Cape Alumina Limited

ABN 88 107 817 694
And Controlled Entities

Interim Financial Report

For the Half-Year Ended
31 December 2012

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CAPE ALUMINA LIMITED
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Interim Financial Report

Directors' Report

Your directors submit the interim financial report of the consolidated entity for the half-year ended 31 December 2012.

1. Directors

The names of the directors who held office during or since the end of the half-year:

- George Lloyd (Non-executive Chairman)
- Graeme Sherlock (Managing Director)
- Rennie Fritschy (Independent Non-executive Director)
- Peter Nicholson (Non-executive Director)
- Jijun Liu (Non-executive Director) Alternate Director-Ken Xiao

2. Review of results and operations

The loss of the consolidated entity for the period was $1,862,777 (2011: $1,418,024).

During the half year:

- The company issued 2,741,910 ordinary shares as payment for convertible note interest totalling $250,685;
- The company issued 1,117,898 ordinary shares to employees upon the vesting of performance rights issued in accordance with the Cape Alumina Performance Rights Plan;
- The company raised $456,360 through the issue of 3,802,999 ordinary shares at $0.12, with funds to be used for working capital needs;
- The company raised $1,000,000 through the issue of 7,142,857 ordinary shares at $0.14, with funds to be used for working capital needs;
- The company entered into an agreement for the sale of its Hey Point bauxite tenements and mineral sands interests on western Cape York, completion of which is subject to certain conditions. Consideration receivable under the agreement includes cash payments of $1,500,000 and royalties on all future bauxite sold. The book value of the assets being sold under the agreement was $156,835 at 31 December 2012; and
- The company continued its exploration activities, completing the Bauxite Hills pre-feasibility study and increasing the company's total JORC-Code-Compliant resources to 202.4 million tonnes of high quality, export grade bauxite.

3. Events Subsequent To Balance Date

On 4 January 2013, the company issued 1,326,604 ordinary shares as payment for convertible note interest $126,027.

Except as noted above, no matter or circumstance has arisen since 31 December 2012 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

4. Auditor's Independence Declaration

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 2 for the half-year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors.

Signed:

G A Lloyd
Chairman of Directors

Date: 26 February 2013

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF CAPE ALUMINA LIMITED

As lead auditor for the review of Cape Alumina Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cape Alumina Limited and the entities it controlled during the half-year.

A WHYTE

Director

BDO Audit Pty Ltd

Brisbane, 26 February 2013

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CAPE ALUMINA LIMITED
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Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2012

	Note	31 December 2012 $	31 December 2011 $
Employee benefits expense		(756,425)	(1,018,413)
Depreciation and amortisation		(8,013)	(2,692)
Occupancy expenses		(59,164)	(29,895)
Other expenses		(380,797)	(317,591)
Results from operating activities		(1,204,399)	(1,368,591)
Finance income		98,056	92,648
Finance costs		(592,333)	(560,509)
Fair value movement of embedded derivative		(164,101)	418,428
Net finance costs		(658,378)	(49,433)
Profit/(loss) before income tax		**(1,862,777)**	**(1,418,024)**
Income tax benefit/(expense)		-	-
Profit/(loss) for the period		**(1,862,777)**	**(1,418,024)**
Other comprehensive income		-	-
Total comprehensive income/(loss)		**(1,862,777)**	**(1,418,024)**
		Cents	**Cents**
Basic and diluted earnings/(loss) per share		(1.12)	(1.09)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Financial Position
as at 31 December 2012

	Note	31 December 2012 $	30 June 2012 $
Current assets			
Cash and cash equivalents		4,077,934	4,655,359
Trade and other receivables		73,406	61,772
Other financial assets		49,997	49,562
Total current assets		**4,201,337**	**4,766,693**
Non-current assets			
Exploration and evaluation assets		5,392,095	4,476,542
Assets held for sale	3	156,835	-
Plant and equipment		73,768	41,201
Other assets		88,695	86,560
Total non-current assets		**5,711,393**	**4,604,303**
TOTAL ASSETS		**9,912,730**	**9,370,996**
Current liabilities			
Trade and other payables		795,647	649,262
Total current liabilities		**795,647**	**649,262**
Non-current liabilities			
Loans and borrowings	2	3,112,351	2,772,073
Derivatives		1,538,052	1,373,951
Total non-current liabilities		**4,650,403**	**4,146,024**
TOTAL LIABILITIES		**5,446,050**	**4,795,286**
NET ASSETS		**4,466,680**	**4,575,710**
Equity			
Issued capital	4	28,767,353	27,085,408
Reserves		475,533	403,731
Accumulated losses		(24,776,206)	(22,913,429)
TOTAL EQUITY		**4,466,680**	**4,575,710**

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2012

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2012	27,085,408	403,731	(22,913,429)	4,575,710
Net loss for the half-year	-	-	(1,862,777)	(1,862,777)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,862,777)	(1,862,777)
Transactions with owners, recorded directly in equity				
Share based payments	-	71,802	-	(181,510)
Shares issued during the period net of transaction costs	1,681,945	-	-	1,681,945
Balance at 31 December 2012	**28,767,353**	**475,533**	**(24,776,206)**	**4,466,680**
Balance at 1 July 2011	23,555,624	172,196	(20,966,193)	2,761,627
Net loss for the half-year	-	-	(1,418,024)	(1,418,024)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,418,024)	(1,418,024)
Transactions with owners, recorded directly in equity				
Share based payments	-	129,147	-	129,147
Reversal of conversion rights on convertible notes	-	(96,663)	-	(96,663)
Shares issued during the period net of transaction costs	1,377,296	-	-	1,377,296
Balance at 31 December 2011	**24,932,920**	**204,680**	**(22,384,217)**	**2,753,383**

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

CAPE ALUMINA LIMITED
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Consolidated Statement of Cash Flows
for the half-year ended 31 December 2012

	31 December 2012 $	31 December 2011 $
Cash flows from operating activities		
Receipts in the course of operations	-	-
Payments to suppliers and employees	(1,233,733)	(949,128)
Interest received	88,016	62,962
Interest paid	-	(36,169)
Net cash provided by/(used in) operating activities	(1,145,717)	(922,335)
Cash flows from investing activities		
Proceeds from sale of assets	250,000	-
Payments for plant and equipment	(40,580)	(20,662)
Payments of exploration and evaluation assets	(1,072,388)	(2,020,216)
Net cash provided by/(used in) investing activities	(862,968)	(2,040,878)
Cash flows from financing activities		
Proceeds from issue of shares	1,456,360	1,170,000
Transaction costs – issue of shares	(25,100)	(124,905)
Proceeds from issue of convertible notes	-	5,000,000
Net cash provided by/(used in) financing activities	1,431,260	6,045,095
Net increase/(decrease) in cash and cash equivalents	(577,425)	3,081,882
Cash and cash equivalents at the beginning of the period	4,655,359	2,964,729
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,077,934	6,046,611

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

CAPE ALUMINA LIMITED
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Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2012

Note 1: Significant Accounting Policies

The half-year interim financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Cape Alumina Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies and methods of computation are consistent with those applied in the 30 June 2012 financial report.

The half-year interim financial report does not include full disclosures of the type normally included in an annual financial report.

(a) Reporting Basis and Conventions

The half-year interim financial report has been prepared on an accruals basis and is based on historical costs except for derivatives and convertible notes measured at fair value, and exploration and evaluation assets measured at the lower of carrying amount and recoverable amount.

(b) Material uncertainty regarding going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the ability of the consolidated entity to the successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

	31 December 2012 $	30 June 2012 $
Note 2. Loans and borrowings		
Convertible notes – unsecured	3,112,351	2,772,073
Note 3. Assets held for sale		
Assets classified as held for sale		
Exploration and evaluation assets	156,835	-

During the half-year, the company entered into an agreement for the sale of its Hey Point bauxite tenements and mineral sands interests on western Cape York, completion of which is subject to certain conditions. Consideration receivable under the agreement includes cash payments of $1,500,000 and royalties on all future bauxite sold. The book value of the assets being sold under the agreement was $156,835 at 31 December 2012.

Assets associated with the company's Hey Point bauxite tenements and mineral sands interests on western Cape York of $156,835 have been reclassified from exploration and evaluation assets to assets held for sale. There are no other assets or liabilities associated with these interests.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2012

Note 4: Issued Capital	**31 December 2012**	**30 June 2012**
	$	**$**
175,815,677 (30 June 2012: 161,010,013) fully paid ordinary shares	28,767,353	27,085,408

	31 December 2012		**31 December 2011**	
a) Ordinary Shares	**#**	**$**	**#**	**$**
Balance at beginning of the period	161,010,013	27,085,408	129,050,803	23,555,624
Shares issued during the period:				
- Shares issued to Managing Director in accordance with remuneration package	-	-	1,000,000	200,000
- Shares issued in accordance with convertible note issue agreement	-	-	1,000,000	132,200
- Share placement at $0.12 per share in accordance with Share Purchase Plan	-	-	9,750,097	1,170,000
- Shares issued as payment for convertible note interest (Q2 2012)	1,564,084	124,658	-	-
- Shares issued to employees upon vesting of performance rights issued in accordance with Performance Rights Plan	1,117,898	-	-	-
- Shares issued as payment for convertible note interest (Q3 2012)	1,177,826	126,027	-	-
- Share placement at $0.12 per share	3,802,999	456,360	-	-
- Share placement at $0.14 per share	7,142,857	1,000,000		
Transaction costs recognised during the period	-	(25,100)	-	(124,904)
Balance at end of the period	175,815,677	28,767,353	140,800,900	24,932,920

Dividends

No dividends were declared or paid during the interim period.

Note 5: Contingent Assets and Liabilities

As part of the sale agreement of its Hey Point bauxite tenements and mineral sands interests on western Cape York as outlined in note 4, the consolidated entity is entitled to receive royalties of 2% to 3% of future gross sales proceeds on all bauxite sold from the project. As this project is still in the early stages of exploration it is premature to determine whether royalties will be received in future years.

Except as noted above, the consolidated entity does not believe it has any contingent liability arising from possible Native Title or other claims and that there are no changes since 30 June 2012.

Note 6: Subsequent Events

On 4 January 2013, the company issued 1,326,604 ordinary shares as payment for convertible note interest of $126,027.

Except as noted above, no matter or circumstance has arisen since 31 December 2012 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2012

Note 7: Segment Reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. The consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one operating segment, being exploration for bauxite. There have been no changes in the operating segments during the half-year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from the segment are equivalent to the financial statements of the consolidated entity as a whole.

CAPE ALUMINA LIMITED
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Director's Declaration

The directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
   a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
   b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

George Alfred Lloyd
Director

Dated this 26 day of February 2013

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cape Alumina Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cape Alumina Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cape Alumina Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cape Alumina Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cape Alumina Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to note 1 describing the uncertainty regarding going concern. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent upon the ability of the consolidated entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development. No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the consolidated entity's plans not eventuate.

BDO Audit Pty Ltd

BDO

Anthony Whyte

Director

Brisbane 26 February 2013