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CARBON POLYMERS LIMITED
(ASX:CBP)

ASX Release

19 November 2013

RESPONSE FROM MANAGEMENT TO PRESS REPORTS PUBLISHED ON MONDAY 18 NOVEMBER 2013

Carbon Polymers Limited (Carbon Polymers or the Company) (ASX: CBP) provides the following response in relation to media coverage on the Company by The Sydney Morning Herald and the Australian Broadcasting Corporation, on Monday 18 November, 2013.

The Company is of the view that these media reports were substantially one-sided and unbalanced, and, on numerous points, factually incorrect.

The Company would also like to point out that the journalists involved in these reports did not seek appropriate comment or clarity from current officers of the Company, its auditors and relevant individuals, and to the extent that they did engage with the Company in the preparation of these media reports, the Company's detailed responses were largely ignored. For the benefit of shareholders and other stakeholders, the Company would like to take this opportunity to correct a number of factual errors from these media reports:

It was mentioned that the company closed plants in Melbourne, Perth, Brisbane, Adelaide and Sydney without notifying shareholders. This is incorrect. The company has never operated plants in Brisbane or Melbourne. In Adelaide, the company only ever reprocessed inventory that was part of the Reclaim Industries acquisition, and was never a net producer of goods. Further, the equipment at the Adelaide site was worth \$122k and deemed not material.

The Perth operation was also deemed to be not material in the context of the Company's overall operations. In relation to the Sydney plant, shareholders were notified of this event three months ago on the 28 August 2013. The company was compliant with its obligations to ASIC and ASX in relation to its plants.

It was also stated in the media reports that the Company was under investigation by the EPA. The EPA has visited the Company's Smithfield site and perceived that there may be excess tyres stored on the property. The EPA required that the stockpile be reduced and issued a clean-up notice. It was also noted by the EPA that the company had in fact reduced the amount of tyres. No other action was taken by the EPA. It should be noted that the Company's operation at Smithfield is to take in waste tyres for processing, so a waste tyre inventory will always be present on the site. This is part of the business and itself is not a material event.



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The media coverage also stated that the Company has been suspended from trading for non-payment of bills. This is factually incorrect. The Company had previously been suspended due to the late lodgement of accounts, with one set of accounts not complying with accounting standards due to the carrying value of plant and equipment not being independently valued. This oversight was dealt with and suspension was lifted.

It was mentioned that the ASIC and the ASX have received several complaints in relation to the Company. In response to this, the Company points out that the majority of these complaints are from two former directors who are engaged in commercial disputes with the Company.

With regard to Mr Ron Medich and his holding in the company, Mr Medich was approached by Dr Kee Wong, a former Managing Director of the Company, to become a shareholder of the Company. Mr Medich holds less than 2% of the Company and is a passive shareholder, and has never contacted the Company in relation to management direction or control.

In relation to the Company's CEO, Andrew Howard, given the Company's proposed future change in focus and direction, it has accepted his resignation and will seek to appoint a new CEO with requisite skill sets to take the new business forward in due course. Mr Howard will continue to work with the Company during this transition period. This change in senior leadership at the Company is part of its planned transition to a new business focus. The Company also points that contrary to the media reports, Mr Howard did not work for Mr Michael McGurk.

The Company would like to assure shareholders that the highest standards of corporate governance will be adhered to and that the board will ensure that the Company is well placed to successfully pursue its new direction.

Further to these recent media reports, the Company also advises that its two independent directors, Mr Rodger Johnston and Mr Paul McGregor, will review material published in the recent press reports concerning an Environmental Protection Agency investigation and other corporate matters. The directors have retained separate legal counsel to advise them on appropriate procedures for the review, the legal basis of any conclusions to be drawn and any necessary other actions that should be taken based on its conclusions.

The independent directors take these matters very seriously and will move with due haste to keep the market and shareholders informed regarding the review and its conclusions.

The independent directors also wish to observe that there has been ongoing animosity between different shareholder groups and former directors of the company, on various shareholder votes, changes of board positions and a vote on the future direction of the company that has resolved to move away from tyre recycling. Most of the matters raised in the media reports have been previously aired at these meetings and, to the independent directors' knowledge, all of the various claims have been considered by management and included in the company's accounts and the prospectus where appropriate.

The Company also notes that previous reviews have also brought to light some inappropriate behaviour by former directors and at least one recovery action has resulted. In the interest of context and balance, the independent directors believe that the media reporting should be considered by the market in the context of these disagreements in relation to the Company's future direction, and the opposing party(s) to these disagreements.

The independent directors are highly optimistic as to the Company's future direction, and they will continue to ensure that the accounts represent the company's position, and that good corporate governance principles are applied, and continuous disclosure requirements of the ASX are met, at all times.

Following the above mentioned review, the Company will issue a supplementary prospectus to address any issues that may arise from this review or other responses required, so that the market is fully informed prior to the capital raising and settlement of the acquisition of Bluenergy.

