

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 26 March 2013. I should note that the same company requisitioned a General Meeting held less than three months ago.

CONNECT WITH US:



94626371/v1

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We find it, We prove it, We make it possible



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.



CARPENTARIA EXPLORATION LIMITED GENERAL MEETING 27 March 2013

The Recommending Directors of Carpentaria Exploration Limited

RECOMMENDS THAT YOU VOTE AS SET OUT BELOW

HOW TO VOTE

Resolution 1: Election of Director

"That Mr Wilson Cheung be appointed as a director of the Company with effect from the close of the meeting."

For	Against	Abstain
☐	☒	☐

Resolution 2: Election of Director

"That Mr Eric Walsh be appointed as a director of the Company with effect from the close of the meeting."

☐	☒	☐
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Resolution 3: Removal of Director

"That Mr Stuart Nicholas Sheard be removed from office as a director of the Company with effect from the close of the meeting."

☐	☒	☐
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Resolution 4: Removal of Director

"That Mr Robert William Hair be removed from office as a director of the Company with effect from the close of the meeting."

☐	☒	☐
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Resolution 5: Removal of Director

"That, conditional on passage of at least one of Resolutions (1) or (2), Dr Neil Williams be removed from office as a director of the Company with effect from the close of the meeting."

☐	☒	☐
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Resolution 6: Removal of Director

"That, conditional on passage of both Resolutions (1) and (2), Mr Paul Cholakos be removed from office as a director of the Company with effect from the close of the meeting."

☐	☒	☐
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**PLEASE ENSURE IF YOU ARE VOTING THAT YOU SIGN AND DATE YOUR COMPLETED PROXY FORM
OR GO ON_LINE AS PER PROCEDURE ON PROXY FORM**



NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

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, Queensland 4000

This Notice of Extraordinary General Meeting and Explanatory Memorandum should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

**The Recommending Directors recommend that Shareholders vote
AGAINST all resolutions subject of this General Meeting**

NOTICE OF EXTRAORDINARY GENERAL MEETING



NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (**General Meeting**) of Shareholders of Carpentaria Exploration Limited (**Company**) will be held on Wednesday, 27 March 2013 at the Queensland Irish Association Club, 175 Elizabeth Street, Brisbane, Queensland 4000 commencing at 10.30am.

An Explanatory Memorandum accompanies and forms part of this Notice of General Meeting. The Explanatory Memorandum provides additional information to shareholders on matters to be considered at the General Meeting and should be read in its entirety.

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, Queensland 4000.

BUSINESS

The business of the General Meeting will consist of:

Agenda Item 1 – Requisition Notice

To consider the Requisition Notice given by Silvergate Capital Pty Ltd ACN 158 538 580 as trustee for the Silvergate Capital Unit Trust to requisition the Company to hold the General Meeting.

Agenda Item 2 – Resolutions

Resolution 1: Election of Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Wilson Cheung be appointed as a director of the Company with effect from the close of the meeting."

Resolution 2: Election of Director

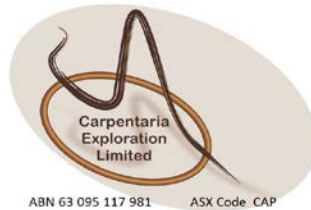
To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Eric Walsh be appointed as a director of the Company with effect from the close of the meeting."

Resolution 3: Removal of Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Stuart Nicholas Sheard be removed from office as a director of the Company with effect from the close of the meeting."



Resolution 4: Removal of Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That Mr Robert William Hair be removed from office as a director of the Company with effect from the close of the meeting."

Resolution 5: Removal of Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, conditional on passage of at least one of Resolutions (1) or (2), Dr Neil Williams be removed from office as a director of the Company with effect from the close of the meeting."

Resolution 6: Removal of Director

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, conditional on passage of both Resolutions (1) and (2), Mr Paul Cholakos be removed from office as a director of the Company with effect from the close of the meeting."

ADMINISTRATIVE ISSUES

Voting entitlements

For the purpose of determining an entitlement to vote at the General Meeting, a person will be recognised as a member if that person is registered as a holder of Company Shares at Monday, 25 March 2013 (48 hours before the General Meeting).

Explanatory Memorandum

Further information in relation to these resolutions is set out in the Explanatory Memorandum attached to this Notice of General Meeting.

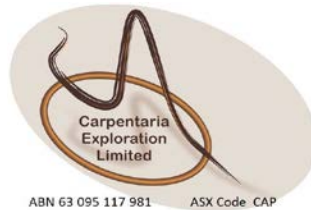
The Explanatory Memorandum accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.



Proxy Forms may be lodged in the following ways:

through Link's website:

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, Level 12, 680 George Street, Sydney NSW 2000.

IMPORTANT NOTE:

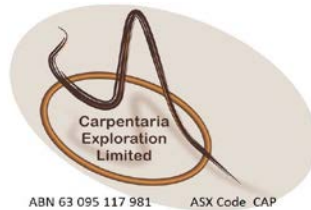
Resolutions 1 to 6 have been proposed by Silvergate Capital Pty Limited as trustee for the Silvergate Unit Capital Trust as a requisitioning shareholder under 249D of the Corporations Act pursuant to which this meeting has been convened.

Resolutions 1 to 6 have not been endorsed by and are not supported by the Recommending Directors. Recommending Directors have set out their recommendations in relation to Resolutions 1 to 6 in the Explanatory Memorandum.

BY ORDER OF THE BOARD

Chris Bynon-Powell
Company Secretary

26 February 2013



EXPLANATORY MEMORANDUM

ORDINARY BUSINESS

This is the Explanatory Memorandum to the Notice of Meeting. There are two items on the agenda:

Agenda Item 1 – Requisition Notice:

The explanatory notes detail the nature of the Requisition Notice including:

- the background to the previous requisition notice;
- the offer from the liquidator;
- a review of Silvergate's motivations and reasons;
- the Recommending Directors' rebuttal of Silvergate's reasons;
- details of the relationship between Silvergate and Pure Metals; and
- issues of control of the Hawons Iron Project.

Agenda Item 2 – Proposed Resolutions:

The explanatory notes provide the Recommending Directors' reasons in relation to each Resolution including:

- reasons why Silvergate's Nominee Directors should not be appointed to the Board; and
- reasons why the existing Board does not need to change.

The Recommending Directors encourage Shareholders to review the notes in this Explanatory Memorandum.

Commonly Used Terms

Commonly used terms in the Explanatory Memorandum are defined below.

\$ means Australian Dollars.

Shareholders mean shareholders in the Company.

Silvergate means Silvergate Capital Pty Ltd ACN 158 538 580 as trustee for the Silvergate Capital Unit Trust.

Silvergate Nominee Directors mean Mr Wilson Cheung and Mr Eric Walsh who have been proposed by Silvergate to be directors of the Company pursuant to the Requisition Notice.

ASI means Ample Source International BVICN 157638 (a company incorporated in Hong Kong).

ASI is the sole shareholder in Silvergate and is beneficially owned by Mr Wilson Cheung.

BMG means Bonython Metals Group Pty Ltd ACN 141 257 294 (In Liquidation).

BMG was the Company's joint venture development partner until it was placed into liquidation as a result of proceedings initiated by Silvergate.



Company means Carpentaria Exploration Limited ACN 095 117 981.

Directors mean the directors of the Company

Pure Metals means Pure Metals Pty Ltd ACN 151 066 321.

Pure Metals has put an offer in to buy BMG's joint venture interest and become the Company's new joint venture partner. It is guaranteed by Silvergate and financially backed by ASI.

Recommending Directors mean Mr Stuart Nicholas Sheard, Mr Robert William Hair, Dr Neil Williams and Mr Paul Cholakos (unless Shareholders are otherwise notified in writing by the Company prior to the General Meeting).

Requisition Notice means the notice to requisition the Directors to hold the General Meeting dated 12 February 2013.

Silvergate means Silvergate Capital Pty Ltd ACN 158 538 580 as trustee for the Silvergate Capital Unit Trust.

Silvergate is a major shareholder in the Company and has requisitioned the General Meeting. It is owned by ASI and consequently, indirectly controlled by Mr Wilson Cheung.

Silvergate Parties means ASI, BMG, Pure Metals and Silvergate.

IMPORTANT NOTE:

Silvergate's reasons for requisitioning the General Meeting are set out in the Member's Statement attached to this Notice of Meeting at Schedule 1. The Recommending Directors outline their reasons for Shareholders to vote against Resolutions 1 to 6 in the Explanatory Memorandum.

The Company encourages Shareholders to review all of the material contained in this document, including the Member's Statement, and form their own views regarding how to vote at the General Meeting. If Shareholders have any doubt as to how to vote, the Company recommends that Shareholders obtain independent advice from their advisers before voting.



1. Agenda Item 1 – Requisition Notice

(a) Requisition Notice

Shareholders of the Company with at least 5% of the votes that may be cast at a general meeting, have the right under the Corporations Act to request the directors of the Company to call and arrange to hold a general meeting. Eligible shareholders may requisition the Company in such a manner on more than one occasion.

Silvergate is a member of the Company with at least 5% of the votes that may be cast at a general meeting and may requisition the directors to call a general meeting.

On 12 February 2013, Silvergate gave notice requisitioning the Directors to call and arrange to hold the General Meeting to consider Resolutions 1 to 6 (inclusive) (**Requisition Notice**). Consequently, pursuant to the Corporations Act, this General Meeting must be called by the Directors of the Company.

The Recommending Directors recommend that Shareholders vote AGAINST Resolutions 1 to 6.

(b) First Requisition Notice

Shareholders will recall that Silvergate had previously requisitioned the Directors on 10 October 2012 to call and hold an extraordinary general meeting regarding the election of Silvergate's nominee directors to the Board. That general meeting was held on 30 November 2012 (**November Requisitioned Meeting**).

In order to minimise the cost and expense associated with holding the November Requisitioned Meeting, the Board invited Silvergate's nominee directors to join the Board. Those proposed nominee directors rejected the invitation to join the Board. Notwithstanding, the November Requisitioned Meeting was required to be held pursuant to the Corporations Act.

Shareholders subsequently voted AGAINST all of the resolutions moved by Silvergate at the November Requisitioned Meeting. The following table shows the number of votes passed by Shareholders at that meeting:

General Meeting held 30 Nov 2012 -Vote Results		FOR	AGAINST	ABSTAIN	TOTAL VOTES	% Listed Securities
1	ELECTION OF DIRECTOR - MS LINDA LAU	36,602,753	41,389,148	275,177	77,991,901	72.2%
2	ELECTION OF DIRECTOR - MR WILSON CHEUNG	36,697,880	41,294,708	274,490	77,992,588	72.2%
3	REMOVAL OF DIRECTOR - DR NEIL WILLIAMS	36,516,756	41,539,322	211,000	78,056,078	72.3%
4	REMOVAL OF DIRECTOR - PAUL CHOLAKOS	36,503,995	41,552,083	211,000	78,056,078	72.3%

Nearly 80 per cent of the Company's shares were voted on the day and, if we exclude the votes cast by the two major shareholders, two-thirds of our register took the time to vote and vote in support of the Chairman's recommendations.



(c) **Offer from the Liquidator**

Overview of the Offer

On 19 February 2013, the Board was advised by the liquidators of BMG that an offer had been received from Pure Metals to acquire BMG's joint venture interest in the Hawsons Iron Project.

The offer was guaranteed by Silvergate and the offer stated that Pure Metals had financial support of ASI.

Mr Wilson Cheung beneficially owns both Silvergate and ASI. Mr Eric Walsh includes ASI as his client on the Australian Government Lobbyists Register.

The joint venture agreement provides that before the liquidator can sell the BMG joint venture interest to Pure Metals (or indeed any other party), it must first offer the Company the right to acquire the interest on the same terms and conditions as Pure Metals (pre-emptive right).

Provided the offer made by Pure Metals is a bona fide offer and certain other conditions are satisfied, the Company has 45 days to decide whether to accept or reject the liquidator's offer.

The Board is current considering whether or not to exercise its pre-emptive right, having regard to delivering long-term benefits for ALL shareholders (including Silvergate).

Liquidation process explained

BMG is currently being wound up by the liquidators. The liquidators are obligated to sell BMG's joint venture interest in the Hawsons Iron Project and, after paying its creditors, return any proceeds to its shareholders who include Silvergate Parties.

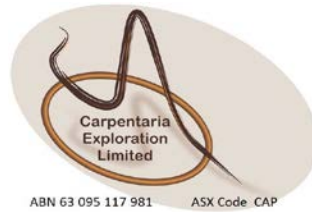
Mr Cheung stated at the November Requisitioned Meeting that ASI had invested a significant amount into BMG and has the potential to lose money as a result of the liquidation of BMG and the sale of its key asset being BMG's interest in the Hawsons Iron Project. Silvergate, ASI and Mr Cheung may indirectly benefit from the winding up of BMG.

The Recommending Directors note that Silvergate, ASI and Mr Cheung have a financial interest in the Hawsons Iron Project through their direct and indirect interests in BMG. The advancement of those particular interests may not align with the interests of all Shareholders in the Company.

Pure Metals as a potential development partner

Shareholders will recall that it was BMG's election to not proceed in the joint venture, including non-payment of \$25 million by May 2012 and a further \$20 million 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, has a financial interest in ASI (which is the sole shareholder of Silvergate). ASI was an investor in, and primary source of finance for, the failed BMG.



Changing events and further advice

The Board has sought legal advice regarding the offer from the liquidator (including whether the offer is complete and complies with the joint venture agreement) and will make a commercial decision regarding the proposal shortly. The Board will keep Shareholders informed of material developments.

(d) Member's Statement

In addition to the Requisition Notice, Silvergate has requested the Company give to all of its Shareholders a statement (**Member's Statement**) about the proposed resolutions set out in the Requisition Notice.

Silvergate may make such a request as it holds more than 5% of the votes that may be cast at a general meeting of the Company. The Company is required by the Corporations Act to distribute the Member's Statement.

The Member's Statement is attached to this Notice of General Meeting at **Schedule 1**. The Recommending Directors do not adopt or support any of the representations made in the Member's Statement.

(e) Silvergate's Motivations and Reasons

The reasons given by Silvergate in its Member's Statement for the proposed resolutions may be summarised as follows:

- Reason 1:** The Hawsons Iron Project is key to unlocking both the Company's future and Shareholder value.
- Reason 2:** The existing Board does not have the skills and experience necessary to develop the Hawsons Iron Project.
- Reason 3:** Shareholders now face the imminent risk of being diluted if the Board exercises its pre-emptive right over BMG's joint venture interest in the Hawsons Iron Project.
- Reason 4:** A dilutionary capital raising is unnecessary and against the interests of Shareholders.
- Reason 5:** If the Company exercises its pre-emptive rights and acquires 100% of Hawsons Iron Project, it will have done so without a development partner ready, willing and able to immediately advance the Hawsons Iron Project.

The Recommending Directors responses to Silvergate's Member's Statement are as follows.

Reason 1: Hawsons Iron Project is key

The Recommending Directors agree with Silvergate that the Hawsons Iron Project is key to unlocking the value of the Company and create Shareholder value. It is for this reason that the Board is actively considering whether to exercise its pre-emptive right to acquire BMG's joint venture interest in the Hawsons Iron Project.



Reason 2: Skills and experience

The Board, together with senior management of the Company, has the skills and experience necessary to develop the Hawsons Iron Project (together with the Company's other projects). Refer to Agenda Item 2 below for brief resumes in relation to each Director. These detail each Director's extensive experience and how they contribute to the Board.

The current Board is eminently well-qualified and experienced. All of our Directors bring a wealth of discovery, development, operational and commercial experience and skill to the Board's deliberations. Their collective experience consists of over 140 years of resource industry experience, which is not only unusual and extraordinarily beneficial for the Company, given its market capitalisation, but also vital to ensure that commercialisation of the Hawsons Iron Project is done most effectively on behalf of all Shareholders.

The Recommending Directors note that the Board is eminently well-qualified and experienced and reducing the Board numbers to Mr Cai and the Silvergate Nominee Directors will not result in a more skilled and experienced Board.

The current Board has experience managing all aspects of development projects ranging in size from \$100 million to an excess of \$1 billion. The Board members proposed by Silvergate would consist of two accountants and a political journalist by trade.

Reason 3: Shareholders face the imminent risk of being diluted if CAP Board exercises its pre-emptive rights in the HIP Joint Venture

The Company has the opportunity to exercise its pre-emptive 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.

The Company has the financial capacity to pay the \$3.25 million cash component of the offer from the liquidator and the potential to acquire the BMG joint venture interest which is a unique opportunity.

The 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.

Reason 4: Dilution of shares is unnecessary and not in Shareholders's interests

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 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.

Securing 100% of the Hawsons Iron Project will result in the acquisition of a significant asset for the Company which it will control.

Reason 5: Development partner

Should the Company exercise its pre-emptive right, and acquire 100% of the Hawsons Iron Project, this would enhance the prospect of the Company executing a favourable and lucrative development plan with credible third parties in the future.

The Company has been actively speaking with potential development partners regarding the potential development of the Hawsons Iron Project. The Board considers that new opportunities will arise with completion of the sale of BMG's joint venture interest in the project.

In broad terms, the Company favours a model where a partner earns its participation in the joint venture by contributing funding to progress studies in the near term. The Board is well placed to secure full value for Shareholders from the Hawsons Iron Project by pursuing this model.

Silvergate's Nominee Directors have not outlined any new development partner they plan to introduce to the Hawsons Iron Project. The Recommending Directors note 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 Hawsons Iron Project. If Silvergate has a bona fide potential development partner, the Board invites Silvergate to introduce that contact to the Company.

(f) Corporate Governance

If Resolutions 1 to 6 are passed, the Board of the Company will not comply with the ASX Corporate Governance Principles and Recommendations 2nd edition (**ASX Governance Principles**) both in relation to independence of the board and the audit committee.

There must be at least three Directors of the Company. The Company's Constitution requires that at least two of those Directors must be independent. If Resolutions 1 to 6 are passed the Company will be in breach of its constitution.

The Board proposed by Silvergate will consist of Mr Walsh, Mr Cheung and Mr Cai. Mr Cai is an existing Nominee Director of a shareholder and does not meet the ASX Governance Principles to be classified as an Independent Director. The appointment of Mr Cheung, as a Nominee of Silvergate, will result in two Nominee Directors, out of a total of three comprising the Board, and will accordingly breach the Company's constitution.

In relation to the audit committee, the ASX Governance Principles state the committee should be structured so that it:



- (a) consists only of non-executive directors;
- (b) consists of a majority of Independent directors;
- (c) is chaired by an Independent chair, who is not chair of the Board; and
- (d) has at least three members.

The Board proposed by Silvergate will not be able to form an audit committee which will comply with the ASX Governance Principles.

Where a company does not meet these guidelines, the company must provide a reason why it does not, and why Shareholders are not disadvantaged. Silvergate has not provided any such reasons.

(g) Interests in and control of the Hawsons Iron Project

Taking into consideration the above, and in particular the offer from Pure Metals, the Recommending Directors view the control of the Hawsons Iron Project as a key driver of Silvergate's motivations in requisitioning the General Meeting.

If Silvergate succeeds in passing Resolutions 1 to 6:

- Mr Cheung and Mr Walsh will be required to disclose their material personal interests (for example, their interests in the Hawsons Iron Project);
- due to a material personal interest, Mr Cheung may be required to be absent from Board discussions regarding the project;
- as a result of a director absence, Mr Cheung and/or Mr Walsh may not be able to vote at Board meetings and the Board would not have a quorum of two directors to transact business (as Mr Cai would be the only non-interested director);
- Mr Cheung and Mr Walsh may not be able to make decisions in the best interests of all Shareholders without being in a position of conflict with their duty as Directors to the Company and their financial or other interests with the Silvergate Parties.

As previously stated, Mr Cheung has a financial interest in the Hawsons Iron Project and this would have a bearing on his ability to participate in Board deliberations concerning the project.

The Recommending Directors cannot comment on Mr Walsh's direct financial interests (if any) with the Silvergate Parties. However, it appears that Mr Walsh has represented the interests of ASI in the past.

The Recommending Directors recommend AGAINST passing Resolutions 1 to 6 due to the perceived control and influence the Silvergate Parties will have over the Hawsons Iron Project.
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2. Agenda Item 2 – Resolutions

(a) Statement of the Chairman regarding Resolutions 1 to 2 that the Mr Cheung and Mr Walsh be appointed directors of the Company

The Recommending Directors do not support the appointment of Mr Cheung and Mr Walsh as new directors.

The Recommending Directors recommend that Shareholders vote AGAINST Resolutions 1 and 2 for the reasons set out above in Agenda Item 1.

The Chairman of the meeting intends to vote undirected proxies against Resolutions 1 and 2.

(b) Statement of the Chairman regarding Resolutions 3 to 6 that Mr Sheard, Mr Hair, Dr Williams and Mr Cholakos be removed as directors

Overview

The Recommending Directors do not support the removal of Mr Sheard, Mr Hair, Dr Williams or Mr Cholakos.

The Recommending Directors recommend that Shareholders vote AGAINST the resolutions for the reasons set out below.

The Chairman of the meeting intends to vote undirected proxies against Resolutions 3 to 6.

Each of the Directors play an important role within the Company, not least the non-executive and independent directors being Mr Hair, Dr Williams and Mr Cholakos.

Shareholders will recall that they voted in favour of electing Dr Williams and Mr Cholakos at a general meeting held recently on 30 November 2012. In the Chairman's opinion, no material events have occurred since the last general meeting to warrant the removal of the Directors from office.

Brief resumes

Short resumes of the non-executive directors are provided below and the Board invites Shareholders to consider the substantial and exceptional experience that the non-executive Directors bring to the Company.

Mr 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.



Mr Robert William Hair

Robert is a founding Director of the Company 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 of the giant Alumbra copper mine in Argentina.

Dr Neil Williams

Dr Williams brings to the Company 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 \$120 million government construction project and made geological contributions to the development of the McArthur River Zinc Mine in the Northern Territory.

Mr Paul Cholakos

Paul has 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.

In his current role with Oil Search has a 29% interest in the developing , Mr Cholakos directly manages the Company's 10% interest in the Exxon multi-billion dollar PNG LNG project in partnership with ExxonMobil.

SCHEDULE 1 MEMBER'S STATEMENT

This statement is dated 19 February 2013 and has been prepared by Silvergate Capital Pty Ltd (ACN 158 538 580) <Silvergate Capital Unit A/C> (**Silvergate Capital**) to set out its reasons for proposing the resolutions to be moved at the general meeting of shareholders of Carpentaria Exploration Limited ABN 63 095 117 981 (**Company**).

Purpose

The purpose of the resolutions is to:

- a) appoint Mr Cheung as a director;
- b) appoint Mr Walsh as a director;
- c) remove Mr Sheard as a director;
- d) remove Mr Hair as a director;
- e) conditional on the appointment of one of either Mr Cheung or Mr Walsh, remove Dr Williams as a director;
- f) conditional on the appointment of both of Mr Cheung and Mr Walsh, remove Mr Cholakos as a director.

Reasons for proposed resolutions

Silvergate Capital believes that the Hawsons Iron Project is the key to unlocking both the Company's future and shareholder value.

Silvergate Capital does not believe the existing board has the skills and experience necessary to develop the Hawsons Iron Project

Silvergate Capital believes that shareholders now face the imminent risk of being diluted if the Board chooses to exercise the Company's pre-emptive rights over any sale of BMG's interest in the Hawsons Iron Project joint venture. Silvergate believes a capital raising will be required in order to exercise the company's pre-emptive rights.

Silvergate Capital does not believe a dilutionary capital raising is necessary. Nor, in Silvergate's opinion, is it in the interests of shareholders.

Silvergate Capital is concerned that if the Company exercises its pre-emptive rights, and acquires 100% of the Hawsons Iron Project, it will have done so without having a development partner ready, willing and able to immediately advance the project.

Proposed New Directors

Silvergate Capital proposes the appointment of Mr Cheung and Mr Walsh to act as directors.

If all the proposed resolutions are passed, the new Board will comprise;

- a) Mr Wilson Cheung;
- b) Mr Eric Walsh;
- c) Mr Bin Cai (current director).

Mr Wilson Cheung

Mr Wilson Cheung is the Chairman and CEO of two listed companies in Hong Kong: Dejin Resources and Merdeka Resources.

Mr Cheung has over 16 years of experience in the fields of audit, resource and project development, corporate finance and financial management. He has worked in key corporate finance and business development positions in companies listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr Cheung is a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and Bachelor degrees in Arts and Administrative Studies from York University, Canada.

Mr Eric Walsh

Mr Eric Walsh is a political journalist who served as Press Secretary to Gough Whitlam from prior to the 1972 "It's Time" campaign, until the beginning of 1975.

For the past 37 years, Mr Walsh has been a successful lobbyist and has represented the political interests of bodies corporate across a broad range of sectors including healthcare, media, infrastructure, and mining.

Within the resources sector, Eric has been engaged by, amongst others, Ranger Uranium, Pancontinental, Mega Uranium (Canada), Queensland Coal Corporation and Mitsubishi Mitsui consortium (North West shelf). He has also maintained an interest in a number of successful restaurants and hotels in Sydney and Canberra over the last 20 years.

Formal matters

Silvergate Capital intends to vote its current holding of 19,691,371 ordinary shares in favour of all the resolutions and encourages you to do likewise.

The information contained in this Members Statement does not constitute financial product advice, is intended to provide general information only and has been prepared by Silvergate Capital without taking into account any particular person's objectives, financial situation or needs. Investors should consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Silvergate Capital recommends that investors obtain appropriate advice specific to their situation before voting on the resolutions.