COOPER ENERGY

ASX Announcement / Media Release

6 June 2023

Market and guidance update

- **Transfer of operatorship:** Orbost MHFL and operatorship transferred to Cooper Energy on 22 May 2023
- **Orbost performance improvement initiatives:** improvement plan underway to address plant performance
- **FY23 guidance:** production and underlying EBITDAX range narrowed and revised to 3.53 to 3.56 MMboe and A$106 to A$111 million
- **BMG abandonment update:** mid-case cost estimate expected to be A$28 to A$33 million higher (100% gross basis)

Cooper Energy Limited (ASX:COE) provides the following market update.

Orbost Gas Processing Plant

Transfer of operatorship of the Orbost plant from APA to Cooper Energy occurred on 22 May 2023, and marked the final step in acquiring the plant. The total consideration paid for the plant is now confirmed to be A$270 million, which includes two deferred payments of A$40 million and A$20 million to be paid in July 2023, and July 2024 respectively. No performance-linked payments will be made to APA.

The Orbost performance improvement plan, that has been underway in parallel with the licence transfer, can now be accelerated under Cooper Energy's control, with specific workstreams identified targeting incremental increases to average processing rates. There are six major workstreams under the performance improvement plan with work expected to occur over the rest of this calendar year. The majority of these are internal costs, with a small number of external expert consultants, and does not involve significant capital costs.

Organisational structure and target reduction to G&A

Changes to the organisational structure have been made, centred around the formation of an operations taskforce headed by Nathan Childs. This taskforce ensures a single point of accountability for operations, maintenance, and engineering to ensure an integrated approach to the performance improvement plan for the Orbost Gas Plant.

Further work is underway to streamline roles and responsibilities, as well as other costs across the business, both to reflect current priorities and the delay in growth projects, but also to ensure the organisation is future fit. These changes will contribute to a minimum reduction to G&A in FY24 of 10%, with the objective to significantly exceed that level.

FY23 Guidance

Production is tracking to the bottom end of the previous guidance, with volumes impacted by unplanned maintenance at the Athena Plant in May and less than forecast production at the Orbost Plant following the planned shutdown in April.

Full year production guidance has been narrowed, with the low end of guidance revised down 0.5%. The new production range assumes both plants perform as planned, without major downtime, while reflecting uncertainty of the OGPP polisher unit restart timing.

Underlying EBITDAX has been narrowed, with the low end of guidance revised down 7.8%. This is partly due to lower production with fewer gas volumes sold into the spot market, softer spot prices due to a mild start to winter, and higher operating expenses due in part to maintenance activities at both plants.

FY23 guidance for capex, including the OGPP transition costs, remains unchanged at A$47 – 52 million.

FY23 guidance	Current guidance 28 Feb	**Revised guidance 6 Jun**
Production (MMboe)	3.55 – 3.70	**3.53 – 3.56**
u-EBITDAX ($million)	115 – 133	**106 – 111**
Capex including OGPP transition[1] ($million)	47 – 52	**47 – 52**

BMG abandonment

The Helix Q7000 intervention vessel is now in-region and expected to commence the BMG work in September.

Over 95% of the contracts to support the work have now been awarded, with support vessels and crew locked in. A ‘readiness to operate’ assurance review has also been completed, resulting in a revised estimate of schedule and costings.

Industry inflation has driven up costs for support vessels, helicopter support, rig work and other costs. Certain cost increases have also been impacted by foreign exchange. As a result, the mid-case estimate for the scope of work is expected to increase by approximately A$28 million to A$33 million on a 100% gross basis, from the previous mid-case estimate of A$165 million.

This mid-case estimate continues to include the same percentage contingency for non-productive time and weather delays, with a reduced general contingency now that over 95% of contracts have been awarded, including the Q7000 rig contract, which was signed in September 2020, locking in rates at that time.

While our absolute focus will be on executing the programme safely and within the minimum time possible, there remains certain risks, including variables outside of Cooper Energy’s control. These risks include delays to the receipt of the rig beyond the nominated window under the rig contract, greater than expected decommissioning work, or other factors, including foreign exchange fluctuations, that could raise the total cost above the mid-case.

Cooper Energy is well funded to complete the BMG abandonment work. With no near-term maturities on outstanding debt, $242.0 million fully committed and undrawn under the facility, cash of A$90.3 million[2] and organic free cashflow generation, the business is extremely well placed to fund the current program, including high case estimates, and without the need to raise any additional capital.

Meanwhile, we continue to pursue PT Pertamina Hulu Energi for 10% of the BMG abandonment costs pursuant to a claim filed in the Victorian Supreme Court in December 2022.

Cooper Energy Managing Director and CEO, Jane Norman, commented:

“We now operate the Orbost facility with the MHF Licence transferred on 22 May 2023, and have an absolute focus on improving the operational performance at the plant to increase production, revenue and cashflow.

“Our Orbost improvement plan is the first step in unlocking the value in these assets and is underway in conjunction with a company-wide review of G&A costs aimed at right-sizing the business.

“Plant performance in May was less than forecast, including an extended unplanned outage at Athena, and consequently there has been a revision, together with a narrowing, of production and underlying EBITDAX guidance.

“We continue to participate in constructive discussions with the Federal Government regarding the Gas Code, which we understand will be announced shortly. Our aim is to support the energy transition by providing much-needed new domestic gas supply to the Southeast Australian gas market, ensuring energy is affordable, reliable and lower emission for Australian businesses and households.”

For further information, please contact our team for investors and media.

[1] A$5 – 7 million of this is expected to be treated as opex
[2] As at 31 March 2023

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Cooper Energy Limited (ASX:COE) is an exploration and production company which generates revenue from gas supply to Southeast Australia and low-cost Cooper Basin oil production. The company is an emerging player in the Southeast Australian energy sector holding a portfolio of gas supply contracts and one of the most extensive portfolios of gas-focused acreage and assets, including well located reserves and resources in the Otway and Gippsland basins. These include the Sole gas field in the Gippsland Basin which recently became the first new offshore gas development in Southeast Australia to commence production in several years, the Casino Henry operations in the offshore Otway Basin and undeveloped resources such as Manta and Annie.