



17 December 2020

The Manager
ASX Market Announcements Platform
ASX Limited
Sydney NSW 2000

Corporate Update - Managing Director's Statement

Important Information for all shareholders

In accordance with ASX Listing Rule 3.17.1, I provide the following important information which is being sent to shareholders of Carpentaria Resources, particularly, leading into the meeting of members on 30 December 2020.

Carpentaria Resources is at a crossroad

Along with the challenges the Company presently faces, the bigger story is that there is so much opportunity for CAP. My plan as Managing Director is to ensure that the Company realises its full potential once the EGM takes place.

It has been a frustrating and confusing time for CAP's shareholders. Shareholders deserve the facts and a plan.

A reinvigorated Board with a new Chair that works with executive management is the first step in taking the Company forward to take advantage of the Hawsons ownership consolidation.

I would therefore urge Shareholders to vote:

1. **AGAINST** resolution 1 to remove Paul Cholakos;
2. **IN FAVOUR** of resolution 2, to appoint Bryan Granzien as a director; and
3. **IN FAVOUR** of resolution 3, to remove Peter Graham as director.

Every shareholders' vote is important to keep the board independent.

Correcting the record

Bob Hair, Company Secretary, recently circulated his Members' Statement dated 8 December 2020. The facts and matters contained in Mr Hair's statement are substantiated by documentary evidence.

In **stark contrast**, Peter Graham has recently circulated information that warrants correction.

Pure Metals transaction

- The Board has, at all times, unanimously supported the transaction with Pure Metals and supported Linda Lau's appointment to the Board.

- Mr Graham and Ms Lau failed to convince Starlight to participate in the Hawsons ownership consolidation in CAP, causing extra cost and delay.
- Pure Metals and direct associates will own circa 28.5% of your company post transaction (subject to FIRB approval).

Corporate governance

- CAP Management has followed relevant protocols for all transactions, in difficult circumstances.
- All ASX Announcements have had proper authorisation, notwithstanding the clear dispute between Board members. The ASX confirmed the process on 9-10 December 2020 and understands the Board is deadlocked.
- There is no “long list of corporate governance breaches”.
- Maintaining proper governance has required extra focus during Mr Graham’s time as Chair because of his approach and non-independent status.

Board impasse

- During Peter Graham’s tenure, the Board has been dysfunctional and not operating as it should.
- Mr Graham has shown little interest in collaborative decision-making, little interest in engaging in my plan to move the project forward and has not put forward his own plan.
- His agenda is not clear. He criticises performance, yet has run interference that torpedoed a mature, carefully constructed offtake deal that shareholders were waiting for and would have propelled the company forward.
- I witnessed Mr Graham, in a meeting, effectively reject the CEO and a board member of an international steelmaker without a replacement investor. In July 2020, they were intending to recommend a significant investment in CAP to their owner and “target(ed) to close all open (negotiation) points” within 10 days as confirmed in an email from the counterparty prior to the meeting.
- Mr Graham wasted the opportunity to bring the board together after the AGM.
- For these reasons, I would rather give notice to leave under my employment contract as Managing Director than continue with Peter Graham as chair.

The Way Forward

As Shareholders, you have a choice to support moving the project forward with urgency and a strengthened independent board or Mr Graham’s intentions to “have discussions with interested counterparties over the next 12 months” (refer Chairman’s AGM address, 2 November, 2020).

The Hawsons ownership transaction improves the investment case and if Mr Graham is voted off the Board, then the remaining and new directors will hear my plan to:

- exploit this new-found investment case in the current high iron ore price environment; and
- move the Hawsons Iron project forward as quickly and in the least dilutive way as practicable for Shareholders, building on existing offtake, equity and other relationships.

The more the project moves forward and threatens the status quo, the sooner the miners, traders and steel makers watching Hawsons are forced off the sidelines to compete and invest to:

- protect/grow their market share in valuable competitive highest-grade ore; and/or
- secure equity supply to support business plans,

and the sooner CAP can reach its full potential.

I look forward to working with Mr Granzen and a Board that will engage with, improve/adjust, set timelines and support implementation of the plan.

Thank you for your part in helping us to deliver to all Shareholders the way forward for CAP.

Quentin Hill

Managing Director

The Company's extraordinary general meeting will be held this year online at 11.00am on Wednesday, 30 December 2020. The Company is pleased to provide Shareholders with the opportunity to participate in the meeting virtually through an online platform at <https://aqmlive.link/CAP2020>.

To view the notice of meeting setting out the business to be considered at the meeting and for information on how to join our EGM virtually is provided in the Virtual Meeting Online Guide on <https://carpentariaresources.investorportal.com.au/share-price-and-announcements/#>.

Voting is done by proxy form or electronically at <https://investorcentre.linkmarketservices.com.au/Login/Login>

Released by authority of the Managing Director

Carpentaria Resources Ltd

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