COOPER ENERGY

Quarterly Report March 2016

26 April 2016

Key features Q3 FY16

- **Production:** 113 kbbl in the 3 months to 31 March vs previous quarter of 122 kbbl. Year to date output up 1% to 360 kbbl vs previous year to date of 356 kbbl.
- **Revenue of $6.1 million:** down from $7.0 million in previous quarter due to lower oil price and volume sold. Average oil price of A$55.56/bbl vs A$58.63/bbl in December quarter.
- **Low operating costs being reduced**: direct operating costs of A$28.55/bbl in line with previous quarter. Year to date operating cost of A$30.09/bbl reduced 20% on pcp and G & A down 8%.
- **Sole Gas Project on plan:** cornerstone sales agreement secured with AGL; Front End Engineering and Design (FEED) 63% complete; on track for Final Investment Decision.
- **Indonesia divestment announced:** agreed sale of exploration assets for US$8.25 million; process for sale of production assets in train.
- **Financial position:** cash and investments of $27 million at 31 March, to be boosted in June quarter with anticipated proceeds from sale of Indonesian exploration assets.

Managing Director's comments

"Our third quarter results demonstrate activity is accelerating as we move closer to commitment on the first of our Gippsland Basin gas projects. We have secured the cornerstone gas sales agreement for the Sole gas field, the front end engineering and design is nearly two-thirds complete and we have finalised our funding strategy.

"Last week's report by the ACCC from its Inquiry into the east coast gas market has given added confirmation to our assessment of the opportunity for Sole and Manta. As the ACCC found, new gas supply is required to meet the needs of south eastern Australia, and the price ranges forecast support economic and value generating development of our projects.

"The increased concentration of our resources on the growth opportunities in Australia is evident, with an agreement signed for the sale of our Indonesian exploration assets, bids received for the Indonesian production assets and our withdrawal from Tunisia well advanced.

Cooper Energy Limited
ABN 93 096 170 295
ASX:COE
Level 10, 60 Waymouth Street
Adelaide, South Australia 5000
GPO Box 1819, Adelaide SA 5001
Phone: +61 8 8100 4900
Fax (Aust): +61 8 8100 4997
customerservice@cooperenergy.com.au
www.cooperenergy.com.au

“Production and cost performance continues to be solid, with year to date output up and A$ operating costs per barrel down 20%. General and administration costs were reduced further while still investing in our growth projects, with year to date cash expenditure down 8% on the previous corresponding period.

“In the coming months we expect Sole FEED will be completed, further gas contracts will be secured and the optimum funding approach will be identified, which may include selling some equity in the Gippsland gas projects. The result will be arrangements that offer the best value outcome for Cooper Energy shareholders from this transformational project.”

Further comment and information:	
David Maxwell +61 8 8100 4900	**Don Murchland +61 439 300 932**
Managing Director	**Investor Relations**

Financial

Overview

Prices, volumes and consequently revenue, for the third quarter were below the previous quarter. Year to date volume and production is slightly higher than in FY15, revenues are down 30% principally due to lower oil prices.

The oil price impact is being mitigated through a combination of hedging, reduced operating costs per barrel, reduced general and administration costs and capital expenditure in the established operations, whilst maintaining investment in the Gippsland Basin growth projects. Total capital expenditure is up 34% year to date due to the investment in growth from the Gippsland Basin.

March quarter

Sales revenue for the 3 months to 31 March 2016 was $6.1 million compared with $7.0 million in the previous quarter and $6.8 million in the March quarter 2015.

The lower quarterly revenue is mainly due to lower prices and volumes sold, with the March quarter average oil price of A$55.56/bbl being 5% lower than the December quarter average of A$58.63/bbl and 25% lower than the average of A$63.82/bbl in the previous corresponding period (pcp). The March quarter revenue and average oil price are inclusive of hedging gains of $1.2 million ($0.5 million in previous quarter).

Direct production costs, including transport and royalties, of A$28.55/bbl were in line with the previous quarter's comparative of A$28.48/bbl and 20% lower than the pcp (A$35.85/bbl).

Sales volume and production for the March quarter were below the previous quarter but higher than the pcp. Production for the quarter was 113.1 kbbl compared with 122.3 kbbl in the December quarter and 110.0 kbbl barrels in the 2015 March quarter.

Year to date

Year to date results feature increased production and reduced operating costs (including royalties) and general and administration expenditure, offset by lower sales revenue due to lower oil prices.

Total sales revenue for the first three quarters of FY16 was $20.8 million (inclusive of hedging gains of $2.0 million) compared with $29.8 million in the previous corresponding period. The average oil price received for the year to date of A$59.28/bbl was 32% lower than the previous year's comparative of A$87.07/bbl.

Direct operating costs for the first three quarters of A$30.09/bbl were 20% lower than the comparative of A$37.77/bbl. The reduction in operating costs is mainly due to lower royalties on Cooper Basin output and increased production in Indonesia. General and administration cash expenditure for the year to date was $8.2 million, 8% lower than the pcp figure of $8.9 million.

Capital expenditure

Capital expenditure for the March quarter was $8.4 million, up from $5.2 million in the December quarter. The increase is mainly due to expenditure on Sole Gas Project Front End Engineering and Design (FEED).

Year to date capital expenditure of $22.5 million is 34% higher than the 2015 comparative of $16.8 million. The increase is attributable to expenditure developing the Sole Gas Project and drilling in the Sukananti KSO (Indonesia) in the first half of the financial year.

Cash

Cash at 31 March of $25.8 million compares to the quarter's opening balance of $28.9 million. Total cash and investments at 31 March was $27.1 million compared with $30.3 million at the beginning of the quarter.

Hedging

Cooper Energy uses hedging to protect against downside oil price scenarios while retaining partial exposure to higher oil prices. The company realised hedging gains of $1.2 million from its zero cost collar options during the quarter. The total year to date hedging gain is $2.0 million.

The company has extended the tenure and volume of its hedge book during the quarter. Hedging in place at 31 March is summarised in the table below.

The effect of the hedge arrangements in place is that approximately 50% of the company's fourth quarter production is hedged at an average floor price of A$68.50/bbl.

Hedge arrangements (bbls remaining as at 31 March 2016):	**Q4 FY16**	**H1 FY17**	**H2 FY17**	**H1 FY18**	**Total**
A$80.00 – 90.57: zero cost collar options	30,000	-	-	-	30,000
A$57.00 – A$69.70: zero cost collar options	30,000	60,000	30,000	-	120,000
A$54.45 floor + 50% above floor: zero cost participating swap	-	30,000	30,000	30,000	90,000
Total	60,000	90,000	60,000	30,000	240,000

Quarterly and Year to Date Summary

Description	Units	Quarter Ending 31 Mar 2016 [1]	Quarter Ending 31 Dec 2015 [2]	Change	Year to Date 31 Mar 2016 [1]	Year to Date 31Mar 2015	Change
Production and Sales							
Oil produced	kbbl	113.1	122.3	-7%	360.4	356.0	1%
Oil sold / delivered for sale	kbbl	109.8	119.4	-8%	350.7	342.3	2%
Sales revenue[3]	$ million	6.1	7.0	-13%	20.8	29.8	-30%
Average oil price[3]	A$/bbl	55.56	58.63	-5%	59.28	87.07	-32%
Direct operating cost[4]	A$/bbl	28.55	28.48	0%	30.09	37.77	-20%
Capital Expenditure							
Exploration and Appraisal	$ million	8.4	5.2	62%	20.0	10.3	94%
Development and Fixed Assets	$ million	-	-	0%	2.5	6.5	-62%
Total Capital Expenditure		8.4	5.2	62%	22.5	16.8	34%
Financial Assets							
Cash and term deposits	$ million	25.8	28.9	-11%	25.8	47.5	-46%
Investments[5]	$ million	1.3	1.4	-7%	1.3	3.0	-57%
Total Financial Assets		27.1	30.3	-11%	27.1	50.5	-46%
Capital							
Issued shares	million	333.7	333.7	0%	333.7	331.9	0.5%
Performance Rights	million	20.5	20.5	0%	20.5	17.3	19%
Share Appreciation Rights	million	22.3	22.3	0%	22.3	-	100%

Notes:

(1) Current quarter includes preliminary production figures for PEL 92 and PEL 93 in the Cooper Basin

(2) Prior periods have been updated for final reconciled production figures

(3) Includes realised hedge gains of $1.2 million for the March quarter and $2.0 million year to date and end of period oil price adjustments on oil delivered for sale but not invoiced

(4) Direct operating cost includes production, transport and royalties

(5) Investments shown at fair value at the reporting date shown

Production, Exploration & Development

Overview

Exploration and development activities in the Cooper Basin and Otway Basin have been curtailed as capital expenditure is managed in the current low oil price environment.

Activity and expenditure is concentrating on the Gippsland Basin gas projects, most particularly Sole where FEED is approaching two-thirds complete. FEED work to date is continuing to reinforce the economic robustness of the development concept. Other workstreams for FID, such as gas marketing and funding arrangements, are advancing to plan.

The reduction to Cooper Basin activity was reflected in lower production from the region. Production from Indonesia increased, reflecting the success of appraisal and development work earlier in the year.

Australia

Production: Cooper Basin

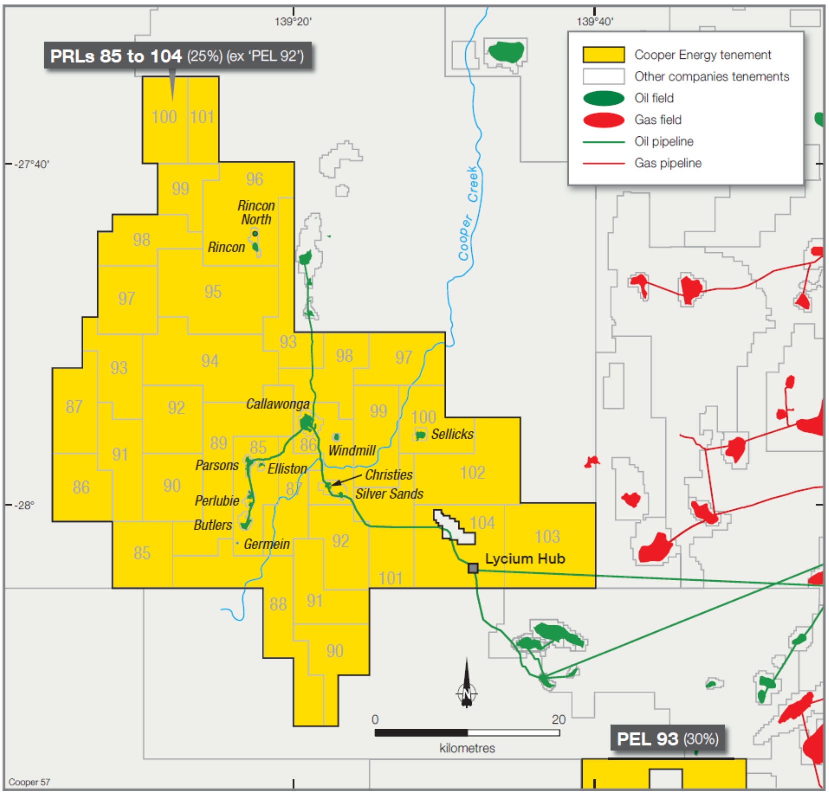
The Company's share of oil production from its Cooper Basin tenements for the March quarter was 75 kbbl (average 825 bopd) compared with 87 kbbl (average 949 bopd) in the preceding quarter and 94 kbbl (average 1,0464 bopd) in the previous corresponding period. The movement reflects natural decline following the curtailment of capital expenditure and reduced drilling activity.

Production from the PEL 92 Joint Venture (PRL's 85-104) accounted for 96% of this production. Cooper Energy's share of PEL 92 March quarter production was 72 kbbl (average 791 bopd), down from 84 kbbl in the previous quarter and compared to 87 kbbl in the previous corresponding period.

Cooper Basin: Exploration and Development

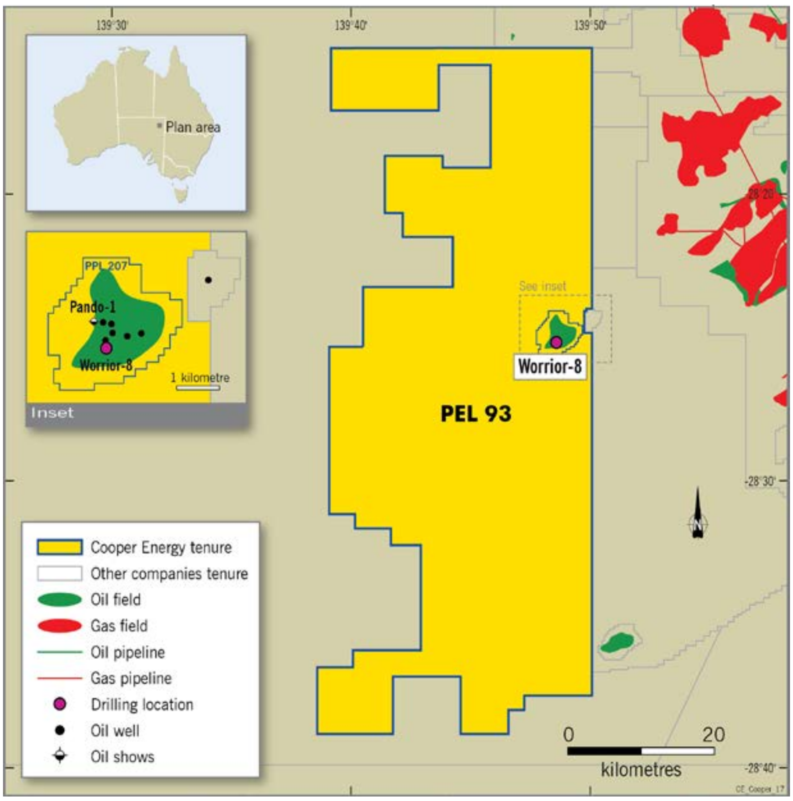
No drilling was conducted in the company's Cooper Basin permits during the March quarter.

Interpretation of the reprocessed Irus and Caseolus 3D seismic inversion data in PRLs 85 – 104 (COE interest 25%) is ongoing. The Operator is continuing its efforts to delineate new exploration prospectivity at reservoir levels deeper than the Namur Sandstone level, such as the Birkhead, Hutton and Patchawarra formations. The results of these studies will be completed in the June quarter and may lead to exploration drilling in FY17.

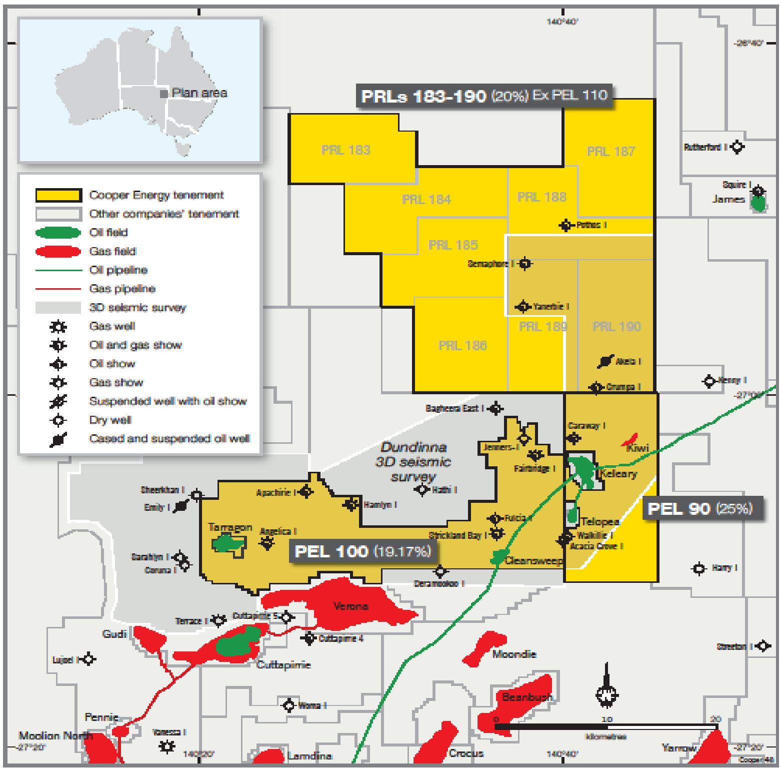


Detailed reservoir modelling of the Callawonga and Parsons fields is ongoing. These studies may lead to the delineation of additional opportunities to increase production in these fields through development and appraisal drilling.

In PPL 207, (COE interest 30%), the Operator has successfully initiated cost saving measures to lower the Worrior field operating costs and extended field production life. The Worrior-8 well was re-completed in the McKinlay Formation reservoir adding additional production of approximately 55 bopd.



In PELs 90K, 100 and 110 (COE interest 25%, 19.17% and 20%, respectively) the interpretation of the Dundinna 3D seismic survey inversion data was nearing completion. The results of these studies will form the basis of defining additional prospectivity in the permits, in particular in the Birkhead Formation.



Gippsland Basin

Cooper Energy's direct interests in the Gippsland Basin comprise:

- a 50% interest in VIC/RL3 which holds the Sole gas field, assessed to contain Contingent Resources (2C)[1] of 241 PJ (COE share: 121 PJ) of sales gas. Santos Limited is the Operator and other interest holder in the VIC/RL3;
- a 65% interest and Operatorship of VIC/L26, VIC/L27 and VIC/L28 which contains the Manta gas and liquids resource. As reported to the ASX on 15 April this interest will increase to 100% following the decision by Beach Energy to withdraw from the permit effective from October. Subsequent to the end of the quarter these production licences were superseded by the retention leases VIC/RL13, VIC/RL14 and VIC/RL15 granted by the offshore Federal titles administrator, NOPTA, over the same area.

  Manta is assessed to contain gross Contingent Resources (2C)[1] of 106 PJ of sales gas and 3.2 million barrels of oil and condensate (COE share 69 PJ and 2.08 million barrels) with additional exploration potential as discussed below under the heading "Manta". The field is the subject of an appraisal plan. An economic opportunity has been identified for sale of gas from the field to the eastern Australia gas market via the Orbost Gas Plant.
- a 50% interest in the Orbost gas plant, located onshore Victoria.

Commercialisation of Gippsland Basin gas fields

The company is pursuing commercialisation of its Gippsland Basin gas resources with a view to a Board recommendation on the final investment decision (FID) on the development of the Sole gas field in September 2016. On this basis the Sole development would commence supply in the March quarter of 2019.

Commercialisation of the Gippsland Basin gas resources is being executed through 4 principal workstreams, each of which was advanced significantly during the quarter.

1) Contracted gas sales

The company announced the second gas supply agreement for the Sole gas field and its first commercial agreement for the nearby Manta field with the signing of a binding Heads of Agreement (HoA) with AGL Energy Limited (AGL) during the quarter. The agreement, which is subject to an affirmative FID, provides for the supply of up to 53 PJ from Sole over 8 years, together with options for a two year extension and for supply of up to 4 PJ per annum from Manta.

Cooper Energy now has agreements in place for the sale of 7.6 PJ pa for the life of the Sole field which compares to the pre-FID target of 10 PJ pa. Discussions with a range of gas users are ongoing and it is expected target gas sales will be achieved well before the scheduled FID.

---

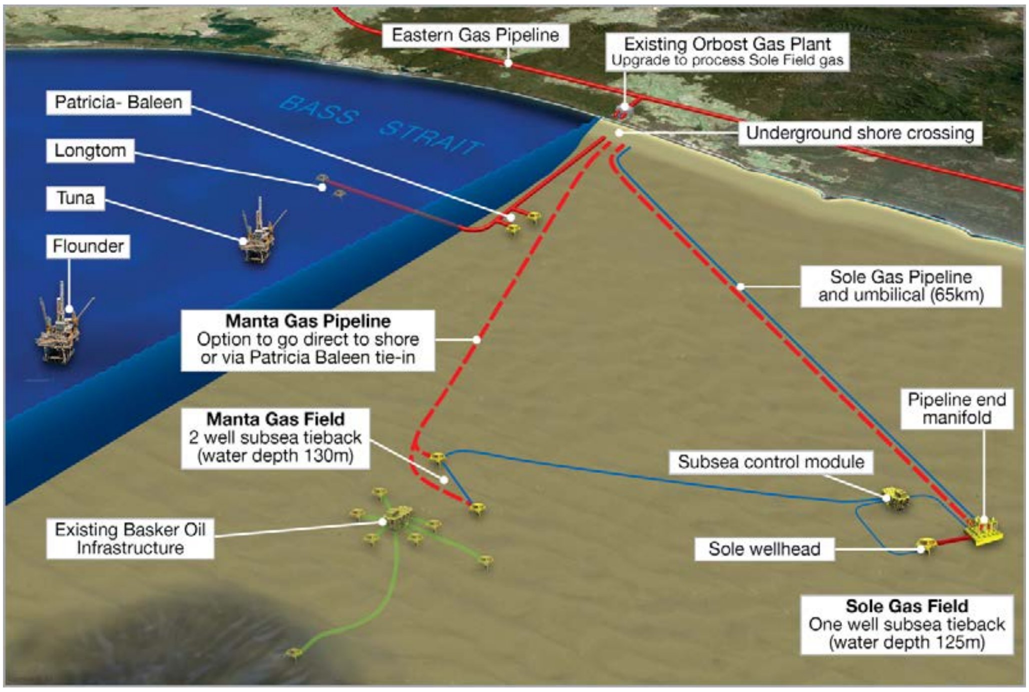
[1] Contingent Resources assessed for the Sole and Manta fields were announced to the ASX on 26 November and 16 July 2015, respectively. Cooper Energy is not aware of any new information or data that materially affects the information provided in those releases and all material assumptions and technical parameters underpinning the assessment provided in the announcement continues to apply.

2) Technical

a. Sole Project plant and facilities

Front End Engineering and Design (FEED) of the Sole gas project is expected to be completed by the end of the June quarter. The project involves field development, subsea tie-back and upgrades to the Orbost Gas Plant. FEED was 63% complete at 31 March with costs running below budget.

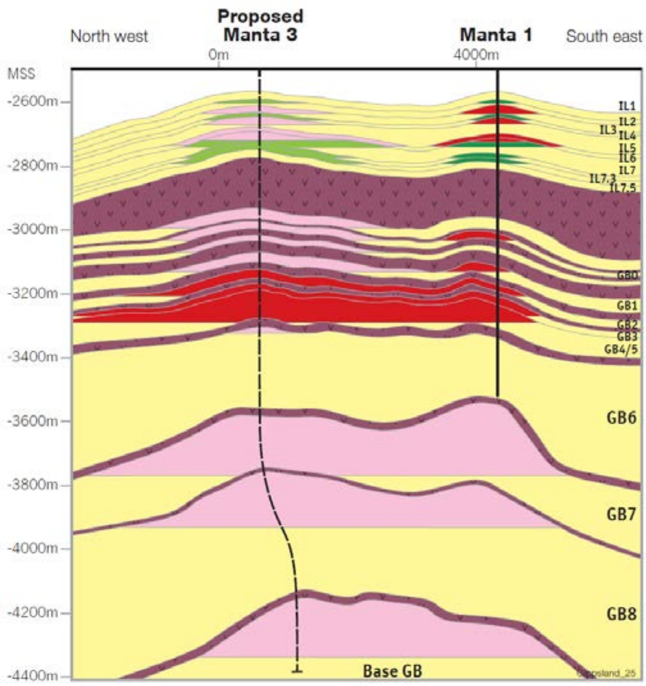
Indicative development concept for Gippsland Basin gas projects

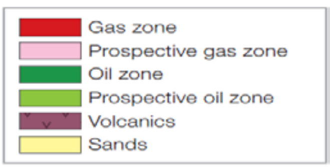


b. Manta

Technical analysis has identified the potential for gas bearing reservoirs in the Golden Beach formation below the proven gas identified by Manta-1. As shown in the accompanying illustration, the analysis indicates that untested structures have been mapped below the maximum depth of the Manta-1 discovery well. By drilling approximately 1,000 metres deeper than Manta-1 several additional targets can be tested whilst appraising the proven gas and oil at the Intra-Latrobe and Golden Beach formation levels. This evaluation is being incorporated into conceptual planning for Manta-3. The company is finalising its assessment of the prospective resources attributable to this opportunity, which will be released in due course

The intent is to co-ordinate the drilling of Manta-3 with drilling of the Sole production well in order to realise significant cost savings available through rig-sharing.





3) *Commercial structures*

As reported in the previous quarterly report, the company is offering the opportunity to participate in the Gippsland Basin gas projects through a data room on its Sole and Manta gas projects and the Orbost Gas Plant.

It is intended that this process facilitate the involvement of other parties for the purpose of optimising project funding and aligning commercial interests across the Gippsland gas assets.

Alignment of commercial interests in the Manta and Sole gas projects to enable development as a single integrated project offers significant economic benefits through the capture of cost and schedule synergies that yield a more valuable project than separate stand-alone developments. Other benefits include the opportunity for optimised exploration and development programs using the existing and proposed infrastructure.

The data room has attracted interest from a range of domestic and international parties. Outcomes from the data room initiative are expected prior to FID.

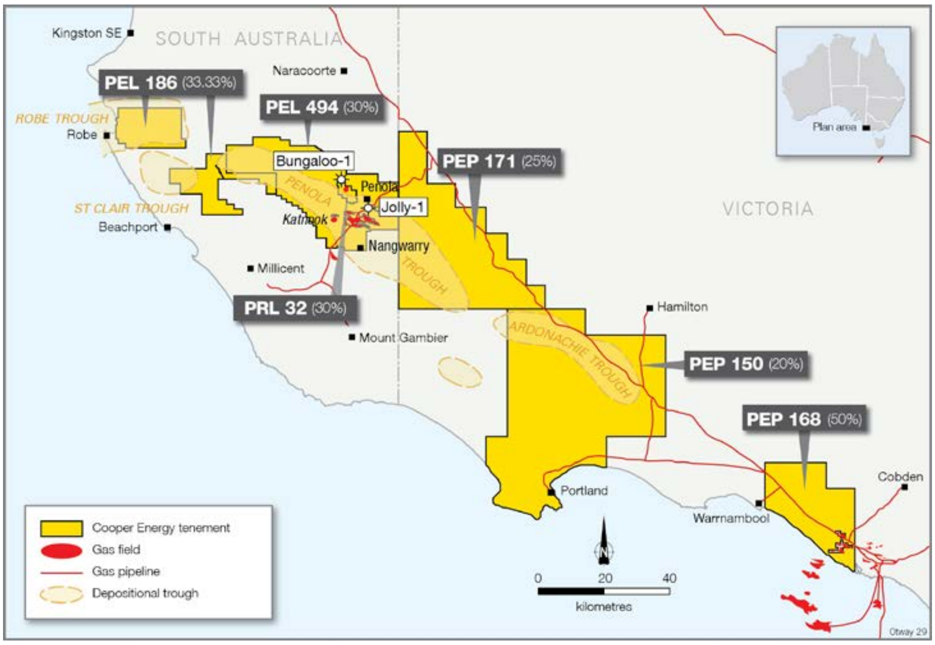
4) *Finance*

The company has completed a strategy and plan for the funding of its share of expenditure required for development of Sole, and other anticipated capital expenditure requirements. Completion of pre-FID gas contracts, commercial structures and the FEED will provide the required inputs and information for execution of the funding strategy prior to FID.

Otway Basin

Prospectivity studies of the potential of the deeper Penola Trough are ongoing, using results from the analysis of well and core data obtained from Jolly-1 and Bungaloo-1 in the Penola Trough, onshore Otway Basin, South Australia (PEL 494 Cooper Energy 30%).

Applications to suspend and extend PEPs 150, 168 and 171 for a further 12 months due to the ongoing moratorium on gas exploration are under review by the Victorian Government regulatory authority.



Indonesia

Production

Cooper Energy's share of oil production from the Tangai-Sukananti KSO (Cooper Energy 55%) during the March quarter was 38.0 kbbl (417 bopd); higher than the preceding quarter's production of 35.0 kbbl (380 bopd).

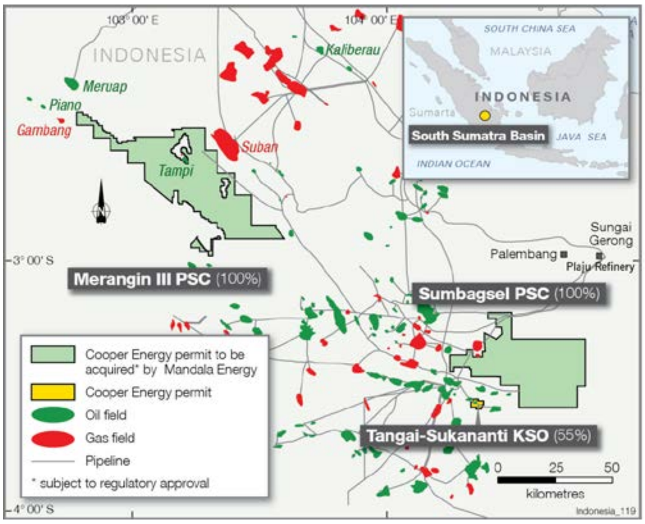
The Bunian-4 appraisal/development well in the Tangai-Sukananti KSO was completed during the September quarter. Plans are progressing to start production from this well following installation of a jet pump in the June quarter. The well will be produced from the TRM3 and GRM sandstones.

Studies to modify the production facilities to allow for future infill drilling and an anticipated production increase upwards of 1,000 bopd (100% joint venture) are ongoing. It is anticipated that modification of field facilities to increase production capacity will take place in the second half of calendar year 2016.

Divestment

The company has announced its intention to divest its Indonesian assets in order that capital and other resources can be concentrated on growth opportunities available in Australia.

The first step in this process was made during the quarter with the announcement that Cooper Energy had entered into an agreement with Mandala Energy for the sale of its Indonesian exploration assets. Subject to government approval, the Sumbagsel and Merangin III PSC's will be sold to Mandala Energy for US$8.25 million. It is expected that, subject to the necessary approvals, the transaction will complete in the June quarter.



The sales process for the remaining Indonesian asset the Tangai-Sukananti KSO is well advanced, with a number of parties engaged and the expectation of an outcome in the current quarter.

Tunisia

As previously announced, Cooper Energy intends to divest its Tunisia portfolio. The company is proceeding with its exit strategy and expects to complete a full withdrawal by year end. As detailed below, of the 3 Tunisian joint ventures Cooper Energy was involved with, one has largely completed its work program, one joint venture has not sought renewal and Cooper Energy has formally withdrawn from the third joint venture:

1) the Bargou joint venture (COE interest 30%) acquired approximately 503 km^2 of seismic data in the March quarter, leaving abandonment of the Hammamet West 3 well the sole remaining work obligation under the agreed work program for the current permit term. Cooper Energy has the option to exit in the September Quarter.

2) the Nabeul joint venture (COE interest 85%) did not extend or renew the permit and continued in discussions with the Tunisian government to settle the terms of exit from this permit.

3) Cooper Energy has withdrawn from the Hammamet Permit joint venture (COE interest was 35%) in accordance with the terms of the joint operating agreement. As reported to the ASX, the company was subsequently served with a Request for Arbitration by the remaining joint venture partners (Medco Ventures International (Barbados) Ltd and DNO Tunisia AS) seeking security from Cooper Energy for its share of a well which is yet to be drilled, as well as unspecified damages for a claimed breach of the operating agreement. Cooper Energy believes the claim to be without basis and denies any liability for activities undertaken during an extension period of the permit in which it has elected not to participate. The company intends to defend the claim vigorously.

Terms and abbreviations

Cooper Energy reports uses terms and abbreviations common to the petroleum industry and the financial sector.

Terms used include:

- 2D, 3D: two dimensional, three dimensional (with respect to seismic surveys)
- bbl: barrels
- Bcf: Billion cubic feet (of gas)
- bopd: barrels of oil per day
- FEED: Front End Engineering and Design
- FID: Final Investment Decision
- Financial year: 12 months ending 30 June
- FY16: financial year ending 30 June 2016
- FY17: financial year ending 30 June 2015
- H1: six months to 31 December
- H2: six months to 30 June3
- JV: Joint Venture
- kbbl: thousand barrels
- KSO: Kerja Sama Operasi (joint venture, Indonesia)
- m: metres
- mMDRT: measured depth in metres below the rotary table or drilling floor
- MM: million
- MMboe: Million barrels of oil equivalent
- pcp: prior corresponding period
- PEL: Petroleum Exploration Licence
- PEP: Petroleum Exploration Permit
- PRL: Petroleum Retention Licence
- PPL: Petroleum Production Licence
- PSC: Production Sharing Contract
- scf: Standard cubic feet (of gas)
- SPE: Society of Petroleum Engineers

Disclaimer

The information in this report

- Is not an offer or recommendation to purchase or subscribe for shares in Cooper Energy Limited or to retain or sell any shares that are currently held.
- Does not take into account the individual investment objectives or the financial situation of investors.
- Was prepared with due care and attention and is current at the date of the report.
- Actual results may materially vary from any forecasts (where applicable).
- Before making or varying any investment in shares of Cooper Energy Limited, all investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice.

Hydrocarbon Reporting Standard

Cooper Energy reports hydrocarbons in accordance with the SPE Petroleum Resources Management System 2007 (SPE-PRMS).

Calculation of reserves and resources

The approach for all reserve and resource calculations is consistent with the definitions and guidelines in the Society of Petroleum Engineers (SPE) 2007 Petroleum Resources Management System (PRMS). Field totals are aggregated by arithmetic summation. Aggregated 1P or 1C may be a very conservative estimate and aggregated 3P and 3C may be a very optimistic estimate due to the effects of this process on probabilistic estimates.

Sole gas field

In the Sole gas field, VIC/RL3 in the Gippsland Basin, offshore Victoria, Contingent Resources have been assessed using probabilistic simulation modelling for the Kingfish Formation at the Sole Field. This methodology incorporates a range of uncertainty relating to each of the key reservoir input parameters to predict the likely range of outcomes.

The date of the Sole Contingent Resource Assessment is 25 May 2015. The conversion factor of 1 PJ = 0.171936 MMboe has been used to convert from Sales Gas (PJ) to Oil Equivalent (MMboe). Contingent Resources assessed for the Sole field were announced to the ASX on 25 May 2015.

Manta gas and oil field

In the Manta gas field in VIC/L26 and VIC/L27 in the Gippsland Basin, offshore Victoria, Cooper Energy Limited has undertaken a Contingent and Prospective Resources assessment using deterministic simulation modelling and probabilistic resource estimation for the Intra-Latrobe and Golden Beach Sub-Group in the Manta field. This methodology incorporates a range of uncertainty relating to each of the key reservoir input parameters to predict the likely range of outcomes.

The date of the Manta Contingent Resource and Prospective Resource assessment is 16 July 2015. Contingent Resources for the Manta Fields have been aggregated by arithmetic summation. Conversion factors for the Manta fields are 1 Bcf = 1.125 PJ and 1 PJ = 0.172 MMboe. Contingent and Prospective Resources assessed for the Manta field were announced to the ASX on 16 July 2015.

Rounding

Numbers in this presentation have been rounded. As a result, some total figures may differ insignificantly from totals obtained from arithmetic addition of the rounded numbers presented.