



ASX ANNOUNCEMENT

27 February 2013

The Manager
ASX Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Please find an amended Chairman's letter for the Requisitioned General Meeting.

The amendment is to the date in the Chairman's letter on the front page that was lodged earlier. The previous letter had the incorrect date for the meeting.

The meeting details are:

Date of Meeting: Wednesday, 27 March 2013
Time of Meeting: 10:30 am
Place of Meeting: The Queensland Irish Association Club
175 Elizabeth Street, Brisbane, QLD 4000

For further information please contact:

Chris J Powell
Company Secretary / CFO
Carpentaria Exploration Limited
+61 7 3220 2022

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26 February 2013



CHAIRMAN'S LETTER TO SHAREHOLDERS

Protect Your Investment in Carpentaria Exploration Limited

- **Silvergate is attempting to take control of your company and our pre-emptive right over 40% of the Hawsons Iron Project (HIP) without paying a fair price to all shareholders.**
- **It appears Silvergate is motivated by self-interest and is seeking to promote its interests above those of other shareholders. Should Silvergate prevail, your investment would be controlled by a shareholder with less than 20% of the issued shares, demonstrating complete disregard for good corporate governance practice and in direct contravention of the Company's Constitution.**
- **The proposed Silvergate Board nominees should not be considered independent and therefore could not be expected to represent the interests of all shareholders.**
- **Your current independent Board has 140 years of collective experience in the resource industry during which Directors have successfully delivered major development projects and completed commercial transactions in Australasia and the Americas.**

The Recommending Directors oppose Silvergate's resolutions and recommend you vote AGAINST all resolutions

Dear Shareholder

I am writing to update you on the General Meeting ('Meeting') of shareholders which was requisitioned by one of our major shareholders, Silvergate Capital ('Silvergate'), on 12 February, 2013. Attached is a Notice of Meeting for the Meeting scheduled to be held on Wednesday, 27 March 2013. I should note that the same company requisitioned a General Meeting held less than three months ago.

CONNECT WITH US:



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At this latest meeting Silvergate intends to obtain effective control of Carpentaria and the Hawsons Iron Project (HIP) by seeking the removal of four current Board members, that is me (Nick Sheard), Mr Bob Hair, Dr Neil Williams and Mr Paul Cholakos, and the installation of Silvergate nominees Mr Wilson Cheung and Mr Eric Walsh.

What is Silvergate's Real Motivation in Seeking to Control the Board?

The Silvergate proposal appears to have no obvious value to the majority of Carpentaria shareholders and seems to be motivated by self-interest regarding the HIP Joint Venture rights.

The facts are clear. Silvergate, in its Members Statement ('Statement'), which is contained in the attached Notice of Meeting ('NOM'), states it is opposed to Carpentaria exercising its pre-emptive right over the Bonython Metals Group's ('BMG') 40% share in the HIP Joint Venture.

Pure Metals, a company financially supported by Silvergate and related parties, has been awarded the winning bid for BMG's stake in the HIP Joint Venture at \$3.25m cash (plus other non-cash components). This bid is subject to Carpentaria's pre-emptive right, which allows Carpentaria to acquire the 40% share simply by matching the offer. We believe that the \$3.25m cash component represents excellent value for the 40% share that will deliver Carpentaria 100% value and 100% control over the HIP Joint Venture. Carpentaria is currently taking commercial and legal advice confirming its rights and obligations in relation to the proposal.

Should Silvergate be successful in removing 4 members of the existing Board, they will be in a position to promote their interests above those of other shareholders and erode significant opportunity and value to your investment. Despite their clear conflict of interest in relation to decisions regarding the pre-emptive right and renegotiation of the HIP Joint Venture, there will be no one on the Board representing non-aligned shareholders' interests to hold them to account.

Should Silvergate wish to control the Carpentaria Board and the pre-emptive right over the HIP Joint Venture, then they should offer a fair price to all shareholders.

Why you need to Protect your Investment by Voting Against these Resolutions

A vote against all resolutions will, in the event that Carpentaria exercises its pre-emptive right to acquire the 40% BMG interest in the HIP Joint Venture and secure 100% value for shareholders, greatly enhance the prospects of a lucrative development plan being executed for this asset. It will also ensure that if third parties wish to control the Company at some future time, an appropriate takeover premium would be paid.

As I noted at the time of the 2012 General Meeting, I believe that allowing the current Board to pursue its growth strategy is the best way for ALL shareholders to gain wealth from their investment in Carpentaria.

For these reasons I recommend you vote in accordance with the voting instructions enclosed with this letter. Your vote counts now more than ever to protect your investment against the self-interest of a single shareholder.

If you have any queries regarding the Meeting, the recommendations or need assistance with the proxy form, please call the Shareholder Information Line on 1300 560 339.

Your Directors look forward to receiving your support for the defeat of these unwarranted resolutions and to being permitted to continue the growth and development of our Company.

Recommending Directors in this letter means myself, Mr Robert Hair, Dr Neil Williams and Mr Paul Cholakos.

Recommending Directors recommend you vote against all resolutions.

Yours sincerely,



Nick Sheard
Executive Chairman

The attachments to this letter contain additional information of relevance including:

- Review of Silvergate's Members Statement
- Silvergate's Stated Reasons and Carpentaria's Responses
- Hawsons' Iron Project Joint Venture Rights and Obligations
- Carpentaria Directors' Biographical Notes

Please take the time to read this material carefully in the context of considering how to exercise your vote at this critical time in your company's history.

Attachment 1

Review of Silvergate's Members Statement

Silvergate's Statement, which is contained in the attached Notice of Meeting ('NOM'), does not explain why the existing Directors are not fulfilling their roles. In fact less than three months ago, Silvergate expressed great confidence in me as Executive Chairman and in the current Board.

The Board proposed by Silvergate would consist of only three Directors - two nominated by Silvergate and current Director Mr Bin Cai, instead of the current five, including three independent Directors. This would breach ASX Corporate Governance Council recommendations and the Carpentaria Constitution.

Corporate governance principles, policies and constitutions are designed to protect the interests of all shareholders over those of a few.

The new Board would include two Directors who have commercial and business relationships with Silvergate - neither should be considered independent. Silvergate is seeking to deliver to itself 66% of Board voting rights. This is arguably a very disproportionate and unjust percentage given it holds less than 20% of the Company.

There would be no safeguards in place to ensure that minority shareholders' interests were protected as required by law. The Carpentaria Constitution is also designed to protect minority shareholders' interests and provides that where there is a minimum of three Directors comprising the Board, two of these must be Independent. Neither Mr Cheung or Mr Cai would be classified as Independent, hence the Silvergate proposal will contravene the Constitution, should all four resolutions be passed.

The requisition and Statement effectively vindicate the view, strongly denied by Silvergate at the time of the previous requisitioned general meeting, that in proposing the installation of its aligned interests to the Carpentaria Board, Silvergate is seeking control of the Board voting rights. These two directors would be able to promote Silvergate's interests, unchallenged, over those of other shareholders.

Silvergate's proposed resolutions for this Meeting would, if approved, give them effective control of the Company, **with no premium having been paid for giving up control and no stated development plan for Carpentaria's primary asset, our interest in the HIP Joint Venture.**

Attachment 2

Silvergate's Reasons and Carpentaria's Responses:

Silvergate Reason 1

The HIP is key to unlocking both the Company's future and shareholder value

Carpentaria Response 1

CAP agrees with this proposition. That is precisely why the Board is actively considering the exercise of its pre-emptive right to acquire the 40% interest in the HIP Joint Venture it does not already own.

Silvergate Reason 2

The existing Board does not have the skills and experience necessary to develop the HIP

Carpentaria Response 2

The current CAP Board is eminently well-qualified and experienced. All of your directors bring a wealth of discovery, development, operational and commercial experience and skill to the Carpentaria Board's deliberations. Their collective experience consists of over 140 years of resource industry experience which is not only unusual and extraordinarily beneficial for a company of Carpentaria's market capitalisation, but also vital to ensure that commercialisation of the HIP Joint Venture is done most effectively on behalf of all Carpentaria shareholders.

Short biographical notes on the current Directors are provided at the end of this attachment; however, all the Board members subject to Silvergate's resolutions have collectively, direct experience covering all aspects of development projects ranging in size from \$100m to over \$1billion.

The non-Independent Board proposed by Silvergate would consist of two accountants and a political Journalist. Whilst we in no way disparage their skills and character, it seems this group is not appropriately equipped, compared to the existing Board, to direct the development of this valuable asset.

Silvergate Reason 3

Shareholders now face the imminent risk of being diluted if the CAP Board exercises its pre-emptive right over BMG's interest in the HIP Joint Venture, as CAP will need to raise capital to exercise its right

Carpentaria Response 3

The Company has the opportunity to exercise its right within the 45-day period during which the liquidator's offer will remain open and has the financial capacity to pay the \$3.25 million cash component of the offer from the liquidator to acquire BMG's joint venture interest. Regardless, it is likely that a capital raising will be required to ensure funding of working capital and ongoing commitments.

Shareholders are well aware of the potential value of the Hawsons Iron Project. The Board considers the potential acquisition of BMG's joint venture interest to be a unique opportunity.

However, Recommending Directors believe that Shareholders may face serious dilution of Shareholder wealth if Silvergate succeeds in passing Resolutions 1 to 6. This would lead to a loss of representation on the Board and, as a consequence, a complete "dilution of control" over decisions that will affect the future value of Shareholders' investment in the Company.

Silvergate Reason 4

A dilutionary capital raising is unnecessary and against the interests of shareholders

Carpentaria Response 4

Good governance requires that a Board manage its cash needs in a way which is for the benefit of all shareholders and sustains and grows the value of the Company. This may from time to time require the consideration of raising capital.

The suggestion that shareholders will automatically face dilution is misleading as it ignores the largely non-dilutionary capital raising options such as a rights issue or combined placement plus Share Purchase Plan. Any potential dilution will depend on the form of equity raising pursued, the mechanisms employed and each shareholder's particular circumstances including their ability to participate at that time.

The Carpentaria Board, in reviewing its capital requirements, will have as its primary concern the minimisation of any potential dilution and that funds raised will be committed to the growth and development of the Company.

Shareholders will note that, to date, Carpentaria has neither sought nor required additional equity contributions and will only do so where it is considered to be in the best interests of all Shareholders.

Silvergate Reason 5

If CAP exercises its pre-emptive rights and acquires 100% of the HIP it will have done so without having a development partner ready, willing and able to advance the project

Carpentaria Response 5

Should CAP choose to exercise its pre-emptive right and acquire 100% of the HIP Joint Venture (without Silvergate's involvement) this would enhance the prospect of CAP's executing a favourable and lucrative development plan with credible third parties at some future time.

Carpentaria's Board is well placed to secure full value for shareholders from the HIP Joint Venture. In broad terms Carpentaria favours a model where a partner earns its participation in the joint venture by contributing funding to progress studies in the near term.

We have noted that previous proposals put to the Board by Silvergate in relation to this matter have been highly conditional, incomplete and did not include any contractual obligation on Silvergate to deliver a "development partner" to advance the project.

Attachment 3

Hawsons Iron Project Joint Venture Rights and Obligations

Shareholders should note that on 21 February, 2013, Carpentaria advised the Australian Securities Exchange that it had received an offer from the liquidators appointed to the BMG to purchase BMG's HIP Joint Venture interest on the same terms as an offer already received by the liquidator from Pure Metals, backed by Silvergate and relying on financial support supplied by Ample Source International (ASI).

Under its pre-emptive right, and provided that the offer made by Pure Metals is a *bona fide* offer and satisfies certain conditions, Carpentaria has 45 days to decide whether to accept or reject the liquidator's offer and is currently taking commercial and legal advice regarding its rights and obligations in relation to the offer .

ASI, which would fund the Pure Metals' offer for BMG's interest in Hawsons, is owned by Mr Wilson Cheung, who is also the beneficial owner of Silvergate. At the forthcoming Meeting, Mr Cheung will be proposed by Silvergate as a Director of Carpentaria. Mr Eric Walsh, the other Director being proposed by Silvergate, includes ASI as his client on the Australian Government Lobbyists Register.

The current status of the Joint Venture is that an incoming party assumes BMG's rights and obligations such that they:

- have no mechanism to proceed past 40%,
- must sell its share to a *bona fide* third party acceptable to Carpentaria for the money they have put in (currently \$13m) if an offer is presented to them, and
- must fund all expenditure to the production of 20 million tonnes concentrate per annum.

Shareholders will recall that it was BMG's election to not proceed in the joint venture, including non-payment of \$25m by May 2012 and a further \$20m to fund the Bankable Feasibility Study, that contributed to where BMG is today.

Mr Wilson Cheung who is nominated as a replacement director on the Carpentaria Board, is the sole/major shareholder of Silvergate Capital which was an investor in, and primary source of finance for, the failed BMG.

Attachment 4

Carpentaria Directors Biographical Notes

Nick Sheard

Nick has over 38 years experience in the mining industry – most recently Vice President -Exploration for Inco Limited, formerly the world's second largest producer of nickel. Prior to that Nick was the Global Exploration manager for MIM Holdings Limited, after being initially employed by MIM as Chief Geophysicist. Mr Sheard is a Non-Executive Director of Mirabela Nickel Ltd

During his time as a Non-executive Director of Mirabela Nickel, Nick has overseen the successful development of the \$800m Santa Rita Nickel Mine in Brazil.

Bob Hair

A founding Director of CAP and has significant Australian and international legal and commercial experience in several major mining and exploration companies, including as General Manager Commercial and CFO of a successful ASX-listed exploration company and as Managing Director and non-executive director of several resource companies listed on ASX and other stock exchanges. He is currently MD of Ferrum Crescent Limited, which is listed on ASX, AIM and JSE.

Bob made commercial, legal and organisational contributions to development and implementation of \$1.3bn Alumbra copper-gold mine in Argentina.

Dr Neil Williams

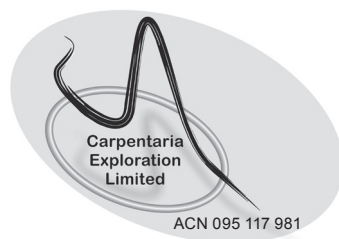
Brings to CAP the benefit of a distinguished career covering all aspects of mineral exploration, both in Australia and internationally, including serving as Chief Geologist – Exploration for MIM and most recently as CEO of Geoscience Australia, Australia's peak Geoscience organisation. He is a leading member of the exploration community and brings to the Board an extraordinary level of knowledge and experience.

Dr Williams oversaw the 'on time on budget' delivery of a \$120m government construction project and made geological contributions to the development of the McArthur River Zinc Mine in the Northern Territory.

Paul Cholakov

25 years of resources industry experience including managing complex development projects for leading oil and gas and diversified mining companies. He is currently Executive General Manager Project Development at Oil Search Limited.

Oil Search has a 29% interest in the developing multi-billion dollar PNG LNG project in partnership with ExxonMobil.



LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



By mail:

Carpentaria Exploration Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474

SHAREHOLDER PROXY FORM

I/We being a member(s) of Carpentaria Exploration Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐

**the Chairman
of the Meeting
(mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at **10:30am on Wednesday, 27 March 2013**, at The Queensland Irish Association Club, 175 Elizabeth Street, Brisbane, Queensland 4000 and at any adjournment or postponement of the meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING DIRECTIONS

	For	Against	Abstain*		For	Against	Abstain*
Resolution 1 Election of Director - Mr Wilson Cheung	☐	☐	☐	Resolution 4 Removal of Director - Mr Robert William Hair	☐	☐	☐
Resolution 2 Election of Director - Mr Eric Walsh	☐	☐	☐	Resolution 5 Removal of Director - Dr Neil Williams	☐	☐	☐
Resolution 3 Removal of Director - Mr Stuart Nicholas Sheard	☐	☐	☐	Resolution 6 Removal of Director - Mr Paul Cholakos	☐	☐	☐

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

CAP PRX301



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Monday, 25 March 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE  www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Carpentaria Exploration Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you.
This will assist in registering your attendance.