Zenyatta CEO says dissidents make company unfinanceable

Zenyatta Ventures {TSX.V: ZEN}

Zenyatta CEO says dissidents make company “unfinanceable”, and writes to shareholders to respectfully request their vote in support of management, our proposed changes and summary business plan announced in March. Therefore, I ask you to vote against the dissidents’ plan to take control of your board of directors at the May 11 special meeting.

2018-05-04 08:42 ET – Shareholders Letter

Mr. Keith Morrison reports

LETTER FROM THE EXECUTIVE CHAIRMAN OF ZENYATTA VENTURES, KEITH MORRISON

Zenyatta Ventures Ltd.’s chief executive officer, Keith Morrison, has written a letter to shareholders.

Dear valued shareholder,

I am writing this letter to respectfully request your vote in support of management, our proposed changes and summary business plan announced in March. Therefore, I ask you to vote against the dissidents’ plan to take control of your board of

directors at the May 11 special meeting. They are nominating individuals who currently have limited investments in Zenyatta, no experience and no strategy.

We refer to the green proxy and request that shareholders vote against both the director removal resolution and withhold from voting on all of the individuals named in the dissident nominees election.

The opportunity

Although I joined Zenyatta three months ago, I have been invested in Zenyatta for several years, albeit effectively as a royalty owner. During my association with the company I have not seen anything that would reduce my confidence that the opportunity at Zenyatta is real and that success should bring extraordinary returns to all patient stakeholders. At the same time, I do not underestimate the challenges of developing what is effectively a new industrial mineral resource in a prerevenue, single-asset, junior Canadian public company which is subject to National Instrument 43-101 independent disclosure legislation. This securities legislation does not contemplate its application to a new industrial nanomaterial different from any of the standard commodities with established markets like nickel, gold, iron ore and others.

To deliver maximum return to stakeholders it is critical that we attract and retain best-of-class people and provide them with the resources to achieve our goals. This needs to be done in a sustainable culture that ensures Zenyatta is the company with the world’s best and brightest. It is a commitment to open communication, transparency and accountability that talented individuals can excel in. It is a fundamental

commitment to best practices at all levels and stages of the company that I have introduced in my role since joining the company.

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Zenyatta is evolving

Our loyal shareholders, including voices from the dissident group, have asked for change and we are listening. In fact the company started this process in December, 2017, with the appointment of Brett Richards to the board of directors, followed by my addition in January. The changes continue, as announced recently, at both the executive and board level.

Yesterday, we announced the hiring of Paul Gardner as chief executive officer of ZEN-tech. (Mr. Gardner's profile is available on our website.) It is too early for shareholders to appreciate the quality of executive that Mr. Gardner represents, and it will take time for his influence to be seen. I can say that Mr. Gardner embodies intellect, ethics and fundamental leadership skills that will create a high performance professional culture at ZEN-tech that will be the building block of our global market development efforts.

Other proven professionals have been identified to join the Zenyatta team, but these appointments need to wait until the company is stabilized after all shareholders concerns have been resolved. Similarly, the Zenyatta board will initiate a chief executive officer search and succession plan. In the meantime, I will support management in a leadership role from the executive chairman position, where I will continue to embed fundamental changes in management and board communication that will enable better corporate governance, communication and accelerate growth.

People matter

One of the major challenges I have before me is how to manage change at the board of directors. The dissidents position, that you are voting for or against, is for the removal of four directors (including me) and simply replacing them with three nominees who have little to no relevant experience, shares or intimate knowledge of the company. It is my recommendation that shareholders support a process that brings the required skills and exceptional people to the board of Zenyatta.

At our upcoming AGM, to be held later this year, we are proposing to increase the size of the board to seven and to present a slate with a minimum of four new members. I want to emphasize that our board is committed to managing an open nomination process. Currently, we have a short list of preferred candidates that offer experience in private equity financing, and Chinese foreign resource investment backgrounds in the graphite/graphene markets. Other skillsets being considered include a mine/mill flow sheet professional and a chartered accountant.

The future needs to be strategic

I firmly believe that our success depends on building the right strategic partnerships for Zenyatta. Having the right strategic partners will validate the commercial significance of our new nanomaterial and, more importantly, be a source of long-term equity (multiyear capital allocation capability to maintain a pro rata ownership in the company), market-specific product specifications and offtake agreements.

Plans are in place for 2018 with a focus on advancing the company through completion of the preliminary feasibility study, initiating a scoping study on converting high-purity Albany carbon to graphene and graphene oxide, and developing market channels for our products. The company proposes to complete a financing to allow the company to operate for 12 months where it will focus on attracting and retaining a team of individuals to complete these objectives, such that in 2019 the company can attract and complete a strategic financing. The dissident action has effectively rendered the company unfinanceable at this time and needs to be resolved to the benefit of all Zenyatta shareholders.

Voting

I respectfully call on our shareholders to vote to support both management and the progressive changes that I have shared with you. My personal preference would have been a negotiated settlement with the dissidents, but despite several attempts at meetings and during conference calls, our differences on the quality of nominees for the board of directors is too large.

If you need help to understand how to vote your proxy please contact us. To support the existing management of Zenyatta, shareholders must vote against both the director removal resolution and withhold from voting on all of the individuals named in the dissident nominees election. The shareholder meeting will be held at the Toronto Board of Trade, 77 Adelaide St. West, Toronto, Ont., M5X 1C1, on May 11, 2018, at 9 a.m. Toronto time. To be effective, the form of proxy or voting instruction form must be mailed or faxed so as to reach or be deposited with Capital Transfer (in the case of registered holders) at Suite 920, 390 Bay St., Toronto, Ont.,

M5H 2Y2, fax number 416-350-5008, prior to the proxy deadline of May 9, 2018, at 9 a.m. Toronto time, failing which such votes may not be counted, or your intermediary (in the case of beneficial holders) with sufficient time for them to file a proxy by the proxy deadline.

During this process it has been my pleasure to meet with many long-term passionate Zenyatta shareholders and employees. I want to thank you for your continued support of our company and I am looking forward to working with you to help develop a remarkable deposit which produces an extraordinary nanomaterial.

Sincerely,

Keith Morrison, executive chairman