

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 New Hope Corporation Ltd ('NHC' 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 [†] /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)

Resolution 1 – Amendment to the Constitution

To amend the constitution to insert beneath Clause 15 'General meetings' the following new sub-clause: "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 coal 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 coal operations and assets in a timeframe consistent with the Paris goals;
- Production guidance for the lifetime of coal 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.

(New Hope Corporation 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. 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 NHC 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 NHC, the NNHC board and all NHC shareholders.

Passage of this resolution – to amend the NHC constitution – will simply put NHC 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 coal 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 mine site rehabilitation, employee wage and entitlement payments, and an employee transition plan.

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

Markets disappearing

NHC claims our business is sustainable under three International Energy Agency (IEA) scenarios.² However, analysis of a Paris-aligned coal power phase-out scenario demonstrates our major export markets are on a path to complete elimination.

Climate Analytics shows that, in order to meet the Paris climate goals, coal power must be phased out globally by 2040, and fall 80% below 2010 levels by 2030.³ The Paris-aligned coal phase out dates for NHC's export markets are:

- Japan (44% of FY19 revenue): 2030
- Taiwan (25% of FY19 revenue): 2037
- China (9% of FY19 revenue): 2037
- Korea (combined with Indonesia for 8% of FY19 revenue)⁴: 2030⁵

In this scenario, almost half of NHC's current thermal coal market would be gone by 2030, over 90% by 2037, and 100% by 2040.

Even the IEA's Sustainable Development Scenario (SDS) shows coal demand decreasing to 43Mt (-74%) in Japan, and 140Mt (-67%) in Asia Pacific, excluding China, India, Indonesia and Japan, from 2018 to 2040.⁶ In the SDS, China, India and Indonesia - all significant domestic coal producers - make up 90% of Asia Pacific coal demand in 2040.⁷ These countries combined accounted for less than 18% of NHC's FY19 revenue.⁸

Growth expectations unrealistic

In stark contrast to the above scenarios, NHC claims: "For most Asian countries thermal coal will continue to be a significant component of their energy mix for many years to come, underpinned by continued investment in new coal fired power stations."⁹ The company has projected Asian thermal coal imports to grow to 55% from 2017 to 2030, with key markets Taiwan and Korea increasing 13% and 17% respectively, and Japan falling just 2%.¹⁰

Falling renewable energy prices, stricter climate change and pollution policies, and the rapid shift in global financial markets away from coal contradict NHC's unreasonably optimistic expectations of Asian coal demand.¹¹

¹ https://unfccc.int/sites/default/files/english_paris_agreement.pdf, Article 2(1)(a)

² <https://www.newhopegroup.com.au/files/files/Sustainability%20Report.pdf>, 19

³ <https://climateanalytics.org/briefings/coal-phase-out/>

⁴ <https://www.newhopegroup.com.au/files/files/Annual%20Report%202019.pdf>, 2

⁵ <https://climateanalytics.org/briefings/coal-phase-out/>

⁶ IEA WEO 2019, 224

⁷ Ibid

⁸ <https://www.newhopegroup.com.au/files/files/Annual%20Report%202019.pdf>, 2

⁹ Ibid, 17

¹⁰

[https://www.newhopegroup.com.au/files/files/20180918%20FY2018%20NHCL%20ASX%20Financial%20Results%20Presentation\(1\).pdf](https://www.newhopegroup.com.au/files/files/20180918%20FY2018%20NHCL%20ASX%20Financial%20Results%20Presentation(1).pdf), 33

¹¹ <https://ieefa.org/the-outlook-for-thermal-coal-in-southeast-asia-and-south-asia/>

The pipeline of proposed new coal power stations in Southeast Asia has halved from 2015 to 2019, while construction starts fell 85% from 2016 to 2019.¹² Japan plans to close around 100 of its 140 coal-fired power plants by 2030.¹³ Korea is phasing out domestic and overseas coal financing.¹⁴ Vietnam's latest Power Development Plan will see half of the country's planned coal power plant capacity cancelled or shelved.¹⁵ Bangladesh is reviewing 26 of its 29 planned coal plants, stating the country's intention to "move from coal-based power."¹⁶

Increasing stranded asset risk

NHC is planning to significantly increase thermal coal production "through existing resource development, new resource exploration and acquisitions."¹⁷

NHC has expanded through acquisition of a 40% stake in the Begalla project for AU\$865 million in FY16, and a further 40% for AU\$860 million in FY19. Bengalla has a planned production capacity of 10Mtpa out to 2039.¹⁸

The AU\$900 million New Acland Stage 3 project would expand that mine's production capacity to 7.5Mtpa run-of-mine (ROM),¹⁹ and extend its production life by 12 years.²⁰

NHC has submitted mining lease applications for its AU\$1.2 billion Elimatta project,²¹ which would produce up to 5Mtpa for "in excess of 32 years."²² The company is undertaking pre-feasibility studies on a further 17Mtpa ROM of coal production capacity.²³

Even without these pre-feasibility projects, NHC plans to spend over AU\$2 billion on projects that would significantly increase production out to 2039, and continue production beyond 2050. Based on the coal phase-out dates stated above, these plans could see production of up to 150Mt of coal that could not be sold into our current markets.

¹² https://endcoal.org/wp-content/uploads/2020/03/BoomAndBust_2020_English.pdf, 18

¹³

<https://www.reuters.com/article/us-japan-powerstation-coal/japan-to-shut-or-mothball-100-ageing-coal-fired-power-plants-yomiuri-idUSKBN243074>

¹⁴

<https://www.climatechangenews.com/2020/04/16/south-korea-implement-green-new-deal-ruling-party-election-win/>

¹⁵

<https://www.eco-business.com/news/vietnam-considers-scrapping-half-of-coal-power-plant-pipeline-in-favour-of-gas-and-renewables/>

¹⁶ <https://chinadialogue.net/en/energy/bangladesh-may-ditch-planned-coal-power/>

¹⁷ <https://www.newhopegroup.com.au/content/projects/operations/coal>

¹⁸ <https://www.newhopegroup.com.au/files/files/Annual%20Report%202019.pdf>, 7

¹⁹

<http://www.statedevelopment.qld.gov.au/resources/project/new-acland-coal-mine/nacp-stage-3-eis-report.pdf>, 5

²⁰ Ibid

²¹

<https://www.newhopegroup.com.au/files/files/projects/elimatta/2014/appendix/09%20Appendix%20Economic%20Impact%20Assessment.pdf>, 44

²²

<https://www.newhopegroup.com.au/files/files/projects/elimatta/2014/eis/04%20Elimatta%20EIS%202014%20Exec%20Summary.pdf>

²³ <https://www.newhopegroup.com.au/files/files/Annual%20Report%202019.pdf>, 5

Capital preservation

Recent periods of low thermal coal prices provide insight into the risk facing NHC's production plans.

Since 2010, EBITDA margins have ranged between:

- 35-38% from FY10-13, when the thermal coal price averaged US\$98.9/t/t
- 17-28% from FY14-16 (US\$64.1/t)
- 34-43% from FY17-19 (US\$92.2t)

Thermal coal prices fell to US\$66/t in December 2019 and just US\$52/t in May 2020. Based on an average of the latest major analyst forecasts available in July 2020 (including JP Morgan, UBS, and Macquarie, among others), coal prices are expected to remain below US\$75/t out to 2024. Analysts forecast NHC's revenue and EBITDA will remain well below FY19 levels out to 2022.²⁴

Many commentators recognise the thermal coal sector is in terminal decline, and is no longer cyclical.²⁵ Under the SDS, Japan thermal coal import prices are projected at US\$65/t in 2030 and US\$69/t in 2040.²⁶ As noted above, a 1.5°C scenario would see global thermal coal demand reach zero by 2040. By contrast, NHC brazenly assumes a coal price of US\$120/t in the Economic Impact Assessment for its Elimatta project.²⁷

Shareholders are interested in the 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.

²⁴ Refinitiv Smart Estimates

²⁵ <https://ieefa.org/ieefa-update-capital-flight-from-thermal-coal-is-accelerating/>

²⁶ IEA WEO 2019, 756

²⁷

<https://www.newhopegroup.com.au/files/files/projects/elimatta/2014/appendix/09%20Appendix%20I%20Economic%20Impact%20Assessment.pdf>, 41