

● Cape Alumina Limited

Quarterly Report

For the period ending 30 June 2013



ASX release

Thursday, 25 July 2013

ASX code

CBX

Issued capital (as at 30/6/2013)

Shares issued 178,783,611

4,941,634 Director and Management Unlisted Performance Options and Rights

1,979 shareholders

Top 20 shareholders hold 89 per cent

Largest shareholders (as at 31/3/2013)

| | |
|----------------------------|---------------|
| RCF (Funds III LP & IV LP) | 29.0 per cent |
| Metallica Minerals Limited | 16.7 per cent |
| China Xinfra Group | 16.4 per cent |
| Bondline Limited | 11.9 per cent |

Directors

George Lloyd – Chairman

Graeme Sherlock – Managing Director

Rennie Fritschy – Non-Executive Director

Jijun Liu – Non-Executive Director

Peter Nicholson – Non- Executive Director

Company Secretary

Scott Waddell

Cash balance

As at 30 June 2013, Cape Alumina's consolidated cash balance was approximately \$ 2.7million.



Australia's leading pure-play bauxite company

Key points

- • • ● Pre-feasibility study (PFS) confirms attractive financial returns for Pisolite Hills project
- • • ● Long-term outlook for bauxite market remains positive
- • • ● Cape Alumina continues with its bid to win the Aurukun bauxite project tender

PFS confirms attractive financial returns for Pisolite Hills project

During the last quarter, Cape Alumina commissioned consulting engineer GHD Limited to update the mining and costing aspects of the PFS for the company's Pisolite Hills integrated mine and port project (Pisolite Hills) on western Cape York in far North Queensland.

The updated PFS has confirmed the technical and economic feasibility of Pisolite Hills as a 7.5 million dry product tonnes per annum (Mtpa) bauxite mine producing high-quality, export-grade bauxite over a life of 14 years, based on a 134 Mt bauxite resource.

The 134.6 Mt of *in-situ* bauxite at Pisolite Hills is expected 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 (Al_2O_3) and 12.3 per cent Silica (SiO_2) of which 7.5 per cent is reactive silica at 150 degrees Celsius.

The PFS confirmed that Pisolite Hills is an attractive standalone project with a capital cost of \$396 million and an FOB cash operating cost, at full production, of approximately \$23 per tonne of product bauxite (excluding royalties).

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PFS confirms attractive financial returns for Pisolite Hills project

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The study also revealed further opportunities to significantly reduce costs at Pisolite Hills, including:

- The implementation of contract mining, beneficiation, and infrastructure ownership and operation which could significantly reduce capital costs.
- Synergies attributable to operating the project in conjunction with the Bauxite Hills project could significantly reduce operating costs as well as the capital cost per tonne of annual production. These synergies include:
 - No additional river dredging required (already undertaken for Pisolite Hills);
 - Common use of barging and transshipment operations in the Ducie River;
 - Common infrastructure such as airstrip, electricity generation, and other facilities; and
 - Optimisation of the workforce and management across two operations.

Cape Alumina's Managing Director Graeme Sherlock said that these opportunities are subject to further investigation and evaluation.

"Further optimisation work, including resource optimisation, will be undertaken to improve the project's economics in the coming months," he said.

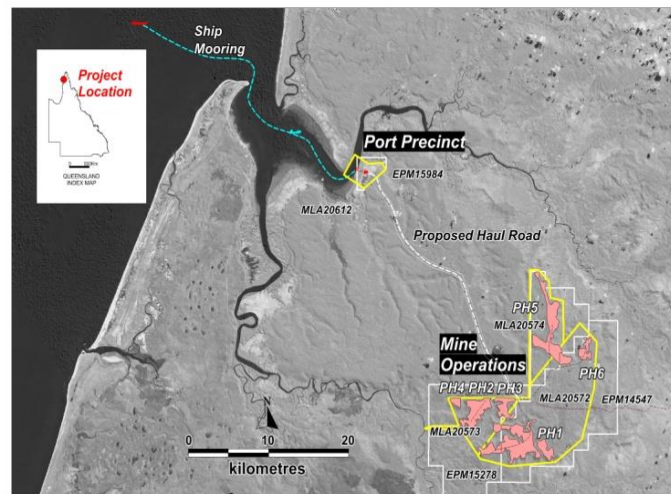


Figure 1: Proposed layout of the Pisolite Hills mine and port project on western Cape York, Queensland.

Based on analysis at long-term FOB bauxite prices at USD\$45 per tonne, and an exchange rate of 0.85 (AUD/USD), the Pisolite Hills project shows a Net Present Value of \$273 million and an Internal Rate of Return of 25.6 per cent.

"The project is commercially very attractive and will provide a significant return to Cape Alumina," Mr Sherlock said.

About the Pisolite Hills mine and port project

The Pisolite Hills integrated mine and port project on western Cape York, Queensland is Cape Alumina's flagship and most advanced project.

It is located on an elevated, open, dry bauxite plateau approximately 50 kilometres north-east of Weipa and 40 kilometres south-east of the community of Mapoon.

The shallow, free-digging bauxite averages 2.4 metres, and ranges up to 6 metres in thickness, with an average overburden depth of 0.4 metres resulting in very low strip ratios.

The proposed mine fleet includes front-end loaders and mine trucks to load and transport the raw bauxite to the beneficiation plant and road trains to transport the bauxite product to Port Musgrave.

Run of mine raw bauxite will be washed in three 650 tonne per hour beneficiation plants which incorporate crushing, sizing, screening and conveying.

Transshipping of the bauxite product is a key value driver for the operation and the use of 6,000 to 10,000 tonne barges, loading 71,000 tonne Panamax or 166,000 tonne Cape-size vessels, has been incorporated in the design.



Figure 2: Artist impression of the proposed transshipment operations at Port Musgrave for the Pisolite Hills project.

About the Bauxite Hills mine and port project

Cape Alumina's second major project is called Bauxite Hills. This project is approximately 50 kilometres north-west of the Pisolite Hills project.

The combined inferred resources at Bauxite Hills total 60 Mt of *in-situ* bauxite to yield 42 Mt of bauxite on a dry-product basis at average beneficiated grade of 51.6 per cent Alumina (Al₂O₃) and 9.5 per cent Silica (SiO₂).

This project will continue to be evaluated and progressed and is likely to be considered as a second stage development once Pisolite Hills is in production. Development of Bauxite Hills in conjunction with Pisolite Hills will bring significant synergistic benefits.

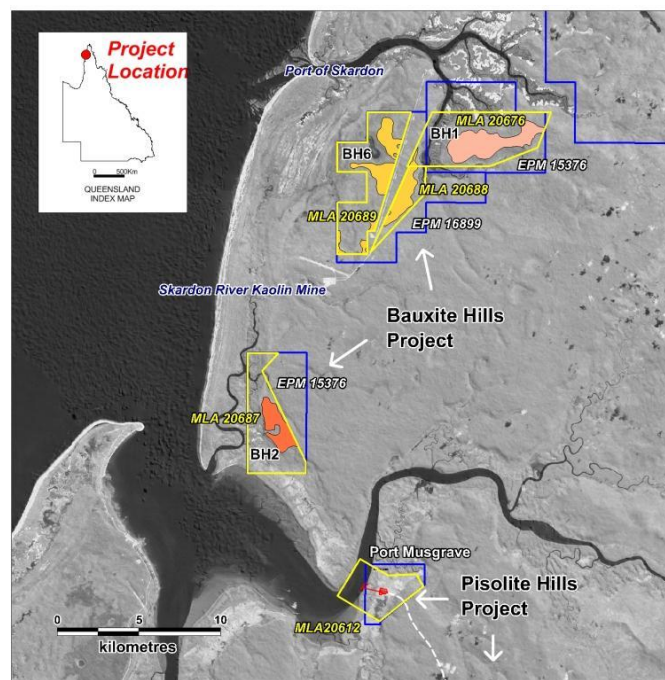


Figure 3: Proposed layout of the Bauxite Hills mine and port project in relation to the Pisolite Hills project.

Cape Alumina continues with its bid to win the Aurukun bauxite project tender

During last quarter Cape Alumina continued to work on its bid to develop the world-class Aurukun bauxite deposit on western Cape York, Queensland.

In late April, the Queensland Government invited Cape Alumina, along with four other proponents in a competitive tender process, to formally tender for the development of the Aurukun deposit.

A detailed tender is due to be submitted to the Queensland Government in September this year.

Work conducted over the past few months includes undertaking technical studies for the Aurukun project and meetings with the Aurukun Shire Council and Traditional Land Owners of the proposed project area.

Long-term outlook for bauxite market remains positive

During the last quarter bauxite prices strengthened and remained firm. Indonesian and Australian exports of bauxite to China have grown dramatically over the past six years to meet increasing demand.

Indonesia's 20 per cent export tax (applied since July 2012) has added about US\$4-5/t to the cost of Indonesian bauxite. Indonesia has legislated to ban bauxite exports from 12 January 2014.

As a result, bauxite prices are increasing based on the growing Chinese market - and China is looking for a reliable, alternative, long-term supply of high-quality bauxite.

The higher alumina content of Cape York bauxite provides a pricing premium when compared to Indonesian bauxite prices.

Cape Alumina believes that western Cape York will become China's preferred source of bauxite. As a result, Cape Alumina is uniquely positioned to meet China's growing demand.

Financial and administration

As at 30 June 2013, Cape Alumina Limited had a cash balance of approximately \$2.7 million.

During the past quarter, Cape Alumina received a tax refund of \$302k for Research and Development (R&D) undertaken during the financial year ending 30 June 2012.

Cape Alumina is also expecting an R&D refund for the 2012-13 financial year and will commence work on this application in the coming quarter.

Cape Alumina is also reviewing its planned expenditure over the coming periods with a view of managing its work programs against expected available funds.

Cape Alumina received a \$250k progress payment from Green Coast Resources on 1 July 2013 for the sale and transfer of the Hey Point tenement.

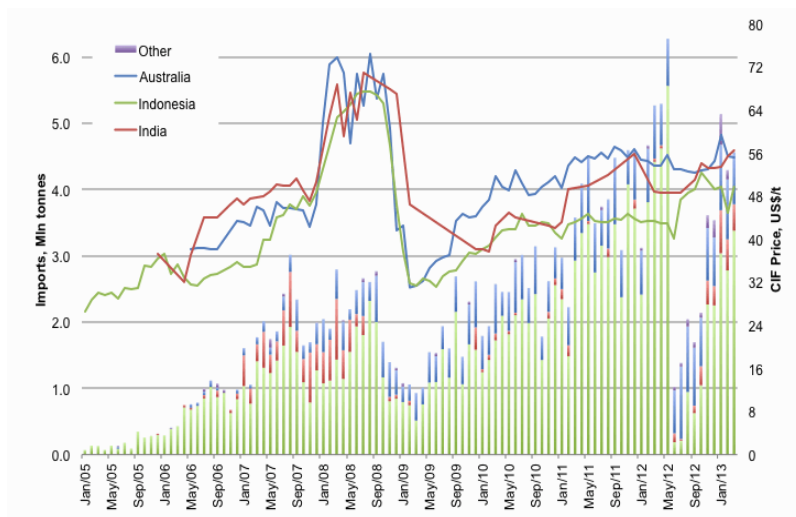


Figure 4: Historical volumes and prices of bauxite into China.

Table 1: Weipa exploration and mining tenement schedule

| Tenement | Project Name | Holder/ Applicant | Status (Expiry date) | Area Ha (MLAs) No. Sub Block (EPM) | Commodity Targeted |
|-------------------|-----------------------------|---|--|--|-----------------------|
| MLA 20572 | Pisolite Hills 1 | Cape Alumina Ltd | Application | 12311.4 | Bauxite-Kaolin |
| MLA 20573 | Pisolite Hills 2 | Cape Alumina Ltd | Application | 3207.8 | Bauxite-Kaolin |
| MLA 20574 | Pisolite Hills 3 | Cape Alumina Ltd | Application | 3885.5 | Bauxite-Kaolin |
| MLA 20611 | Hey Point | Cape Alumina Ltd | Application | 370.7 | Bauxite |
| MLA 20612 | Port Musgrave | Cape Alumina Ltd | Application | 1050.3 | Bauxite |
| MLA 20676 | Bauxite Hills 1 | Aldoga Minerals Pty Ltd Cape Alumina Ltd | Application | 2317.91 | Bauxite |
| MLA 20687 | Bauxite Hills 2 | Aldoga Minerals Pty Ltd Cape Alumina Ltd | Application | 1647 | Bauxite |
| MLA 20688 | Bauxite Hills 6 East | Aldoga Minerals Pty Ltd Cape Alumina Ltd | Application | 531 | Bauxite |
| MLA 20689 | Bauxite Hills 6 West | Aldoga Minerals Pty Ltd Cape Alumina Ltd | Application | 2052 | Bauxite |
| EPM 14547 | Pisolite Hills | Cape Alumina Ltd | Granted (19/4/2016) Renewed | 48 | Bauxite |
| EPM 15012 | Mapoon | Cape Alumina Ltd | Granted (30/11/2014) | 19 | Bauxite-Kaolin |
| EPM 15054 | Hey Point | Cape Alumina Ltd | Granted (29/4/2017) Renewed | 4 | Bauxite |
| EPMA 15077 | Worbody | Cape Alumina Ltd | Application | 15 | Bauxite |
| EPM 15173 | Duyfken Point | Cape Alumina Ltd | Granted (23/2/2014) | 16 | Bauxite |
| EPM 15263 | North Coconut | Cape Alumina Ltd | Granted (29/04/2017) | 12 | Bauxite |
| EPMA 15269 | Aurukun North | Cape Alumina Ltd | Granted (3/2/2018) | 55 | Bauxite |
| EPM 15272 | Weipa East | Cape Alumina Ltd | Granted (29/4/2014) | 4 | Bauxite |
| EPM 15277 | Pisolite Hills South | Cape Alumina Ltd | Granted (22/12/2013) | 20 | Bauxite |
| EPM 15278 | Pisolite Hills North | Cape Alumina Ltd | Granted (29/9/2014) | 53 | Bauxite |
| EPM 15374 | Dulhunty | Cape Alumina Ltd | Granted (21/9/2013) Renewal lodged | 51 | Bauxite |
| EPM 15375 | Vrilya | Cape Alumina Ltd | Granted (21/10/2013) Renewal lodged | 107 | Bauxite |
| EPM 15376 | Ducie River | Cape Alumina Ltd | Granted (29/9/2014) | 29 | Bauxite |

| Tenement | Project Name | Holder/ Applicant | Status (Expiry date) | Area Ha (MLAs) No. Sub Block (EPM) | Commodity Targeted |
|------------------|----------------------|-------------------------|---------------------------------|--|--------------------|
| EPM 15984 | Port Musgrave | Cape Alumina Ltd | Granted (23/2/2014) | 4 | Bauxite |
| EPMA 15985 | Penefather | Cape Alumina Ltd | Application | 45 | Bauxite |
| EPM 16899 | Skardon River | Cape Alumina Ltd | Granted (16/12/2014) | 14 | Bauxite |
| EPMA 17499 | Eucid | Cape Alumina Ltd | Application | 4 | Bauxite |

Notes: All tenements 100 per cent held by Cape Alumina Limited unless expressed otherwise. EPM = Exploration Permit for Minerals; EPMA = Application for Exploration Permit for Minerals; MLA = Application for Mining Lease.

Table 2: Central Queensland exploration and mining tenement schedule

| Tenement | Project Name | Holder/ Applicant | Status (Expiry date) | Area Ha (MLAs) No. Sub Block (EPM) | Commodity Targeted |
|------------------|-----------------|-------------------------|---------------------------------------|---------------------------------------|--------------------|
| EPM 15848 | Toondoon | Cape Alumina Ltd | Renewal lodged (25/5/2013) | 9 | Bauxite |
| EPMA 18276 | Hawkwood | Cape Alumina Ltd | Application | 52 | Bauxite |
| EPM 18281 | Auburn | Cape Alumina Ltd | Granted (15/12/2016) | 38 | Bauxite |

Notes: All tenements 100 per cent held by Cape Alumina Limited unless expressed otherwise. EPM = Exploration Permit for Minerals. EPMA = Application for Exploration Permit for Minerals

COMPETENT PERSON'S STATEMENT

Technical information about exploration targets and ore resources relating to Cape Alumina contained in this report has been compiled by Neil McLean who is Cape Alumina employee 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. Mr McLean consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.



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