

27 November 2009

CHAIRMAN'S ADDRESS

Cape Alumina is nearing the end of its first year as a listed company. The year has been marked by solid progress towards our goal of establishing the largest independently owned bauxite mine in Australia. This progress has been achieved in the conduct of environmental studies of the project area and its regional setting, understanding the needs of the traditional owners on whose land the project is to be developed, expanding the bauxite resources available to the project, and the development of a project scope which is both economically and environmentally efficient.

The year has not been without its challenges. Foremost amongst these has been the proposed declaration by the Queensland State Government of the Wenlock River Basin as a Wild River Area.

A year ago the State Government released its proposal to declare the Wenlock River and certain associated features, such as springs and tributaries, as a Wild River Area. The Wenlock River is mostly 5 to 10 kilometres from the proposed

minesite; some of its features are much closer but will be unaffected by the proposed mining activities.

Declaration of a Wild River Area means that a number of activities, including mining, are prohibited within the designated buffer zones surrounding the river and its important environmental features. We have made a considerable effort to respond to this and to demonstrate that, on the basis of scientific analysis, the project and the proposed Wild River Area can co-exist.

The State Government has assured us that any decision on the extent of the buffer zones will be taken after consideration of the relevant science. However, this remains an uncertainty and could have an adverse effect on the project if the boundaries of the buffer zones are set in an arbitrary rather than a technically sound way. We are expecting the Government's final decision on the Wild Rivers Area proposal before the end of this year.

For the past year and a half we have been discussing the project with the traditional owners of the project area. We believe that we have a good understanding of their needs, the ways in which the project will impact on them and their communities, and the measures that should be taken to mitigate these impacts. We also believe that the traditional

owners now have a good understanding of the benefits that the successful implementation of the project will bring to them and their communities. We have enjoyed a harmonious relationship with the traditional owners and are looking forward to this continuing and strengthening as we move forward.

Technically we have made great strides, both in the area of resource delineation and also in defining the technical scope of the project. We have now commenced the bankable feasibility study for a project which uses well proven and highly efficient mining and mineral processing technologies in a way which is extremely cost effective, leaves a small environmental footprint and provides scalability to allow us to tailor production to the bauxite market in an economically efficient way. We have a large resource, with an estimated mine life of 12-to-15 years at the planned full production rate, and great potential for expansion in areas which are yet to be fully explored. Our Chief Executive Officer, Dr Paul Messenger, will cover these areas in more detail in his address which follows this AGM.

In the coming year our primary goals are to complete the project's Environmental Impact Statement (EIS) and Bankable Feasibility Study.

The EIS will be the most comprehensive study of the terrestrial and marine environment ever undertaken for the project area and its surrounds. It will identify potential environmental impacts of the project and address their management and mitigation. On completion of the EIS we will move into the permitting phase which we expect will culminate in the grant of mining leases and the other permits necessary for the project's development and operation.

We expect the permitting process will take more than a year to complete. We are planning to finalise our Bankable Feasibility Study towards the end of calendar 2010 and then investigate funding options for the project. On our current schedule we are planning to start producing bauxite product at an initial rate of 3-to-5 million tonnes per annum by 2013/2014 with potential to quickly ramp-up to 7 million tonnes per annum.

Another matter we wish to address in the coming year is our shareholding structure. At present our shares are held very tightly with over 90 per cent in the hands of the top five shareholders. We propose to address this when we next raise capital, expected to be in 2010. The objectives will be to increase the number of shareholders while providing the company with sufficient funds to take it through the permitting and financing phases of the project.

Most importantly, we want to ensure that when we come to finance the development of the project our shares have sufficient liquidity to enable the market to properly value the company and that any new equity to be issued is at a price that fairly reflects the value of the business.

During the year we have expanded our staff as required to meet the demands of a growing business. We are very fortunate to have attracted high calibre people who are committed to the company and its goals. I wish to place on record my appreciation of their dedication and hard work.

George Lloyd
Chairman
Cape Alumina Limited