on the Consolidated Statement of Cash Flows for the six months ended 31 December 2019

	31 December 2019 $'000
Net cash flows from operating activities	
Payments to suppliers and employees	**763**
Interest paid	**(317)**
Net cash flows from financing activities	
Repayment of lease liabilities	**(446)**
	-

There is no material impact on other comprehensive income and the basic and diluted EPS.

For the six months ended 31 December 2019, the following expense has been recognised in the Statement of Comprehensive Income for lease arrangements that have been classified as short-term leases or low-value assets

	31 December 2019 $'000
Short-term leases	-
Leases for low-value assets	**8**
Total expense recognised	**8**

As a consequence of adopting AASB 16 the Group has updated its accounting policy as follows to ensure alignment with the new standard. The comparatives are based on the accounting policy that was disclosed in the annual financial report for the year ended 30 June 2019.

The Group recognises right-of-use assets and corresponding lease liabilities at the commencement date of the lease (the date the underlying asset is available for use). The right-of-use assets are initially measured at a value equal to the lease liability, adjusted for any initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequently, the right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The property right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are also allocated to Cash Generating Units (CGUs) when testing for impairment. Lease liabilities are excluded from the recoverable amount of a CGU.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Subsequent to initial measurement, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (below $10,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease depending on whether the option is reasonably certain to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Group continues to reassess the lease over its term to determine if there is a significant event or change in circumstances that would impact the renewal decision. The Group has included the renewal period as part of the lease term for its property leases.

IFRIC 23 - *Uncertainty Over Income Tax Treatments*
The Group has applied IFRIC 23 from 1 July 2019. The recognition, measurement and disclosure requirements of the standard have been applied to any uncertain tax treatments. Where there are uncertain tax treatments around the determination of related tax balances requiring significant estimates and judgements to be made, these have been disclosed.

3. Segment Reporting

Identification of reportable segments and types of activities

The Group identified its reportable segments to be Cooper Basin, South-East Australia (based on the nature and geographic location of the assets) and Corporate. This forms the basis of internal Group reporting to the Managing Director who is the chief operating decision maker for the purpose of assessing performance and allocating resources between each segment. Revenue and expenses are allocated by way of their natural expense and income category.

Other prospective opportunities are also considered from time to time and, if they are secured, will then be attributed to the segment where they are located, or a new segment will be established.

The following are reportable segments:

Cooper Basin
Exploration and evaluation of oil and gas and production and sale of crude oil in the Group's permits within the Cooper Basin. Revenue is derived from the sale of crude oil to IOR Energy Pty Ltd and a consortium of buyers made up of Santos Limited (and its subsidiaries), Delhi Petroleum Pty Ltd and Lattice Energy Limited.

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

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

Accounting policies and inter-segment transactions
The accounting policies used by the Group in reporting segments internally is the same as those contained in the 2019 Annual Financial Report except for the change in the lease standard.

3. Segment reporting continued

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

	Cooper Basin $'000	South-East Australia $'000	Corporate and Other $'000	Consolidated $'000
Half-year ended 31 December 2019				
Revenue from oil and gas sales	**10,414**	**28,676**	**-**	**39,090**
Total revenue	**10,414**	**28,676**	**-**	**39,090**
Segment result before interest, tax, depreciation, amortisation and impairment	**5,782**	**28,192**	**(9,586)**	**24,388**
Depreciation and amortisation	**(1,907)**	**(10,955)**	**(1,017)**	**(13,879)**
Net finance (costs)/income	**(39)**	**(1,947)**	**832**	**(1,154)**
Profit before tax	**3,836**	**15,290**	**(9,771)**	**9,355**
Income tax expense	**-**	**-**	**-**	**(921)**
Petroleum Resource Rent Tax expense	**-**	**(2,100)**	**-**	**(2,100)**
Net profit after tax	**3,836**	**13,190**	**(9,771)**	**6,334**
Segment assets	**22,551**	**828,060**	**210,352**	**1,060,963**
Segment liabilities	**9,619**	**377,594**	**231,839**	**619,052**

	Cooper Basin $'000	South-East Australia $'000	Corporate and Other $'000	Consolidated $'000
Half-year ended 31 December 2018				
Revenue from oil and gas sales	10,564	25,611	-	36,175
Total revenue	10,564	25,611	-	36,175
Segment result before interest, tax, depreciation, amortisation and impairment	6,023	864	(8,774)	(1,887)
Depreciation and amortisation	(711)	(7,141)	(366)	(8,218)
Net finance (costs)/income	(67)	(2,059)	1,881	(245)
Profit/(loss) before tax	5,245	(8,336)	(7,259)	(10,350)
Income tax benefit	-	-	-	2,774
Petroleum Resource Rent Tax expense	-	(5,051)	-	(5,051)
Net profit/(loss) after tax	5,245	(13,387)	(7,259)	(12,627)
Segment assets	15,469	662,620	240,819	918,908
Segment liabilities	5,291	284,812	196,486	486,589

4. Revenues and Expenses

	31 December 2019 $'000	31 December 2018 $'000
Revenue from oil and gas sales		
Revenue from contracts with customers		
Oil revenue from contracts with customers	**9,583**	11,929
Gas revenue from contracts with customers	**28,676**	25,611
Total revenue from contracts with customers	**38,259**	37,540
Other revenue		
Fair value movement on receivables	**831**	(1,349)
Settlement of options	**-**	(16)
Total other revenue	**831**	(1,365)
Total revenue from oil and gas sales	**39,090**	36,175
Other income		
Liquidated damages	**9,891**	-
Restoration income	**1,376**	-
Gain on exit provision	**-**	774
Gain on movement of consideration receivable	**-**	36
Total other income	**11,267**	810
Cost of sales		
Production expenses	**(11,208)**	(10,877)
Royalties	**(921)**	(627)
Amortisation of oil and gas assets	**(12,508)**	(7,797)
Depreciation of property, plant and equipment	**(354)**	(55)
Total cost of sales	**(24,991)**	(19,356)
Other expenses		
Selling expense	**(188)**	(170)
General administration	**(8,789)**	(9,016)
Depreciation of property, plant and equipment	**(318)**	(366)
Depreciation of right-of-use assets	**(699)**	-
Care and maintenance	**(870)**	(172)
Restoration expense	**-**	(16,544)
Write-off of inventory	**-**	(41)
Exploration and evaluation expense	**(3,206)**	(887)
Fair value movement on oil price derivatives	**-**	199
Fair value adjustment of success fee liability	**(8)**	(67)
Realised and unrealised foreign currency translation (loss)/gain	**(12)**	160
Other	**(767)**	(830)
Total other expenses	**(14,857)**	(27,734)
Employee benefits expense included in general administration		
Director and employee benefits	**(10,094)**	(8,169)
Share based payments	**(1,412)**	(1,631)
Superannuation expense	**(548)**	(413)
Total employee benefits expense (gross)	**(12,054)**	(10,213)
Lease payments included in general administration		
Minimum lease payment – operating lease (i)	**-**	(471)

(i) Nil balance at 31 December 2019 due to adoption of AASB 16, note only disclosed for comparative purposes.

5. Income Tax Expense

The major components of income tax expense are:

	31 December 2019 $'000	31 December 2018 $'000
Consolidated Statement of Comprehensive Income		
Deferred income tax		
Recognition of tax losses	**6,620**	1,848
Origination and reversal of temporary differences	**(7,541)**	926
Income tax (expense)/benefit	**(921)**	2,774
Current royalty tax		
Current year	**1,903**	(3,574)
	1,903	(3,574)
Deferred royalty tax		
Origination and reversal of temporary differences	**(4,003)**	(1,477)
	(4,003)	(1,477)
Total royalty tax expense	**(2,100)**	(5,051)
Total tax expense	**(3,021)**	(2,277)
Numerical reconciliation between tax expense and pre-tax net profit		
Accounting profit/(loss) before income tax	**9,355**	(10,350)
Income tax using the domestic corporation tax rate of 30% (2019: 30%)	**(2,807)**	3,105
(Increase)/decrease in income tax expense due to:		
Non-assessable income/non-deductible (expenditure)	**266**	(592)
Recognition of royalty related income tax benefits	**1,620**	443
Permanent differences due to capital gains	**-**	(182)
Total income tax (expense)/benefit	**(921)**	2,774
Royalty related tax expense	**(2,100)**	(5,051)
Total tax expense	**(3,021)**	(2,277)

6. Asset acquisition

On 1 May 2018, the Casino Henry Joint Venture participants entered into an agreement to acquire the BHP's 90% interest in the Minerva Gas Plant from the Minerva Joint Venture on cessation of current operations processing gas from the Minerva gas field. This transaction completed on 4 December 2019 and is when control passed.

The table below shows the assets acquired as part of the transaction.

	31 December 2019 $'000
Consideration transferred	**4,113**
Inventory	**397**
Property, plant and equipment	**8,673**
Restoration provision	**(4,957)**
Net assets acquired	**4,113**

7. Exploration and evaluation assets

	31 December 2019 $'000
Reconciliation of carrying amounts at beginning and end of period:	
Carrying amount at beginning of period	**152,268**
Additions	**56,943**
Unsuccessful exploration wells written off	**(3,206)**
Transfer to oil and gas assets	**(3,145)**
Carrying amount at end of period	**202,860**

During the half-year the Group's exploration assets were assessed for impairment indicators in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*. There were no indicators of impairment identified, therefore no impairment expense was recognised.

8. Oil and Gas assets

	31 December 2019 $'000
Reconciliation of carrying amounts at beginning and end of period:	
Carrying amount at beginning of period	**613,198**
Additions	**19,494**
Transfer from exploration and evaluation	**3,145**
Amortisation	**(12,508)**
Carrying amount at end of period	**623,329**
Cost	**734,880**
Accumulated amortisation & impairment	**(111,551)**
Total	**623,329**

During the half-year the Group's oil and gas assets were assessed for impairment indicators in accordance with AASB 136 *Impairment of Assets*. There were no impairment indicators present, therefore no impairment was recognised on oil and gas assets.

9. Provisions

	31 December 2019 $'000	30 June 2019 $'000
Current Liabilities		
Employee provisions	**1,418**	1,142
Restoration provisions	**17,361**	9,989
	18,779	11,131
Non-Current Liabilities		
Employee provisions	**414**	561
Restoration provisions	**296,918**	276,228
	297,332	276,789

	31 December 2019 $'000
Movement in carrying amount of the current restoration provision:	
Carrying amount at beginning of period	**9,989**
Restoration expenditure incurred	**(662)**
Transferred from non-current provisions	**8,034**
Carrying amount at end of period	**17,361**
Movement in carrying amount of the non-current restoration provision:	
Carrying amount at beginning of period	**276,228**
New provisions recognised	**150**
Transferred to current provisions	**(8,034)**
Increase through accretion	**1,970**
Provision through asset acquisition	**4,957**
Impact of changes in restoration assumptions (i)	**21,647**
Carrying amount at end of period	**296,918**

(i) Changes in restoration assumptions results from a change in the discount rate and changes in gross cost estimates.

The discount rate used in the calculation of the provisions as at 31 December 2019 ranged from 0.91% to 1.88% (30 June 2019: 0.96% to 1.82%) reflecting a risk-free rate that aligns to the timing of restoration obligations. The reduction in the risk-free rate reflects the change in Australian government bond rates since the last assessment.

10. Interest bearing loans and borrowings

	31 December 2019 $'000	30 June 2019 $'000
Non-current (bank debt)	**221,766**	213,680

Net of capitalised transaction costs of $2.2 million (30 June 2019: $4.5 million).

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

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

Facility	Reserve Based Lending Facility
Currency	Australian Dollars
Limit[1]	$250.0 million (30 June 2019: $250.0 million)
Utilised amount	$224.0 million (30 June 2019: $218.2 million)
Accounting balance	$221.8 million (30 June 2019: $213.7 million)
Effective interest rate	6.08%
Maturity[2]	2021 – 2024

Facility	Working Capital Facility
Currency	Australian Dollars
Limit	$15.0 million (30 June 2019: $15.0 million)
Utilised amount[3]	Nil (30 June 2019: Nil)
Accounting balance	Nil (30 June 2019: Nil)
Effective interest rate	Nil
Maturity	Revolving facility

[1] As at 31 December 2019, $233.0 million of the facility limit of $250.0 million is currently available.
[2] Repayment profile based on facility utilisation and reserves profile following completion of the Sole Gas Project
[3] As at 31 December 2019, $1.5 million has been utilised by way of bank guarantees.

11. Net finance costs

	31 December 2019 $'000	31 December 2018 $'000
Finance Income		
Interest income	**1,150**	1,881
Finance Costs		
Accretion of restoration provision	**(1,970)**	(2,086)
Accretion of success fee liability	**(17)**	(40)
Finance costs associated with lease liabilities	**(317)**	-
Interest expense	**(6,738)**	(4,746)
Capitalised interest	**6,738**	4,746
Total finance costs	**(2,304)**	(2,126)
Net finance (costs)/income	**(1,154)**	(245)

12. Contributed equity

	31 December 2019 $'000	30 June 2019 $'000
Ordinary shares		
Issued and fully paid	**475,862**	474,397

	Thousands	**$'000**
Movement in ordinary shares on issue		
At 1 July 2019	1,621,551	474,397
Issuance of shares for Performance Rights and Share Appreciation Rights	5,096	1,465
At 31 December 2019	1,626,647	475,862

13. 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 are the carrying amounts and fair values of financial instruments held by the Group:

		Carrying amount		**Fair value**	
Consolidated	**Level**	**31 December 2019 $'000**	30 June 2019 $'000	**31 December 2019 $'000**	30 June 2019 $'000
Financial assets					
Trade and other receivables	**2**	**14,814**	21,169	**14,814**	21,169
Equity instruments	**1**	**1,173**	1,252	**1,173**	1,252
Escrow proceeds receivable	**2**	**20,867**	20,488	**20,867**	20,488
Financial liabilities					
Trade and other payables	**2**	**41,422**	44,533	**41,422**	44,533
Success fee financial liability	**3**	**3,507**	3,482	**3,507**	3,482
Derivative financial instruments designated in a hedge relationship	**2**	**1,000**	1,758	**1,000**	1,758
Interest bearing loans and borrowings	**2**	**221,766**	213,680	**221,651**	215,566

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

Equity instruments
Equity instruments are measured at fair value through other comprehensive income based on an election made at inception on an instrument basis 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. After initial recognition, investments are remeasured to fair value 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.

Changes in the fair value of equity investments are recognised as a separate component of equity and not recycled to profit and loss at any stage. Any dividends received are reflected in profit or loss.

Escrow proceeds receivable
During the 2018 financial year, the Group completed the sale of Orbost Gas Processing Plant to APA Group. A portion of proceeds from the sale is held in escrow, to be released upon certain conditions being satisfied. Amounts held in escrow are measured at amortised cost in the Consolidated Statement of Financial Position.

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

Success fee financial liability
The success fee liability is the fair value of the Group's liability to pay a $5.0 million success fee upon the commencement of commercial production of hydrocarbons on the Group's VIC/RL 13-15 assets acquired on 7 May 2014. The significant unobservable valuation inputs for the success fee financial liability includes: a probability of 33% that no payment is made and a probability of 67% the payment is made in 2026. The discount rate used in the calculation of the liability as at 31 December 2019 equalled 1.14% (30 June 2019: 1.02%). The financial liability is measured at fair value through profit and loss and valued using a discounted cash flow model. The value is sensitive to changes in discount rate and probability of payment.

14. Commitments and contingencies

There has been no material change to the commitments and contingencies disclosed in note 25 of the 2019 Annual Financial Report.

15. Subsequent events

There are no significant events subsequent to 31 December 2019 at the date of this report.

Directors' Declaration

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

In the opinion of the directors:

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

   i) giving a true and fair view of the financial position at 31 December 2019 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 Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr John C. Conde AO
Chairman

Mr David P. Maxwell
Managing Director

24 February 2020

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Cooper Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

L A Carr
Partner
Adelaide
24 February 2020

Corporate Directory

Directors

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

Company Secretary

Alison Evans (resigned 9 August 2019)
Amelia Jalleh (appointed 9 August 2019)

Registered Office and Business Address

Level 8, 70 Franklin Street
Adelaide, South Australia 5000

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

Auditors

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

Solicitors

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

Bankers

ABN AMRO Bank N.V., Singapore Branch
Level 26 One Raffles Quay South Tower
Singapore 048583

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

ING Bank N.V.
Level 31, 60 Margaret Street
Sydney NSW 2000

National Australia Bank Limited
Level 32, 500 Bourke Street
Melbourne VIC 3000

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

Share Registry

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

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