

Managing Director's Address 2012 Annual General Meeting Brisbane, 21 November 2012

Good morning Ladies and Gentlemen.

It definitely has been a busy year for Cape Alumina, particularly with the resumption of work on our flagship Pisolite hills mine and port project following the Queensland Government's declaration of it as a 'significant project'.

Results from our western Cape York exploration programs have allowed us to increase the Company's total JORC-Code-compliant resources to 202.4 Million tonnes (Mt) of high-quality, export-grade bauxite.

And the recently announced sale of our Hey Point tenement, a non-core asset, has demonstrated the value that others see even in small bauxite deposits, let alone in our larger projects areas. This transaction also demonstrates management's ability for unlocking resource value as well as for careful capital management.

Our focus is now firmly fixed on moving from being an explorer to a developer.

We have the right commodity, in the right location with the right projects.

Right commodity

China has recently imported approximately 50 Mt of bauxite per year and this is expected to grow by an additional 40 to 60 Mt by 2020. China's major source of imported bauxite is Indonesia. However, Indonesia has also legislated to ban exports of bauxite by 2014.

Supply constraints are becoming evident as Indonesia imposes bauxite export quotas, which are significantly lower than previously exported quantities, and applies a 20 per cent bauxite export tax. China quickly needs alternative sources to meet its current and future needs. Australia, in particular Cape York, has the potential to meet a significant portion of this supply shortfall. In these circumstances the bauxite market has the potential to replicate the boom that iron ore and coal markets have seen over the last few years.

I am visiting China next week and will be presenting the Cape Alumina opportunity at the 2012 China Aluminium Forum. I will gain firsthand knowledge of China's growing concerns on bauxite supply and look forward to commencing discussions on how we can meet their needs.

Right location

Our two main integrated mine and port projects – Bauxite Hills and Pisolite Hills – are located within the world-renowned western Cape York bauxite province and contain high-quality, export-grade bauxite.

These mines have shallow, free-digging bauxite with minimal overburden thickness and very low strip ratios. They are located close to coastal waters and international shipping routes. We do not need railways or major ports to be built as do many other bulk commodity projects in Australia. Trans-shipping, the successful shipping method used extensively in Indonesia as well as in Australia, will help unlock our projects.

Right projects

We have two large, world-class bauxite projects.

The Pisolite Hills project, with 134.6¹ Mt of bauxite resources, has now been formally reactivated and an Environmental Impact Statement and a Definitive Feasibility Study, based on a 7Mtpa mine, will be completed over the next 12 months.

The Bauxite Hills Project, with 60.2 Mt² of bauxite resources, will continue to be advanced. A Pre-Feasibility Study based on a 5Mtpa mine is being finalised. Further studies will be completed over the next 12 months with a particular emphasis on investigating the synergies that would be captured if Bauxite Hills is developed as an expansion of Pisolite Hills.

We have the potential to produce over 12Mtpa of export quality bauxite from these two projects.

We are also active in identifying additional Australian bauxite mining opportunities, such as planning to participate in the sale process of the Aurukun bauxite tenements, recently announced by the Queensland Government, which could add another world-class bauxite project to our portfolio and reinforce our future position as Australia's leading pure-play bauxite company.

In support of the increased level of project activity, we have recently appointed three new employees who will be making significant contributions to our projects as they move towards production.

¹ 134.6 Mt of *in-situ* bauxite at Pisolite Hills to yield 88.9 Mt (20.1 Mt Measured + 39.5 Mt Indicated + 29.3 Mt Inferred) of bauxite on a dry-product basis at average beneficiated grade of 53.1 per cent Alumina (Al₂O₃) and 12.3 per cent Silica (SiO₂), of which there is 7.5 per cent reactive silica at 150 degrees Celsius.

² Combined Inferred Resources at Bauxite Hills' BH1, BH2 and BH6 deposits total 60.2 Mt of *in-situ* bauxite to yield 41.3 Mt of bauxite on a dry-product basis at average beneficiated grade of 51.6 per cent Alumina (Al₂O₃) and 9.6 per cent Silica (SiO₂).



Theuns Burger, our General Manager, Projects, is charged with the responsibility for the conduct of the technical studies for our projects.

Colleen Fish, our Manager, Environment, Communities and Sustainability, is responsible for completing the EIS for our flagship Pisolite Hills project.

And Neil McLean, who has been providing geological consulting services to the Company for nearly two years, has joined us on a full-time basis as General Manager, Exploration – a critical role in maximizing the resource definition from our portfolio of exploration tenements.

Ladies and gentlemen, I believe that western Cape York will become China's preferred source of bauxite and that Cape Alumina is uniquely positioned to meet this demand. Your Company has the potential to produce more than 12 Mtpa of beneficiated, dry-product bauxite over a 15-year period, and our goal is to be in production by late 2014.

With your ongoing support, I am confident that Cape Alumina will be able to capitalize on the opportunities that presently exist in the bauxite market and reap rewards for all Cape Alumina shareholders.

COMPETENT PERSON'S STATEMENT

Technical information about exploration targets and ore resources relating to Cape Alumina contained in this report has been compiled by Dr Paul Messenger who is a Principal Advisor to Cape Alumina Limited and a Fellow of the Australasian Institute of Mining and Metallurgy (F. AusIMM) with more than five years of relevant experience in the style of mineralisation being reported and qualifies as a Competent Person as defined by the Australasian Code for Reporting of Minerals, Resources and Reserves. Dr Messenger consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

More information:

Cape Alumina Limited

+61 7 3009 8000

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