



24 June 2022

ASX:14D

LETTER TO SHAREHOLDERS FROM THE CHAIRMAN

1414 Degrees Limited (ASX: 14D) (**Company**) advises that it is aware that some shareholders have received a letter from the former Executive Chairman, Dr Kevin Moriarty in connection with the Extraordinary General Meeting (**EGM**) which has been convened to take place at 10am on Thursday 28 July 2022.

The Chairman, on behalf of the Board, has subsequently drafted a letter to shareholders which responds to Dr Moriarty's letter and addresses some assertions made in that document. A copy of that response letter is appended to this announcement. The Chairman's letter will be provided to all shareholders in the coming days.

The Board also wishes to remind shareholders that a Shareholder Information Line has been established to assist shareholders with any questions they may have with respect to the forthcoming EGM. Please call 1300 631 375 (callers within Australia) or +61 3 9415 4673 (callers outside Australia).

AUTHORISED BY:

The Board of Directors of 1414 Degrees Ltd

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24 June 2022

Dear fellow Shareholders,

**IMPORTANT SHAREHOLDER LETTER
YOUR VOTE IS IMPORTANT – VOTE NOW**

On behalf of the Board, I am writing to you to address Dr Moriarty's letter (**Letter**) sent to shareholders after the Notice of Meeting was despatched on 21 June 2022. We welcome and concur with his focus on the future development of the Company, its share price performance and good corporate governance.

However, in order for shareholders to be fully informed regarding the forthcoming Extraordinary General Meeting (**EGM**) and the reasons the Board is asking you to reject the five resolutions put forward by an entity associated with the former Executive Chairman, some factual errors in the Letter must be addressed.

1. In relation to the **key project achievements**, the statement "*most of the key agreements, project activity and outcomes were initiated and negotiated under my leadership*" is not correct.

Specifically:

- a. While it is true that SiBox related investments were initiated while Dr Moriarty was Executive Chairman, they were not complete when I joined the Company in June 2021. Together with our Interim CEO, Dr Jordan Parham, and other team members, we carefully managed the relationship and negotiations with Woodside Energy Pty Ltd (**Woodside Energy**) through the instability and uncertainty in the final months of the former Executive Chairman's tenure. Final negotiations with Woodside Energy and an agreement in the best interests of the Company was then completed by Mr Matthew Squire as the newly appointed CEO, culminating in the announcement to ASX on 13 October 2021.
- b. Dr Moriarty had no relevant involvement in subsequent partner investments in Silicon Aurora.
- c. The statement "*I put the Company on track to earn substantial cash flows from Aurora*" is not correct. While the business case for the Stage 1 Battery Energy Storage System is very positive for future revenue, it still requires further development to take it to Final Investment Decision (**FID**), notably a Transmission Connection Agreement and thereafter capital investment to fund procurement and construction.
- d. The statement that the recently announced transaction with Vast Solar Pty Ltd (**Vast Solar**) "*effectively gives Vast Solar half the project at cost with no premium...*" is not correct. The agreement reflects the cost to develop the project to FID, which will increase the value of the project, and does not take into account the investment thereafter (or risks).
- e. The statement "*I am concerned at the timing and motivation of the Directors*" in relation to the Vast Solar transaction is misleading or at worst defamatory. The Company's strategy regarding securing a partner for Aurora was communicated to the market as far back as the 2021 Annual General Meeting held on 25 November 2021. Further, the Company announced in December 2021 that it had entered into a Memorandum of Understanding with Ovida Infrastructure Pty Ltd (**Ovida**) and, whilst Ovida elected not to proceed further with its

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investment for its own strategic reasons, the Company did advise the market in its announcement on 5 April 2022 that dialogue with other prospective partners had continued, culminating in the transaction with Vast Solar.

2. In relation to the Company's **share price performance**, the inclusion of the share price graph together with the statement "*since I stepped back 18 months ago*" does not reflect the full facts. The Company's share price was nearly 33 cents in February 2021 and under Dr Moriarty's leadership it fell to 12 cents in June of the same year (when he gave notice of his intended resignation from his position as Executive Chairman, and stepped back from executive duties), a fall of 64% in four months. The share price has substantially stabilised since that time, and whilst the Board acknowledges that the current price of 8 cents is low, the 'free-fall' that occurred under the former Executive Chairman cannot be ignored. The graph provided with his Letter illustrates this. Shareholders should have confidence that the current Board has stopped the free-fall, put in place two stable, structurally sound and commercially logical business plans for the Company's key projects, and is now executing accordingly. In short, the current Board has stopped the free-fall that occurred under the former Executive Chairman.
3. In relation to **governance and management** of the Company:
 - a. The statement "*since I stepped back 18 months ago*" is incorrect. While Dr Moriarty ceased performing his executive duties on 4 June 2021, he remained employed by the Company until 2 September 2021 and was a non-executive Director with all the same obligations and responsibilities as the current Board until 19 July 2021, not yet 12 months ago.
 - b. It should be noted that as Executive Chairman, Dr Moriarty led the process for recruiting and employing the former Managing Director, Mr Jamie Summons. Furthermore, he was involved in recruiting his replacement, Mr Matthew Squire, and personally referred him to me as the newly appointed Chair when he was still an active non-executive Director.
 - c. The statement "*we will seek a new CEO, preferably from within the Company*" is worth noting. Senior members of the Company's management team are fully supportive of the current Board and have expressly stated to the Board that they do not support Dr Moriarty's resolutions or his re-appointment to the Board. Notwithstanding their obvious capabilities, given the outcome of the two most recent CEO appointments, the Board intends to follow a best practice recruitment process to identify and appoint the best person to the role of CEO, noting that this may be from within the Company or from outside of it.
 - d. The two remaining Directors not the subject of the Resolutions, Ms Sheree Ford and Ms Alison Evans, have advised the Board that following receipt of Dr Moriarty's Letter and the statements contained in it, should shareholders vote in favour of the five resolutions, they would be minded to consider carefully their ongoing tenure as Directors of the Company.
 - e. The statement that Dr Moriarty commits to ensuring that "*shareholders are appropriately respected and consulted when any major change in the Company is being proposed, as a matter of common courtesy*" ignores the existing situation. The Board and Company complies with all ASIC, ASX and shareholder obligations supported by electronic and other communications to its shareholders. The shareholders have appointed the Board in accordance with the requirements of the Company's constitution and the Corporations Act and have empowered it to manage the Company's operations and affairs. There is no reasonable basis for a suggestion that, under Dr Moriarty's renewed leadership, shareholders will have more input in day-to-day decisions properly taken by the Board.
4. In relation to various actions by Dr Moriarty which appear to have been designed to **disrupt and destabilise** the Board:
 - a. I was asked to join the Board by the two now longest serving Directors, Mr Gan and Mr Larson, to navigate challenges associated with the role of both the former Executive

Chairman and former Managing Director. My expertise in corporate governance and leading large commercial organisations was seen as crucial to the Company's ongoing viability. Employment matters with the former Managing Director were resolved in my first three weeks as Chair. Dr Moriarty purported to convene an EGM in July 2021, seeking to remove Mr Larson and Mr Gan as Directors. However, once advised that the Company would convene the meeting and propose a further resolution seeking his removal as a Director, Dr Moriarty resigned as a Director and withdrew his meeting notice. These processes cost the Company well in excess of \$75,000 in legal fees and valuable Board and management time, and they are all a direct result of Dr Moriarty's actions.

- b. Dr Moriarty once again sought to remove Mr Gan and Mr Larson at the 2021 Annual General Meeting, including by soliciting open proxy votes from fellow shareholders, but failed to do so. The Company is taking steps to investigate the legal implications surrounding compliance with requirements concerning market disclosure in the context of Dr Moriarty soliciting those proxy votes.
 - c. The present EGM requisition will see the Company incur costs well in excess of \$100,000 and the further diversion of management and Board time.
5. In relation to Dr Moriarty's and Mr Burdon's **experience as listed company directors**:
- a. Dr Moriarty asserts he has run "*public companies for decades and achieved some outstanding outcomes*". In 2011, Dr Moriarty was the subject of an EGM calling for his removal as Executive Chairman at the last public company he ran. The company, Terramin Australia Limited (ASX: TZN), subsequently announced that Dr Moriarty had stepped down as Executive Chairman and intended to retire from executive functions. The request for the EGM was ultimately withdrawn.
 - b. Dr Moriarty holds qualifications in Geology. The Board has not been informed of (and has not been able to independently identify) any qualifications held by the second director nominee, Mr Ian Burdon other than noting the statement in the Letter that he has been a "*successful businessman and recent investor in 3.2 million shares in the Company*". Mr Burdon acquired the majority of his holding between September 2018 and January 2021. The Board has undertaken a search of the ASIC register and notes that Mr Burdon does not currently hold any other company directorships. It is not apparent to the Board that Mr Burdon has the skills required by well-governed, listed company Boards in order to ensure the Company's ongoing compliance with ASX Corporate Governance Principles.

On behalf of the Board, I ask all shareholders to note that the current Board has a clear direction for the commercialisation of both key projects which have been developed, and delivery commenced, under our watch. Furthermore, we have the support of our key stakeholders and key staff. There is a real risk that if Dr Moriarty's proposed resolutions are successful, not only will stakeholders be disappointed, but key staff will leave and the Company and its shareholders as a whole will be significantly disadvantaged.

Your vote is important. Therefore, I ask you to vote **AGAINST** all resolutions at the EGM or nominate me as your proxy. For your convenience, a prefilled Proxy Form is enclosed with this letter.

To vote in line with your Board, simply sign and return the Proxy Form in the reply-paid envelope. You can also vote online at www.investorvote.com.au. You will require the Control Number, your SRN/HIN and PIN to vote which you can find on the front of the Proxy Form. **Proxy voting by mail or online closes at 10:00am (ACST) on Tuesday, 26 July 2022** so please act now.

If you have any questions, please contact the 1414 Degrees Shareholder Information Line on 1300 631 375 (callers within Australia) or +61 3 9415 4673 (callers outside Australia).

The Board and I thank you for your continued support.

Yours sincerely,



Tony Sacre
Chairman