

**Notice to company pursuant to ss 249N & P of the Corporations Act 2001 (CA)**

I/we ..... [name of 'shareholder']

of .....

..... [address]

identified by the Holder Identification Number (HIN) or Shareholder Reference Number (SRN) ..... [HIN or SRN]

in respect of any holding of the shareholder's Cooper Energy Ltd ('COE' or 'the company') ordinary fully paid shares;

hereby give notice (in accord with sections 249N & P of the CA) to the company of: the following resolutions (1: Amendment to the Constitution, 2: Capital Protection) the shareholder proposes to move at a general meeting of the company; and request (in accordance with section 249P) that the company give to all members each of the Supporting Statements following the resolutions.

**SIGNED**

..... (Signature of individual Shareholder <sup>†</sup> /company director)	..... (Signature of second shareholder in a joint holding/for a company second director or company secretary)
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† Or sole company director and sole company secretary. JOINT HOLDING: For a holding in more than one name all shareholders must sign)

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**Resolution 1 – Amendment to the Constitution**

To amend the constitution to insert the following new Clause 66A: "The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to a material risk as identified by the company and cannot either advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."

**Resolution 2 – Capital Protection**

Shareholders request the company disclose, in subsequent annual reporting, a plan that demonstrates how the company will wind up its oil and gas production assets and operations in a manner consistent with the climate goals of the Paris Agreement.

This plan should include:

- Details of how the company's capital expenditure will facilitate the efficient wind up of oil and gas operations and assets in a timeframe consistent with the Paris goals;
- Production guidance for the lifetime of oil and gas assets that is consistent with the Paris goals;

- Plans for decommissioning and rehabilitating asset sites at the end of their Paris-aligned lifetimes;
- Plans for how employees of the company will be informed of asset closures, and employee transition plans, including any compensation for job losses, training and support in seeking future employment; and
- Details of how remaining capital in the company will be returned to investors.

*(Cooper Energy Limited's Notice of 2020 Annual General Meeting is to include Resolutions 1 and 2. Shareholders voting by proxy can vote on both resolutions.)*

### **Supporting Statement 1**

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of Cooper Energy is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of Cooper Energy, the Cooper Energy board and all Cooper Energy shareholders.

Passage of this resolution – to amend the Cooper Energy constitution – will simply put Cooper Energy in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

### **Supporting statement 2**

This resolution is in the best interests of shareholders and the company, given the risk that further capital expenditure on oil and gas development and production projects would be stranded by market and policy shifts to meet the climate goals of the Paris Agreement, resulting in severe financial impacts on our company.

We request disclosure of a plan to limit capital expenditure to only support production that is demonstrably viable in a Paris-aligned scenario, and meet the company's obligations for asset site rehabilitation, employee wage and entitlement payments, and an employee transition plan.

The Paris Agreement on climate change aims to hold global warming to well below 2°C above pre-industrial levels and pursue a 1.5°C limit,<sup>1</sup> and has been ratified by 185 countries. Governments and markets, including those our company supplies, are accelerating climate action to achieve these goals.

#### Managed decline for oil and gas

*“The time to begin planning for a wind-down of gas production is, as with other fossil fuels, already upon us”* - SEI, IISD, ODI, Climate Analytics, CICERO, and UNEP<sup>2</sup>

IPCC analysis shows the remaining global carbon budget for a 66% chance of limiting warming to 1.5°C was 420 Gt CO<sub>2</sub> from 2018.<sup>3</sup> Given the CO<sub>2</sub> emissions embedded in existing and under-construction fossil fuel projects is more than double the IPCC’s 1.5°C budget,<sup>4</sup> there is no room for new or expansionary supply projects.

“We already have far more carbon facilities in operation today than we need to blow the Paris budget.” - Emeritus Professor Will Steffen, ANU<sup>5</sup>

IPCC modelling of a 1.5°C scenario shows gas use for primary energy falling globally by 25% by 2030 and 74% by 2050 (from a 2010 baseline), and oil’s role in primary energy falling 37% and 87% over the same timeframes.<sup>6</sup>

#### Markets shrinking

The decline in oil and gas use required to meet the Paris goals leaves Beach exposed to rapidly shrinking markets. Cooper’s FY19 revenue was split around 30:70 between oil and gas.<sup>7</sup> In FY19, 60% of Cooper’s gas was contracted to south-east Australia’s gas utilities, 8% contracted to industrial users, and the remaining 32% uncontracted.<sup>8</sup> The company is exposed to the global oil market,<sup>9</sup> but has focused on growing its gas production business.

ClimateWorks’ Decarbonisation Futures work shows gas use in Australian residential and commercial buildings falling to effectively zero by 2035, and industrial gas use falling around 65% by 2050 in a 1.5°C scenario.<sup>10</sup> Climate Analytics also shows Asian demand for Australian gas exports cannot be relied on to replace domestic demand in the long term, modelling a drastic decline from 2030 to close to zero between 2050 and 2060 in a Paris-aligned scenario.<sup>11</sup>

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<sup>1</sup> [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf), Article 2(1)(a)

<sup>2</sup> <http://productiongap.org/wp-content/uploads/2019/11/Production-Gap-Report-2019.pdf>, 17

<sup>3</sup> <https://www.ipcc.ch/sr15/chapter/spm/>

<sup>4</sup> <http://priceofoil.org/2018/10/17/the-skys-limit-ipcc-report-15-degrees-of-warming/>

<sup>5</sup> <https://youtu.be/wDYHW-AyeNQ?t=362>

<sup>6</sup> <https://www.ipcc.ch/sr15/chapter/spm/> (Figure SPM.3b)

<sup>7</sup> <https://www.cooperenergy.com.au/Upload/2019-Annual-Report.pdf>, 6

<sup>8</sup> Ibid

<sup>9</sup> Ibid, 45

<sup>10</sup>

<https://www.climateworksaustralia.org/resource/decarbonisation-futures-solutions-actions-and-benchmarks-for-a-net-zero-emissions-australia/>, 92, 107

<sup>11</sup> <https://climateanalytics.org/media/report-carbonbudgetforwa-climateanalytics-2019-web.pdf>

As shown in the Australian Energy Market Operator (AEMO) Gas Statement of Opportunities, all of AEMO's scenarios for the country's major electricity grid model gas consumption for electricity generation remaining below 2019 levels from now on. In fact, gas use for electricity generation is expected to fall significantly in most scenarios, with a drop of 83% from 2019 to 2029 in the Paris-aligned Step Change scenario.<sup>12</sup>

#### Increasing stranded asset risk

Cooper's growth plans threaten to waste investor capital on projects that are incompatible with a Paris-aligned energy transition. Cooper has pursued rapid growth through acquisitions and development in recent years. It plans to continue on this path with a "5 year development program that can lift gas production more than 10 times FY19 levels, excluding exploration."<sup>13</sup>

This is in addition to considerable acquisition and development capital expenditure that saw Cooper almost triple production from FY16-19. In FY17, Cooper raised over AU\$200 million of equity to finance acquisitions and development capex commitments over the following 12 months.<sup>14</sup> The company continued to invest in development and exploration assets throughout FY18 and FY19, for which an additional AU\$220 million in debt and AU\$127 million in equity have been issued. The company's average annual capex from FY17-19 (AU\$150 million) was five times that of the period FY10-16 (AU\$30 million).

#### Optimistic forecasting

Cooper's growth strategy appears to be based on long-term oil price forecasts that are inconsistent with those that can be expected under a Paris-aligned energy transition, and are unreasonably optimistic in light of current market conditions.

In the last major oil price crash - from US\$100/bl in June 2014 to below US\$50/bl in January 2015 - Cooper's revising down of oil price forecasts saw the company write off 10% of gross fixed asset value in FY15,<sup>15</sup> and a further 15% in FY16.<sup>16</sup>

Cooper's FY19 Annual Report assumed prices of US\$65/bl in FY20 and US\$68/bl (real) in FY21 and beyond.<sup>17</sup> Brent prices are currently around US\$40/bl, and Brent Crude Futures are currently trading at below \$US60/bl out to 2029.<sup>18</sup> BP has set its long term oil price

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<sup>12</sup>

[https://aemo.com.au/-/media/files/gas/national\\_planning\\_and\\_forecasting/gsoo/2020/2020-gas-statement-of-opportunities.pdf](https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2020/2020-gas-statement-of-opportunities.pdf), 28

<sup>13</sup> <https://www.asx.com.au/asxpdf/20190812/pdf/447d7x2x48g6fd.pdf>, 33

<sup>14</sup>

<https://www.cooperenergy.com.au/Upload/Documents/ReportsItem/2017.10.16-2017-Annual-Report.pdf>, 70

<sup>15</sup>

<https://www.cooperenergy.com.au/Upload/Documents/ReportsItem/Cooper-Energy-2015-Annual-Report.pdf>, 84

<sup>16</sup>

<https://www.cooperenergy.com.au/Upload/Documents/ReportsItem/2016.10.11-2016-Annual-Report.pdf>, 86-7

<sup>17</sup> Ibid, 89

<sup>18</sup> <https://www.theice.com/products/219/Brent-Crude-Futures>

forecast at US\$55/bl,<sup>19</sup> and committed to cut production by 40% by 2030.<sup>20</sup> Carbon Tracker states that, in a scenario closer to alignment with the Paris climate goals, “oil demand can be satisfied by projects that generate a 15% internal rate of return at an oil price in the [high] \$40s.”<sup>21</sup>

### Capital preservation

With the transition to a decarbonised economy shrinking our company’s markets, capital in our company must be preserved, rather than wasted on demand scenarios and price forecasts that are inconsistent with global climate goals.

Shareholders are interested in this preservation of capital, maximising future company value, and ensuring sites of operations are restored and employees supported in the energy transition. All shareholders are strongly encouraged to support this resolution.

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<sup>19</sup>

<https://www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-revises-long-term-price-assumptions.html>

<sup>20</sup>

<https://www.bp.com/en/global/corporate/news-and-insights/press-releases/from-international-oil-company-to-integrated-energy-company-bp-sets-out-strategy-for-decade-of-delivery-towards-net-zero-ambition.html>

<sup>21</sup> <https://carbontracker.org/reports/the-impair-state/>