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16 February 2024

Your reference: 88486

ASX Compliance

By email: listingscompliancesydney@asx.com.au

Cooper Energy Ltd (ASX:COE) (**COE** or **Company**) refers to your letter dated 12 February 2023 (**ASX Aware Query**). Unless specifically defined otherwise, capitalised terms used in this letter have the same meaning as given in the ASX Aware Query.

COE responds to each of your queries as follows:

1. Does COE still maintain a FY24 Capital Expenditure guidance of \$190 – \$210 million (paragraph E) in light of the increase in the decommissioning cost announced on 22 January 2024?

On 29 August 2023, when COE announced the FY24 Capital Expenditure guidance, it indicated that the guidance was "dominated by the BMG abandonment expenditure". Additionally, as noted in paragraph E of the ASX Aware Query, the Results Update indicated that FY24 capital expenditure and the BMG decommissioning costs were made up of substantially the same expenditure.

The effect of COE's 22 January 2024 announcement was to update COE's FY24 Capital Expenditure guidance.

2. When did COE first become aware that:

2.1 the decommissioning costs would exceed COE's mid-case cost estimate of \$193 – 198 million; and

2.2 COE would need to revise this cost estimate?

COE first became aware that the decommissioning costs would exceed its mid-case cost estimate of \$193-198m, and that it would need to revise this cost estimate, on Saturday 20 January 2023.

COE first became aware of those facts following receipt of data from decommissioning work at the first well in the decommissioning program, Basker-3, and review of that data by senior Helix personnel in Houston, which occurred overnight on Friday 19 January 2024. The data, which was shared with COE on Saturday 20 January 2024,

indicated that existing assumptions in relation to the time required for the decommissioning of each well were no longer valid. On that basis, in view of the budgeted contingencies that had been used to date (subject to verification of the additional costs), COE formed the view that there was no longer a reasonable basis for its mid-case cost estimate of \$193-198m, and COE would need to revise the cost estimate.

The revised cost estimate of \$240-280m includes a reasonable contingency for future non-productive time and waiting on weather.

- 3. Please provide and explain the basis on which COE maintained the mid-case cost estimate of \$193 198 million at the time of release of each of the following, respectively:
 - 3.1 the September Update;

3.2 the AGM Address; and

3.3 the December Update.

At each of the dates of the September Update, the AGM Address and the December Update, COE had a reasonable basis to maintain the mid-case cost estimate of \$193 - \$198m.

At each of those dates, the expected delay in the commencement of well decommissioning activities at BMG was within the contingencies allowed for waiting on weather, non-productive time, plus the general contingency in the mid-case cost estimate of \$193 - \$198m.

By the date of the December Update, given the contingencies that had been consumed to that date, COE formed the view that its basis to maintain the mid-case cost estimate of \$193 - \$198m could also be supported by operational efficiencies being pursued, which included simplification of the scope for the decommissioning that was under discussion with NOPSEMA (and which NOPSEMA subsequently approved in writing), representing potential savings of up to \$15m.

This was noted in the December Update: "In order to complete the work within the mid case cost estimate, the Company continues to pursue operational efficiencies, as well as simplifying the scope of the decommissioning, to minimise risk and to offset the delay costs incurred to date."

- 4. What enquiries did COE make, including any steps to proactively monitor risks, to satisfy itself that it could achieve the mid-case cost guidance of \$193 198 million at the time of each of the following, respectively:
 - 4.1 the September Update;
 - 4.2 the AGM Address; and

4.3 the December Update?

Since the beginning of June 2023, a project group made up of the CEO and Managing Director, Chief Financial Officer, Chief Operating Officer, Chief Exploration and Subsurface Officer, Legal Counsel and relevant project leads and contracting and procurement managers for the decommissioning project (**Project Group**) has held

weekly standing meetings. Additional ad hoc meetings have been held as required, over and above the weekly standing meeting.

The Project Group receives and considers reports of (among other things) decommissioning activities, including costs incurred to date, and expected remaining costs to complete the decommissioning.

Since October 2023, in addition to COE's general disclosure committee, a special disclosure committee made up of the CEO and Managing Director, Chief Financial Officer, Chief Exploration and Subsurface Officer, Legal Counsel and the Investor Relations Lead (**Disclosure Committee**) has held weekly standing meetings, and additional ad hoc meetings as required, to specifically review and consider COE's compliance with its continuous disclosure obligations in the context of the BMG decommissioning project.

The Disclosure Committee generally meets after the Project Group meets and receives input from key people in COE as required, including the relevant project leads for the BMG decommissioning project, contracting and procurement managers and COE's finance personnel, to inform its discussions and decisions in relation to compliance with COE's continuous disclosure obligations.

5. What was the total budgeted contingency amount included in the mid-case cost estimate of \$193 – 198 million? If there was a specific contingency amount for non-productive time and/or any other delays, please separately list them.

The mid-case estimate incorporated a 20% contingency for non-productive time and waiting on weather, added to the base activity plan. In addition, a 15% further general contingency was then added, to generate the mid-case estimate of \$193 – 198 million.

6. What were the additional costs attributed to each of the following, respectively:

6.1 the three-month delay in the Helix Q7000 arriving; and

6.2 the additional time needed for start-up activities?

Helix had nominated the window of 1st to 30th of September 2023 for the arrival of the Q7000 to commence the BMG program. As a result of this nomination date, COE called the other contractors required for the program to begin work within this window.

The additional costs attributed to:

- the delay of more than three-months from September 2023 to when the Q7000 came on contract with COE in mid-December 2023 resulted in costs incurred with other contractors, internal time charges, and sundry other items ("holding costs") of approximately \$13 million, net of COE's entitlement to liquidated damages; and
- the additional time needed for start-up activities incurred additional costs of approximately \$11 million.
- 7. What were the cumulative holding costs for other contractors incurred by COE at the time of each of the following, respectively:
 - 7.1 the September Update, where COE disclosed that the decommissioning project commencement would be delayed until mid-October 2023;

- 7.2 the November Update, where COE disclosed the Q7000 vessel would not be departing to its next destination until the middle of the week (presumably) commencing 18 November 2023; and
- 7.3 the December Update, where COE disclosed that the Q7000 vessel was now on contract with COE.

The cumulative holding costs for other contractors incurred by COE at the following times were:

- the September update \$0;
- the November update approximately \$11 million of holding costs; and
- the December update approximately \$13 million of holding costs.
- 8. Please confirm that COE is complying with the Listing Rules and, in particular, Listing Rule 3.1.

COE confirms it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

9. Please confirm that COE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of COE with delegated authority from the board to respond to ASX on disclosure matters.

COE confirms that its responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy.

Yours sincerely Cooper Energy Ltd

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Nicole Ortigosa General Counsel & Company Secretary



12 February 2024

Reference: 88486

Ms Nicole Ortigosa General Counsel & Company Secretary Cooper Energy Limited Level 8, 70 Franklin Street Adelaide SA 5000

By email: nicole.ortigosa@cooperenergy.com.au

Dear Ms Ortigosa

Cooper Energy Limited ('COE'): Aware Query

ASX refers to the following:

A. COE's announcement titled "Market and Guidance Update" released on the ASX Announcements Platform ('MAP') on 6 June 2023, which disclosed the following (emphasis added):

"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 midcase 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."

B. COE's financial report for the year ended 30 June 2023 and released on MAP on 29 August 2023, which disclosed on page 7:

"In June 2023, the Company provided an update on the cost estimates for the abandonment project, recognising industry inflation on supporting contracts such as support vessels, helicopters, rig work and other costs. The mid case cost to complete the well abandonment is estimated to be \$193-\$198 million on a 100% gross basis, with approximately \$27.9 million of this incurred in FY23."

- C. This \$193 198 million mid-case cost guidance was repeated in the following COE disclosures on MAP:
 - (i) COE's quarterly report for the three months ended 30 June 2023 released on MAP on 18 July 2023;

- (ii) COE's announcement titled "FY23 Full Year Results Update" released on MAP on 29 August 2023 (the 'Results Update');
- (iii) COE's announcement titled "Basker Manter Gummy (BMG) Wells Decommissioning Update" released on MAP on 5 September 2023 (the 'September Update');
- (iv) COE's annual report for the financial year ended 30 June 2023 released on MAP on 9 October 2023;
- (v) COE's announcement titled "Managing Director's Address to the Cooper Energy Limited Annual General Meeting" released on MAP on 9 November 2023 (the 'AGM Address'); and
- (vi) COE's announcement titled "Basker Manter Gummy (BMG) Wells Decommissioning Update" released on MAP on 15 December 2023 (the 'December Update').
- D. COE's announcement titled "Basker Manter Gummy (BMG) Wells Decommissioning Update" released on MAP on 22 January 2024, which disclosed that:

"By way of background, the Helix Q7000's late arrival at the BMG field resulted in the Company incurring more than three months of holding costs for the remaining contractor spread on the BMG programme.

In addition, more time was required during start-up activities, due to a number of factors including loading of equipment and integration of the Integrated Riser System (IRS). The Company anticipates that these start-up delays will not impact the remainder of the programme.

However, because the aforementioned delays consumed the budgeted contingency, the slow progress now experienced on Basker-3 decommissioning work to date (e.g. tethering of the IRS) mean a reforecasting of the programme for the remaining six BMG wells is required...

As a result of this re-forecasting, the Company has revised its mid-case cost estimate for the BMG decommissioning from A\$193-198 million, to approximately A\$240-280 million..."

E. The Results Update, which (on page 3) disclosed full-year guidance for the financial year ending 30 June 2024 ('FY24') that included:

"FY24 capital expenditure is naturally higher than normal as it includes the majority of the BMG abandonment, at \$190 – 210 million."

F. The September Update, which disclosed (emphasis added):

"Helix has confirmed the projected commencement of well decommissioning activities at BMG is *currently expected around mid-October*, following bunkering and equipment loading in the Port of Geelong.

•••

Cooper Energy's mid case cost estimate of A\$193 – 198 million (100% gross) includes contingencies allowing for waiting on weather, non-productive time, plus a general contingency.

The Company continues to proactively monitor, and wherever possible mitigate, external risks that may delay the wells decommissioning programme and/or cause the total cost to exceed the mid case estimate."

G. COE's announcement titled "Basker Manter Gummy (BMG) Wells Decommissioning Update" released on MAP on 20 November 2023 (the 'November Update'), which disclosed (emphasis added):

"Helix has advised that the Q7000 vessel has commenced demobilisation activities and is **expected to depart New Zealand mid-week enroute** to the Port of Geelong,...

The Company continues to proactively monitor, and wherever possible mitigate, external risks that may delay the wells decommissioning programme and/or cause the total cost to exceed the mid case estimate."

H. The December Update, which disclosed (emphasis added):

"The Helix operated **Q7000 vessel is now on contract with Cooper Energy**, having departed the Port of Geelong this morning...

Cooper Energy's **mid case cost estimate of A\$193 – 198 million (100% gross) includes contingencies allowing for waiting on weather, non-productive time**, plus a general contingency. In order **to complete the work within the mid case cost estimate, the Company continues to pursue operational efficiencies**, as well as simplifying the scope of the decommissioning, to minimise risk and to offset the delay costs incurred to date.

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, that could raise the total cost above the mid-case."

- I. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- J. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules* 3.1 - 3.1B "When does an entity become aware of information.

- K. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
 - *"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
 - 3.1A.1 One or more of the following applies:
 - It would be a breach of a law to disclose the information;
 - The information concerns an incomplete proposal or negotiation;
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - The information is generated for the internal management purposes of the entity; or
 - The information is a trade secret; and
 - 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and
 - 3.1A.3 A reasonable person would not expect the information to be disclosed."
- L. Section 14 of Guidance Note 14 ASX Market Announcements Platform which states:

"An announcement for release to the market must be accurate, complete and not misleading.

To not be misleading, opinions expressed in an announcement should be honestly held and balanced and should be clearly identified as a statement of opinion rather than a statement of fact. Any forward looking statements in an announcement, such as earnings guidance or exploration or production targets, must be based on reasonable grounds or else by law they will be deemed to be misleading.

Request for information

Having regard to the above, ASX asks COE to respond separately to each of the following questions and requests for information:

- 1. Does COE still maintain a FY24 Capital Expenditure guidance of \$190 \$210 million (paragraph E) in light of the increase in the decommissioning cost announced on 22 January 2024?
- 2. When did COE first become aware that:
 - 2.1 the decommissioning costs would exceed COE's mid-case cost estimate of \$193 198 million; and
 - 2.2 COE would need to revise this cost estimate?
- 3. Please provide and explain the basis on which COE maintained the mid-case cost estimate of \$193 198 million at the time of release of each of the following, respectively:
 - 3.1 the September Update;
 - 3.2 the AGM Address; and
 - 3.3 the December Update.
- 4. What enquiries did COE make, including any steps to proactively monitor risks, to satisfy itself that it could achieve the mid-case cost guidance of \$193 198 million at the time of each of the following, respectively:
 - 4.1 the September Update;
 - 4.2 the AGM Address; and
 - 4.3 the December Update?
- 5. What was the total budgeted contingency amount included in the mid-case cost estimate of \$193 198 million? If there was a specific contingency amount for non-productive time and/or any other delays, please separately list them.
- 6. What were the additional costs attributed to each of the following, respectively:
 - 6.1 the three-month delay in the Helix Q7000 arriving; and
 - 6.2 the additional time needed for start-up activities?
- 7. What were the cumulative holding costs for other contractors incurred by COE at the time of each of the following, respectively :
 - 7.1 the September Update, where COE disclosed that the decommissioning project commencement would be delayed until mid-October 2023;
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 - 7.3 the December Update, where COE disclosed that the Q7000 vessel was now on contract with COE.
- 8. Please confirm that COE is complying with the Listing Rules and, in particular, Listing Rule 3.1.

9. Please confirm that COE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of COE with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9.30** <u>AM</u> AEDT Friday, 16 February 2024. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, COE's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in this paragraph and may require COE to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in COE's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in COE's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to COE's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 - 3.1B. It should be noted that COE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Yours sincerely

ASX Compliance