



**CAPE ALUMINA LIMITED
AND ITS CONTROLLED ENTITIES
ABN 88 107 817 694**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

**CAPE ALUMINA LIMITED
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DIRECTORS REPORT

Your directors present their report on the Consolidated Entity consisting of Cape Alumina Limited and the entities it controlled at the end of, or during the year ended 30 June 2014.

1. THE DIRECTORS AND COMPANY SECRETARY

The following persons were directors and company secretary of the Company during the financial year and up to date of this report:

Stephen Everett - Age 62	— <i>Non-Executive Chairman, appointed 8 May 2014</i>
Qualifications	— Bachelor of Engineering (Chem Eng. Honours). MAICD
Experience	— Mr Everett has forty years management and board experience in the resources and construction industries and has held Chairman and non-executive director positions in Government Development Boards, Private, ASX listed and TSX listed companies. Mr Everett has also held senior executive positions included Managing Director and Chief Executive Officer of private and publicly listed companies.
Directorships in listed entities	— Chairman of MetroCoal Limited, appointed 12 July 2012, Global Resources Corporation Limited, appointed April 2009
Interest in Shares and Options	— None
Special Responsibilities	— None
Directorships formerly held in other listed entities in past 3 yrs	— IronRidge Resources Limited, appointed May 2011, resigned October 2012
Lindsay Ward - Age 50	— <i>Non-Executive Director, appointed 8 May 2014</i>
Qualifications	— Bachelor of Applied Science (Geology), Graduate Diploma of Management, GAICD
Experience	— Mr Lindsay Ward is an experienced senior executive having worked in a broad range of industries including ports, mining, mineral processing, rail haulage, electricity generation, gas transmission, alternative waste treatment, transport and logistics at general manager, CEO, managing director, non-executive director and chairman level. Mr Ward is currently CEO of the Tasmanian Gas Pipeline (TGP) and has a broader role with Palisade Investment Partners (the owners of TGP). Prior to this, Mr Ward was Managing Director of Dart Mining NL (ASX-DTM), a Victorian based molybdenum-copper-silver explorer. Prior to joining Dart Mining, Mr Ward was General Manager – Patrick Ports and Pacific National Bulk Rail, a business unit of Asciano Ltd. Mr Ward started his career in the Mining Industry, spending 15 years working with various mining companies in WA, Queensland, NSW and Victoria in various roles including mine geologist, mining engineer and mine manager.
Directorships in listed entities	— MetroCoal Limited, appointed 4 October 2011
Interest in Shares and Options	— None
Special Responsibilities	— None
Directorships formerly held in other listed entities in past 3 yrs	— Dart Mining NL, appointed May 2011, resigned December 2013

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DIRECTORS REPORT

<i>George Alfred Lloyd - Age 65</i>	<i>— Non-Executive Independent Director, appointed 29 January 2009</i>
Qualifications	— Master of Business Administration, Bachelor of Engineering Science (Industrial Engineering), Stanford Executive Program
Experience	— Mr Lloyd is a Fellow of the Australian Institute of Company Directors (FAICD) and a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM). He has over 30 years of resource industry experience including time as a senior executive and board member of listed and unlisted Australian resource companies with interests in minerals, energy and industry services.
Directorships in listed entities	— Chairman of Ausenco Limited – appointed Non-executive Director in 2005 and Chairman in 2013 Chairman of Pryme Energy Limited - appointed January 2008
Interest in Shares and Options	— 242,766 Ordinary Shares in Cape Alumina Limited
Special Responsibilities	— None
Directorships formerly held in other listed entities in past 3 yrs	— None
<i>Graeme Sherlock - Age 51</i>	<i>— Managing Director (MD), resigned as MD on 21 May 2014 and resigned as CEO on 1 July 2014</i>
Qualifications	— BE (Mining), MBA (Technology), MAusIMM
Experience & Directorships	— Mr Sherlock is a qualified mining engineer with more than 25 years of resource industry experience. With senior business development positions within Peabody Energy Australia, Rio Tinto Coal Australia, and Mitsubishi Development and a long career with BHP Billiton, he has a strong record of achievement on several key major resource project developments, mergers, acquisitions and commercial negotiations across the Australian and international coal industry.
Interest in Shares and Options	— 1,630,000 Ordinary Shares in Cape Alumina Limited on date of resignation as MD
Special Responsibilities	— None
Directorships in other listed entities	— None
Directorships formerly held in other listed entities in past 3 yrs	— None
<i>Rennie Fritschy - Age 72</i>	<i>— Non-Executive Independent Director, resigned 21 May 2014</i>
Qualifications	— BE (Chem), BEc, FAICD, FIEAust
Experience	— Rennie Fritschy is currently Chancellor of Rockhampton- based Central Queensland university Australia. He is a Director of C_Management Services, a higher education provider with campuses in eastern states capital cities, and was Chairman of the organisation from 2003 to 2008. He was Managing Director of Queensland Alumina, the largest alumina plant in the world from 1995 to 2002. During his 18 years with Nabalco (now RTA Gove), Mr Fritschy held various roles including Technical Manager, Operations Manager and Site Manager of the bauxite mine and alumina plant.
Interest in Shares and Options	— 112,000 Ordinary Shares in Cape Alumina Limited on the date Rennie Fritschy resigned as a Director
Special Responsibilities	— None
Directorships in other listed entities	— None
Directorships formerly held in other listed entities in past 3 yrs	— None

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DIRECTORS REPORT

1. THE DIRECTORS AND COMPANY SECRETARY (continued)

Peter Nicholson - Age 39

- Qualifications — ***Non-Executive Director, resigned 19 March 2014***
- Experience — Bachelor of Engineering (Mining), GAICD, F Fin, MAusImm
- Interest in Shares and Options — Appointed Director on 26 March 2007
- Peter Nicholson is an employee of Resource Capital Funds Management Pty Ltd, which is an entity associated with Resource Capital Fund III and IV L.P. which together held 98,337,771 Ordinary Shares in Cape Alumina Limited prior to these shares being sold to MetroCoal Limited during March 2014
- Special Responsibilities — None
- Directorships held in other listed entities — None
- Directorships formerly held in other listed entities in past 3 yrs — None

Jijun Liu - Age 49

- Qualifications — ***Non-Executive Director***
- Experience — Mr Liu studied thermal power plant engineering at Shandong Power Junior College
- Mr Jijun Liu is the Managing Director of the Shandong xinfu Group Co, which controls one of the largest alumina aluminum enterprises in China. Mr Liu is also a member of various government committees. He studied thermal power plant engineering at Shandong Power Junior College.
- Interest in Shares and Options — Jijun Liu is an employee of China Xinfu Group Corporation Limited which (together with associated entities) holds 29,342,960 Ordinary Shares in Cape Alumina Limited
- Special Responsibilities — None
- Directorships held in other listed entities — None
- Directorships formerly held in other listed entities in past 3 years — None

Ken Xiao - Age 45

- Qualifications — ***Non-Executive Alternate Director to Jijun Liu***
- Experience — Bachelor of Science (Computer) / Bachelor of Engineering (Computer) University of Newcastle, Master of Information Technology QUT
- Interest in Shares and Options — Appointed Alternate Director on 8 June 2007
- Ken Xiao is a consultant to China Xinfu Group Corporation Limited which (together with associated entities) holds 29,342,960 Ordinary Shares in Cape Alumina Limited
- Ken Xiao holds 41,572 Ordinary Shares in Cape Alumina Limited
- Special Responsibilities — None
- Directorships held in other listed entities — None
- Directorships formerly held in other listed entities in past 3 years — None

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DIRECTORS REPORT

1. THE DIRECTORS AND COMPANY SECRETARY (continued)

Scott Waddell - Age 42	— <i>Acting Chief Executive Officer from 1 July 2014, Chief Financial Officer (CFO) and Company Secretary</i>
Qualifications	— BBus (Accounting), Grad. Dip. Purch & Mat Mgt, GradDipACG, FCPA, ACIS
Experience	— Scott Waddell was appointed Cape Alumina's Acting CEO on 1 July 2014, CFO 24 May 2010 and Company Secretary 1 June 2010. Prior to joining Cape Alumina, he served as Head of Finance for the Monash Energy project in Victoria's La Trobe valley. Mr Waddell's resources experience has been gained over nine years with Anglo Coal and eight years with Rio Tinto Alcan (RTA) in a wide variety of senior roles across multiple sites. He has a deep understanding of the global bauxite and resources sectors.
Interest in Shares and Options	— 360,000 Ordinary Shares in Cape Alumina Limited
Special Responsibilities	— None
Directorships formerly held in other listed entities in past 3 years	— None

2. OPERATING AND FINANCIAL REVIEW

Overview of the Consolidated Entity

The principal activities of the Consolidated Entity during the course of the financial year were progressing development of the Pisolite Hills and Bauxite Hills bauxite projects. Monitoring and assessment of other bauxite tenements was also undertaken by the Consolidated Entity.

During the year ended 30 June 2014:

- The Company announced a merger with MetroCoal Limited to create a diversified bauxite and thermal coal business with a staged development pipeline. The merger was terminated following an announcement by the Queensland government which would materially impact the viability of Cape Alumina's flagship Pisolite Hills project;
- The Company was subsequently subject to an on-market takeover offer by MetroCoal Limited, with MetroCoal Limited increasing its shareholding to 57.22% of the Company on 17 April 2014;
- Following the takeover by MetroCoal Limited, Mr Stephen Everett was appointed as Non-Executive Chairman and Mr Lindsay Ward was appointed as Non-Executive Director of the Company, with Mr George Lloyd resigning as Chairman and remaining as an Independent Non-Executive Director, Mr Graeme Sherlock resigning as Managing Director and Mr Rennie Fritschy resigning as Non-Executive Independent Director;
- As a result of the abovementioned announcement by the Queensland government, the Company suspended all work on its Pisolite Hills project and undertook a comprehensive review of all its other operations in Queensland before committing to focus on development of its Bauxite Hills mine and port project;
- The company settled the sale of its Hey Point bauxite tenements. Consideration receivable under the agreement includes cash payments of \$1,500,000 (of which \$500,000 has been received and \$1,000,000 remains contingent) and royalties on all future bauxite sold. The book value of the assets being sold under the agreement was \$171,295;
- The Company raised \$1,000,000 through the issue of a convertible note to MetroCoal Limited. Following the termination of the proposed merger, the Company converted the \$1,000,000 convertible note with the issue of 16,666,667 shares to MetroCoal Limited giving it a 6.87% interest in the Company;

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DIRECTORS REPORT

2. OPERATING AND FINANCIAL REVIEW (Continued)

- The Company issued 4,888,556 ordinary shares as payment for convertible note interest totalling \$317,808;
- The Company issued 642,897 ordinary shares to employees upon the vesting of performance rights issued in accordance with the Cape Alumina Performance Rights Plan;
- The Company issued 41,666,667 ordinary shares upon conversion of a \$5 million convertible note;
- The Company issued 14,706,000 options exercisable at \$0.17 per option, expiring on 18 November 2015 upon conversion of a \$5 million convertible note.
- The Company issued 16,666,667 ordinary shares upon conversion of a \$1 million convertible note;

The Consolidated Entity's strategy for future years is to continue the exploration, evaluation and development of its Projects. The Consolidated Entity believes its strategy is achievable.

Shareholder returns

The directors do not recommend the payment of a dividend and no amount has been declared or paid by way of a dividend since 30 June 2014 and to the date of this report.

Review of financial condition

The loss of the Consolidated Entity for the year ended 30 June 2014 was \$2,943,525 (2013: loss of \$2,642,417).

As at 30 June 2014, the Consolidated Entity had cash and cash equivalents of \$1.4 million (2013: \$2.7 million), total current liabilities of approximately \$0.2 million (2013: \$1.4 million) and net assets of \$6.2 million.

The Consolidated Entity used \$2.3 million (2013: \$1.6 million) in funding its operating activities during the year. The Company also received a research and development tax refund of \$0.36 million (2013: \$0.3 million).

Investments for future performance

The Consolidated Entity invested \$0.3 million (2013: \$1.9 million) in continuing its development of the Pisolite Hills project, prior to the project being placed on hold in December 2013 after the announcement by the Queensland Government of a ban on mining in the Steve Irwin Wildlife Reserve. The Consolidated Entity then moved its focus onto the development of the Bauxite Hills project, as well as the ongoing assessment of other bauxite tenements. Going forward, the Company will minimise expenditure on Pisolite Hills whilst the focus remains on the Bauxite Hills project, where a Direct Shipping Ore inferred resource for the BH6 plateau of the Bauxite Hills project was announced to the ASX on 11 August 2014.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Consolidated Entity during the year other than as referred to in the Directors Report, the Financial Statements, or notes thereto.

4. EVENTS SUBSEQUENT TO BALANCE DATE

On 1 July 2014, Mr Graeme Sherlock resigned as Chief Executive Officer of the Company.

On 4 August 2014, MetroCoal Limited announced its intention to make a scrip offer for the remaining shares in Cape Alumina Limited, offering existing Cape shareholders 1 MetroCoal share for every 1.3 Cape shares they own.

On 11 August 2014, the company released a Direct Shipping Ore inferred resource for the BH6 plateau of the Bauxite Hills project.

On 27 August 2014, the company announced a \$250,000 loan from MetroCoal to enable the company to preserve its existing cash resources and still advance the Bauxite Hills project critical path work program.

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4. EVENTS SUBSEQUENT TO BALANCE DATE (continued)

On 3 September 2014, the company announced that the Cape York Regional Plan will not affect the permitting or development of the Bauxite Hills project and that substantial portions of the Pisolite Hills tenements are also outside of the Strategic Environmental Areas and may have potential for future development. However, more work is required to determine whether those areas of Pisolite Hills which are not impacted by the CYRP may be economically developed. The Company will minimise further expenditure on Pisolite Hills whilst the focus remains on the Bauxite Hills project.

Except as noted above, no matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- a) the Consolidated Entity's operations in the future financial years; or
- b) the results of those operations in future financial years; or
- c) the Consolidated Entity's state of affairs in future financial years

5. LIKELY DEVELOPMENTS

The Consolidated Entity plans to continue the Bauxite Hills project critical path work program, with a view to development of the project at the earliest practicable time, as well as the exploration of a number of bauxite tenements in Cape York. The Company will also review the future of its Pisolite Hills bauxite project given the final Cape York Regional Plan as announced to the ASX on 3 September 2014. The Company also intends to continue its evaluation of potential bauxite projects in areas other than Cape York.

6. ENVIRONMENTAL REGULATIONS

The Consolidated Entity is subject to environmental regulations under the laws of Queensland where it holds mineral exploration tenements. During the financial year and up to the date of this report, the Consolidated Entity did not record any material non-compliance with the environmental regulation regime.

7. SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at 30 June 2014 are as follows:

Date options granted	Expiry Date	Exercise Price	Number under option
18 November 2013	18 November 2015	\$0.17	14,706,000
			<u>14,706,000</u>

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

During the year, 642,897 shares were issued on the exercise of performance rights.

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DIRECTORS REPORT

8. DIRECTORS' MEETINGS AND SHAREHOLDING INTERESTS

The number of directors' meetings held during the financial year and the number of meetings attended by each director whilst a Director and the relevant interests of each director in the share capital of the Company, as notified to the Australian Securities Exchange in accordance with S205(G) of the Corporations Act 2001, as at the date of this report are as follows:

Director	Meetings of Directors Held	Meetings of Directors Attended
Stephen Everett (i) (ii)	3	3
Lindsay Ward (i) (ii)	3	3
George Alfred Lloyd	24	24
Rennie Fritschy (iii)	21	18
Graeme Sherlock (iv)	24	22
Peter Nicholson (v)	17	15
Jijun Liu (vi)	24	-
Ken Xiao (alternate to Jijun Liu) (vii)	24	23

(i) Appointed 8 May 2014.
(ii) Stephen Everett and Lindsay Ward are Directors of MetroCoal Limited which holds 136,862,510 shares in Cape Alumina Limited.
(iii) Resigned 21 May 2014.
(iv) Resigned as MD on 21 May 2014 and resigned as CEO on 1 July 2014
(v) Resigned 19 March 2014.
(vi) Jijun Liu is a Director of China Xinfu Group Corporation Limited, which (together with associated entities) holds 29,342,960 shares in Cape Alumina Limited.
(vii) Ken Xiao is a consultant to China Xinfu Group Corporation Limited, which (together with associated entities) holds 29,342,960 shares in Cape Alumina Limited.

8. DIRECTORS' MEETINGS AND SHAREHOLDING INTERESTS (Continued)

The number of meetings of the Audit Committee and Remuneration Committee held during the year and the number of meetings attended by each member of the Audit Committee and Remuneration Committee is as follows:

Director	Audit Committee		Remuneration Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
George Lloyd	3	3	1	1
Rennie Fritschy	3	3	1	1
Peter Nicholson	3	3	1	1
Ken Xiao	3	3	1	1

Note that the Audit Committee and Remuneration Committees were combined into the Board in June 2014 and thus any future committee activities will be undertaken by the full Board of Cape Alumina.

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DIRECTORS REPORT

9. REMUNERATION REPORT - AUDITED

(a) Principles of remuneration

The Company's policy for determining the nature and amount of emoluments of key management personnel, including Board members and other key management personnel of the Company is set out below.

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Board of Directors and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. The Company retains the right to terminate contracts immediately. Upon retirement or termination, key management personnel (excluding non-executives) are paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under service contracts. Any options issued which are not exercised on or before the date of termination, lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board of Directors.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The board ensures that director and executive rewards satisfy the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high caliber executives

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- providing a clear structure for earning rewards
- providing recognition for contribution

(b) Relationship between remuneration and Company performance

During the period under review, the Company and the Consolidated Entity have generated losses because they are involved solely in exploration and not production.

At 30 June 2014 the most recent market price of the Company's ordinary shares was 1 cent per share (30 June 2013 share price was 6 cents per share). No dividends were paid during the year ended 30 June 2014. Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the company's shareholders.

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9. REMUNERATION REPORT – AUDITED (Continued)

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the Board of Directors.

Except in so far as Directors and key management personnel hold options over shares in the Company, there is no relationship between remuneration policy and the Company's performance.

The key management personnel of Cape Alumina Limited and the Consolidated Entity include the following:

- Directors,
- Graeme Sherlock (CEO), resigned 1 July 2014,
- Scott Waddell (Acting CEO as of 1 July 2014, Chief Financial Officer and Company Secretary).

These personnel have authority for planning, directing and controlling the activities of the Company and the Consolidated Entity.

The table below sets out summary information about the Consolidated Entity's earnings for the five years to 30 June 2014:

Description	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Income	736,918	\$442,697	\$381,413	\$550,518	\$313,696
Net profit/(loss) before tax	(3,306,669)	(\$2,944,364)	(\$2,124,494)	(\$13,233,518)	(\$1,762,978)
Net profit(loss) after tax	(2,943,525)	(\$2,642,417)	(\$1,947,236)	(\$13,233,518)	(\$1,762,978)
Basic earnings/(loss) per share (cents)	(1.3)	(1.5)	(1.4)	(10.3)	(1.4)
Last traded share price	\$0.01	\$0.06	\$0.08	\$0.20	\$0.40

There were no dividends paid or returns of capital by the Consolidated Entity in the previous five years.

(c) Remuneration

Remuneration of the Non-executive Directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons. The aggregate pool of remuneration available to be paid to Non-executive Directors is currently \$500,000 per annum. The amount paid to Non-executive Directors during the year to 30 June 2014 was \$127,021.

During the year ended 30 June 2014, all non-executive Directors agreed to reduce their fees due to the need for the Company to conserve cash.

During the year ended 30 June 2013, an independent advisor, Mercer Consulting Australia Pty Ltd (Mercer) was engaged by and reported to the Remuneration Committee. Mercer provided executive remuneration benchmarking data and advice about remuneration for Non-Executive Directors. Mercer was paid \$15,750 for these services.

To ensure that remuneration recommendations were made free from undue influence by key management personnel to whom they may relate, the Board has established a protocol for the engagement of any interaction with remuneration consultants. In line with the Corporations Act, Mercer was appointed by, and provided recommendations to, the Board. Each remuneration recommendation was accompanied by a declaration from Mercer that the recommendation was made free from undue influence of key management personnel to whom it related. The Board is satisfied that the remuneration recommendations received from Mercer were made free from undue influence by key management personnel to whom any of the remuneration recommendations related.

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9. REMUNERATION REPORT – AUDITED (Continued)

The Board was comfortable that Mercer, in providing remuneration advice to the Board, did not have any connections with the Consolidated Entity that may have impaired its independence.

Following receipt of Mercer's advice about the remuneration of Non-Executive Directors, Non-Executive Director's fees were increased effective 1 August 2012. Prior to the increase, Non-Executive Directors were remunerated at levels established in March 2008.

Mercer is the only remuneration consultant which provided remuneration recommendations to the Remuneration Committee during the 2013 financial year. Other services and publications were received from a range of advisors.

The Company has adopted a policy in respect of employees and Directors trading in the Company's securities. Employees and Directors are not permitted to hedge their exposure to holdings of the Company's securities. No employees or Directors have hedged their exposures.

2014 Remuneration

	Short-term employee benefits	Bonus	Share Based Remuneration Payment (v)		Post Employ Benefits	Total	Performance Related Percentage	% consisting of options
	Salary, fees & commission		Shares	Options	Super			
Directors	\$	\$	\$	\$	\$	\$	%	%
S Everett	8,507	-	-	-	-	8,507	-	-
L Ward	4,068	-	-	-	-	4,068	-	-
GA Lloyd (i)	68,274	-	-	2,172	-	70,446	3.1%	3.1%
G Sherlock (ii)	256,157	-	-	41,266	23,636	321,059	12.9%	12.9%
R Fritschy	31,913	-	-	(2,330)	2,953	32,536	-	-
PB Nicholson (iii)	-	-	-	(2,286)	-	(2,286)	-	-
Jijun Liu	13,750	-	-	-	-	13,750	-	-
K Xiao (Alternate Director)	-	-	-	-	-	-	-	-
Other Key Management Personnel								
S Waddell (iv)	188,886	30,000	-	29,927	19,442	268,255	22.3%	11.2%
Total	571,555	30,000	-	68,749	46,031	716,335	13.8%	9.6%

- (i) Amounts paid in respect of George Lloyd are paid to an entity of which he is a beneficiary which makes his services available to the Company.
- (ii) Graeme Sherlock resigned as Managing Director on 21 May 2014 and Chief Executive Officer on 1 July 2014. Graeme is entitled to a 3 month termination payment after he has worked his three month notice period. Employees worked at reduced hours per working week during the year ended 30 June 2014 due to the need for the Company to conserve cash.
- (iii) Amounts paid in respect of Peter Nicholson are paid to Resource Capital Funds Management Pty Ltd, an entity related to Resource Capital Fund III and IV L.P. Peter Nicholson is an employee of Resource Capital Funds Management Pty Ltd, an entity related to Resource Capital Fund III and IV L.P. which together held 98,337,771 Ordinary Shares in Cape Alumina Limited on the date Peter Nicholson resigned as a Director.
- (iv) Employees worked at reduced hours per working week during the year ended 30 June 2014 due to the need for the Company to conserve cash.
- (v) Share Based Remuneration Payments include the issue of Performance Rights to employees and Directors

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9. REMUNERATION REPORT – AUDITED (Continued)

Remuneration in the previous table does not include an equal proportion of premiums paid for directors and officer's liability insurance as it is not practicable to allocate this expense to directors and key management personnel.

Cash bonuses

Cash bonuses granted to S Waddell were paid on 15 January 2014 at the discretion of the Board. The cash bonuses therefore vested 100% during the financial year ended 30 June 2014. The cash bonuses were related to achieving results against key performance indicators (KPI's). The KPI's were agreed in the first quarter of 2013 and related to the 2013 calendar year. The KPI's included achieving outcomes on safety, cost management, team work and advancing the goals of the Consolidated Entity.

2013 Remuneration

	Short-term employee benefits	Bonus	Share Based Remuneration Payment (iii)		Post Employ Benefits	Total	Performance Related Percentage	% consisting of options
	Salary, fees & commission		Shares	Options	Super			
Directors	\$	\$	\$	\$	\$	\$	%	%
GA Lloyd (i)	111,667	-	-	9,490	-	121,157	7.83%	7.83%
G Sherlock	303,057	45,114	-	105,771	31,355	485,297	31.09%	21.79%
R Fritschy	49,312	-	-	4,071	4,438	57,851	7.04%	7.04%
PB Nicholson (ii)	53,417	-	-	3,786	-	57,203	6.62%	6.62%
Jijun Liu	53,417	-	-	-	-	53,417	-	-
K Xiao (Alternate Director)	-	-	-	-	-	-	-	-
Other Key Management Personnel								
S Waddell	224,092	33,614	-	30,721	23,194	311,621	20.64%	9.86%
Total	794,962	78,728	-	153,839	59,987	1,086,546	21.40%	14.16%

- (i) Amounts paid in respect of George Lloyd are paid to an entity of which he is a beneficiary which makes his services available to the Company.
- (ii) Amounts paid in respect of Peter Nicholson are paid to Resource Capital Funds Management Pty Ltd, an entity related to Resource Capital Fund III and IV L.P. Peter Nicholson is an employee of Resource Capital Funds Management Pty Ltd, an entity related to Resource Capital Fund III and IV L.P. which together held 51,815,611 shares in Cape Alumina Limited.
- (iii) Share Based Remuneration Payments include the issue of Performance Rights to employees and Directors

Remuneration above does not include an equal proportion of premiums paid for directors and officer's liability insurance as it is not practicable to allocate this expense to directors and key management personnel.

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AND ITS CONTROLLED ENTITIES
ABN 88 107 817 694**

DIRECTORS REPORT

9. REMUNERATION REPORT – AUDITED (continued)

(d) Performance income as a proportion of total remuneration

Executives may be paid performance based bonuses based on set monetary figures, rather than as proportions of their salary. Bonuses may also be paid in the form of stock options or shares. This has led to the proportions of remuneration related to performance varying between individuals. The Company may set bonuses with performance conditions to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth of the Consolidated Entity.

(e) Key management personnel contracts

Graeme Sherlock (Managing Director and Chief Executive Officer)

The Company entered into an employment agreement with its Managing Director and Chief Executive Officer, Graeme Sherlock. Key terms of this agreement were:

- Base remuneration of \$309,000 per annum exclusive of superannuation, reviewable at the Board's discretion annually.
- Graeme Sherlock was entitled to participate in the Company's employee Performance Rights Plan and short-term incentive plan, with Performance Rights issued to be capped at 50% of base remuneration annually.
- The employment agreement was terminated on 1 July 2014, and Graeme is currently working out his 3 month notice period.
- Graeme Sherlock will be entitled to an additional termination payment, which will comprise 3 months Base Salary, after he has worked out his 3 month notice period.

Graeme Sherlock resigned as Managing Director on 21 May 2014 and also as Chief Executive Officer on 1 July 2014.

Scott Waddell (Chief Financial Officer and Company Secretary)(Acting Chief Executive Officer from 1 July 2014)

The Company entered into an employment agreement with its Chief Financial Officer and Company Secretary, Scott Waddell.

Key terms of this agreement are:

- Term is ongoing whilst Scott Waddell is Chief Financial Officer.
- The agreement may be terminated by 2 months notice from either party.
- Base remuneration of \$224,092 per annum exclusive of superannuation.
- Scott Waddell is entitled to participate in the Company's employee Performance Rights Plan and short-term incentive plan.

(f) Remuneration Options

No options were granted during the current year, 4,298,737 options were forfeited during the current year due to employees leaving the Consolidated Entity and 642,897 were exercised during the current year.

The intrinsic value of the options forfeited was \$181,813 and the value of the options exercised was \$42,110. No amount was paid when the options were exercised and no amount remains unpaid.

(g) Share Based Compensation – Issue of Shares

No shares were issued to directors and other key management personnel as part of the compensation during the year ended 30 June 2014.

**CAPE ALUMINA LIMITED
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DIRECTORS REPORT

9. REMUNERATION REPORT – AUDITED (continued)

Option holdings of Directors and key management personnel

2014	Balance 1/7/13	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30/6/14	Total Vested 30/6/14	Total Exercisable 30/6/14
Directors							
S Everett	-	-	-	-	-	-	-
L Ward	-	-	-	-	-	-	-
G A Lloyd	-	-	-	-	-	-	-
G Sherlock	1,478,875	-	(500,000)	(978,875)	-	-	-
R Fritschy (i)	-	-	-	-	-	-	-
P B Nicholson (ii)	-	-	-	-	-	-	-
J Liu	-	-	-	-	-	-	-
K Xiao (Alternate Director)	-	-	-	-	-	-	-
Other key management personnel							
S Waddell	780,439	-	(70,541)	(709,898)	-	-	-
Total	2,259,314	-	(570,541)	(1,688,773)	-	-	-

Shareholdings of Directors and key management personnel

2014	Balance 1/7/13	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/14
Directors					
S Everett	-	-	-	-	-
L Ward	-	-	-	-	-
G A Lloyd	238,766	-	-	4,000	242,766
G Sherlock	1,630,000	-	500,000	(500,000)	1,630,000
R Fritschy(i)	112,000	-	-	(112,000)	-
P B Nicholson (ii)	-	-	-	-	-
J Liu (iii)	-	-	-	-	-
K Xiao (Alternate Director) (iv)	41,572	-	-	-	41,572
Total Directors	2,022,338	-	500,000	(608,000)	1,914,348
Other key management personnel					
S Waddell	285,341	-	70,541	4,118	360,000
Total KMP	285,341	-	570,541	(603,882)	2,274,348

(i) Rennie Fritschy resigned on 21 May 2014.

(ii) Peter Nicholson is an employee of Resource Capital Funds Management Pty. Ltd, who resigned on 19 March 2014.

(iii) Jijun Liu is a Director of China Xinfu Group Corporation Limited, which (together with associated entities) holds 29,342,960 shares in Cape Alumina Limited.

(iv) Ken Xiao is a consultant to China Xinfu Group Corporation Limited, which (together with associated entities) holds 29,342,960 shares in Cape Alumina Limited.

Loans and/or transactions with key management personnel

Other than the issue of options, there were no transactions with or loans outstanding to key management personnel for the year ended 30 June 2014 (2013: nil).

End of Remuneration Report

**CAPE ALUMINA LIMITED
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DIRECTORS REPORT

10. NON-AUDIT SERVICES

During the year, BDO Audit Pty Ltd, the Company's auditor or related entities, have performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services do not undermine the general principles relating to auditor independence;
- as set out in APES110 Code of Ethics for Professional Accountants, they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The following fees for non-audit services were paid/payable to BDO Pty Ltd during the year ended 30 June 2014: Taxation services \$34,428.

11. INDEMNIFICATION OF OFFICERS OR AUDITOR

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary. The Company has insured all of the Directors of Cape Alumina Ltd. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

12. PROCEEDINGS ON BEHALF OF A COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration required by section 307C of the Corporations Act 2001 for the year ended 30 June 2014 has been received and can be found on page 15 of the directors' report.

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

Signed:



Stephen Everett
Chairman

10 September 2014

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

As lead auditor of Cape Alumina Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



BDO Audit Pty Ltd

A J Whyte

Director

Brisbane: 10 September 2014

**CAPE ALUMINA LIMITED
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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
Net gain on disposal of exploration and evaluation assets		317,646	-
Other income		8,482	-
Total income		<u>326,128</u>	<u>-</u>
Employee benefits expense		(1,222,472)	(1,912,502)
Depreciation and amortisation		(9,900)	(13,503)
Occupancy expenses		(124,508)	(119,832)
Impairment of exploration and evaluation assets		(1,760,411)	-
Other expenses	8	(645,469)	(792,535)
Results from operating activities		(3,436,632)	(2,838,372)
Finance income		47,646	140,750
Finance costs		(286,553)	(1,251,823)
Fair value movement of embedded derivative		368,870	1,005,081
Net finance costs		<u>129,963</u>	<u>(105,992)</u>
Profit/(loss) before income tax		(3,306,669)	(2,944,364)
Income tax benefit/(expense)	9	363,144	301,947
Profit/(loss) for the year		(2,943,525)	(2,642,417)
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		(2,943,525)	(2,642,417)
Basic and diluted earnings/(loss) per share (cents per share)	20	(1.3)	(1.5)

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

**CAPE ALUMINA LIMITED
AND ITS CONTROLLED ENTITIES
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
Current assets			
Cash and cash equivalents	10	1,415,160	2,704,870
Trade and other receivables	11	14,219	33,684
Other financial assets		-	51,131
Total current assets		1,429,379	2,789,685
Non-current assets			
Assets held for sale	12	-	156,835
Exploration & evaluation assets	13	4,799,461	6,272,821
Plant and equipment	14	25,150	38,071
Other assets		88,695	88,695
Total non-current assets		4,913,306	6,556,422
TOTAL ASSETS		6,342,685	9,346,107
Current liabilities			
Trade and other payables	15	188,184	1,360,754
Total current liabilities		188,184	1,360,754
Non-current liabilities			
Loans and borrowings	16	-	3,523,896
Derivative liabilities	16	-	368,870
Total non-current liabilities		-	3,892,766
TOTAL LIABILITIES		188,184	5,253,520
NET ASSETS		6,154,501	4,092,587
Equity			
Issued capital	17	33,858,372	29,016,668
Reserves		795,500	631,765
Accumulated losses		(28,499,371)	(25,555,846)
TOTAL EQUITY		6,154,501	4,092,587

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

**CAPE ALUMINA LIMITED
AND ITS CONTROLLED ENTITIES
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated Entity	Issued Capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2013	29,016,668	631,765	(25,555,846)	4,092,587
Net loss for the year	-	-	(2,943,525)	(2,943,525)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(2,943,525)	(2,943,525)
Transactions with owners, recorded directly in equity				
Share based payments	-	163,735	-	163,735
Shares issued during the period net of transaction costs	4,841,704	-	-	4,841,704
Balance at 30 June 2014	33,858,372	795,500	(28,499,371)	6,154,501
Balance at 1 July 2012	27,085,408	403,731	(22,913,429)	4,575,710
Net loss for the year	-	-	(2,642,417)	(2,642,417)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(2,642,417)	(2,642,417)
Transactions with owners, recorded directly in equity				
Share based payments	-	228,034	-	228,034
Shares issued during the period net of transaction costs	1,931,260	-	-	1,931,260
Balance at 30 June 2013	29,016,668	631,765	(25,555,846)	4,092,587

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

**CAPE ALUMINA LIMITED
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(2,704,933)	(2,094,667)
Interest received		50,558	154,665
Research and development tax refund received		363,144	301,947
Cash provided by/(used in) operating activities	19(a)	<u>(2,291,231)</u>	<u>(1,638,055)</u>
Cash flows from investing activities			
Proceeds from sale of assets		250,000	250,000
Proceeds from financial assets		53,031	-
Payments for exploration & evaluation expenditure		(301,510)	(1,953,114)
Payments for plant and equipment		-	(40,580)
Cash provided by/(used in) investing activities		<u>1,521</u>	<u>(1,743,694)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	1,456,360
Transaction costs – issue of share		-	(25,100)
Proceeds from issue of convertible notes		1,000,000	-
Cash provided by/(used in) financing activities		<u>1,000,000</u>	<u>1,431,260</u>
Net increase/(decrease) in cash and cash equivalents		(1,289,710)	(1,950,489)
Cash and cash equivalents at the beginning of the financial year		<u>2,704,870</u>	<u>4,655,359</u>
Cash and cash equivalents at the end of the financial year	10	<u>1,415,160</u>	<u>2,704,870</u>

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

**CAPE ALUMINA LIMITED
AND ITS CONTROLLED ENTITIES
ABN 88 107 817 694**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. REPORTING ENTITY

Cape Alumina Limited (Company) is a listed public company, incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as Consolidated Entity). Cape Alumina Limited is a for-profit entity for the purpose of preparing these financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are a general purpose financial report prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 10 September 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivatives measured at fair value and capitalised mining costs measured at the lower of carrying amount and recoverable amount.

The financial statements are presented in Australian Dollars, which is the Company's functional currency.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with AASB's requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies and estimates that have the most significant effect on the amounts recognised in the financial statements are outlined below:

Exploration & evaluation assets

For exploration and evaluation assets, other than Pisolite Hills project, the consolidated entity has assessed that there are no facts and circumstances that currently suggest that the carrying amount of the relevant exploration and evaluation assets may exceed their recoverable amount. The relevant facts and circumstances may change in the future.

Exploration & evaluation asset – Pisolite Hills

The Pisolite Hills asset was impaired in the financial year ended 30 June 2011. In October 2012, the Queensland Government declared the Pisolite Hills project a "significant project" and formalised a process to overturn the declaration of the Wenlock River as a Wild River. Subsequent to the declaration of the "significant project", the Consolidated Entity re-started the project and has been capitalising new costs incurred against the Pisolite Hills asset. In November 2013 the Queensland Government announced a ban of mining over the Steve Irwin Wildlife Reserve, which covers the majority of the Pisolite Hills project. The project was placed on hold in December 2013 and has been fully impaired in the financial year ended 30 June 2014, other than the Port Musgrave tenements, which may be available to be developed with the Bauxite Hills project. Cape Alumina has subsequently announced a new focus on the development of the Bauxite Hills project incorporating Direct Shipping Ore, which will reduce project costs. The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions specific to the Consolidated Entity that may lead to impairment.

**CAPE ALUMINA LIMITED
AND ITS CONTROLLED ENTITIES
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

3. MATERIAL UNCERTAINTY REGARDING GOING CONCERN

The financial report is 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.

At 30 June 2014 the Consolidated Entity's cash exceeded trade payables and accruals by \$1,226,976. At 30 June 2014 the Consolidated Entity has a commitment to spend a minimum of \$531,000 on its tenements in the next 12 months, and a minimum operating lease commitment of \$151,756 in the next 12 months. For the year ended 30 June 2014, the loss was \$2,943,525, operating cash outflows were \$2,291,231 and investing cash outflows for exploration and evaluation related expenditure were \$301,510.

The ability of the Consolidated Entity to continue as a going concern (including meeting operating cash requirements, paying debts as and when they fall due, and continuing development of its projects) is dependent on the Consolidated Entity being able to generate sufficient cash inflows and securing additional capital investment to fund its operations and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

The Directors believe that the Consolidated Entity continues to be a going concern and that the Consolidated Entity will be able to pay its debts as and when they fall due for a period of 12 months from the signing of the financial report due to the following:

1. The Consolidated Entity began the 2015 financial year with total cash less trade payables and accruals of \$1,226,976;
2. In addition to this, the Consolidated Entity will make an application to receive a research and development tax incentive of about between \$200,000 and \$250,000 to the 2014 financial year (2014: \$363,144), which is expected to be received before the end of the first quarter of the 2015 calendar year;
3. The Consolidated Entity is exploring a range of alternatives for securing additional capital investment to fund its operations and it is possible that the Consolidated Entity will look to raise additional funds in the coming 12 months; and
4. The Consolidated Entity is reviewing its planned expenditure over the coming 12 months with a view of managing its work programs and expenditure against expected available funds.

Should the Consolidated Entity not be able to raise capital when required or manage its expenditure so as to conserve cash over the coming 12 months, there exists a material uncertainty regarding the Company's and Consolidated Entity's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities which might be necessary should the Consolidated Entity not be able to continue as a going concern.

It is expected that MetroCoal Limited, as the ultimate parent entity, would consider supporting Cape Alumina Limited in further fund raising if required. This was demonstrated through MetroCoal Limited providing Cape Alumina Limited an unsecured \$250,000 loan as announced to the ASX on 27 August 2014.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Consolidated Entity. None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affect any amounts recognised in the current period or any prior period financial statements and are not likely to affect future period financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

**CAPE ALUMINA LIMITED
AND ITS CONTROLLED ENTITIES
ABN 88 107 817 694**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Consolidated Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

All business combinations are accounted for by applying the acquisition method.

For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The Consolidated Entity has control over an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Consolidated Entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquiree, and equity interests issued by the Consolidated Entity. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination

Contingent liabilities

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Consolidated Entity measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquire

Transaction costs

Transaction costs that the Consolidated Entity incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

**CAPE ALUMINA LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax

The charge for current income tax expenses is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items that may be recognised in other comprehensive income or directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

After initial recognition, subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

All assets are depreciated on a straight line basis over their useful lives to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	5-33% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

**CAPE ALUMINA LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) Restoration, Rehabilitation and Environmental Expenditure

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

(f) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Consolidated Entity are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to profit or loss on a straight line basis over the period of the lease.

(g) Financial Instruments

Recognition

Financial instruments are initially measured at fair value plus transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment losses.

**CAPE ALUMINA LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

Held-to-maturity financial assets

If the Consolidated Entity has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Consolidated Entity from classifying investment securities as held-to-maturity for the current and following two financial years.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial asset has been impaired. In the case of loans and receivables, the Consolidated Entity first assess whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Consolidated Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(h) Impairment of Non-Financial Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Consolidated Entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Equity Settled Share Based Compensation

The Consolidated Entity issues equity-settled share-based payments to directors and employees. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a valuation which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instrument that eventually vest.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Issued Capital

Issued Ordinary Shares are classified as equity. Costs directly attributable to the issue of new shares or options are recognised as transaction costs under AASB 139 and shown as a deduction from equity.

(k) Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised using the effective interest method. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Goods and Services Tax (GST)

Revenue, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 139 include financial liabilities at fair value through profit or loss and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, which after initial recognition are subsequently measured at fair value, include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the consolidated entity that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Separated embedded derivatives include certain convertible note conversion options which do not satisfy the requirements of AASB 132 to be classified as equity.

Gains or losses on liabilities held for trading are recognised in profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities designated upon initial recognition at fair value through profit and loss are so designated at the initial date of recognition, and only if criteria of AASB 139 are satisfied. The consolidated entity has not yet designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Convertible notes

At initial recognition the fair value of the liability portion of a convertible note is determined (including any embedded derivatives which do not satisfy the requirements of AASB 132 to be classified as equity). If the note includes a component which satisfies the requirements of AASB 132 to be classified as equity this component is determined by deducting the fair value of the liability portion of the note from the fair value of the note as a whole. The residual, if any, is recognised in equity.

The fair value of the liability component is allocated between the host debt instrument (loans and borrowings) and embedded derivative(s). These are subsequently measured as set out above. No gain or loss is recognised on initial recognition of the components of a convertible note.

(p) Interest-bearing liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated at an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown in equity. Issue costs are apportioned between liability and equity components when the instruments are first recognised.

All borrowings are classed as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(q) Comparative Figures

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Assets held for sale

Assets classified as Held for Sale are stated at fair value less costs to sell if the carrying amount will be recovered principally through the sale transaction rather than continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale must be expected to be completed within one year from the date of classification, except in the circumstances out of the Consolidated Entity's control and the Consolidated Entity remains committed to a sale.

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**NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New and amended standards and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

- (i) *AASB 9 Financial Instruments* (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139. The Consolidated Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

5. DETERMINATION OF FAIR VALUES

Certain accounting policies and disclosures of the Consolidated Entity require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Share-based payment transactions

The Consolidated Entity issues equity-settled share-based payment options to directors and officers as part of their remuneration. The fair value of the options issued to directors and officers is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model or Monte Carlo Simulation.

Convertible notes

At initial recognition the fair value of the liability portion of a convertible note is determined (including any embedded derivatives which do not satisfy the requirements of AASB 132 to be classified as equity). If the note includes a component which satisfies the requirements of AASB 132 to be classified as equity this component is determined by deducting the fair value of the liability portion of the note from the fair value of the note as a whole. The residual, if any, is recognised in equity.

The fair value of the liability component is allocated between the host debt instrument (loans and borrowings) and embedded derivative(s). These are subsequently measured as set out above. No gain or loss is recognised on initial recognition of the components of a convertible note.

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6. FINANCIAL RISK MANAGEMENT

Risk management is carried out under policies set by the Board of Directors.

The Board provides principles for overall risk management, as well as policies covering specific areas.

(a) Financial risk management objectives

The Board monitors and manages the financial risk relating to the operations of the Consolidated Entity. The Consolidated Entity's activities may include exposure to market risk, fair value interest rate risk and price risk, credit risk, liquidity risk, cash flow interest rate risk and operational risk. The overall risk management program focuses on the unpredictability of the finance markets in which it operates and seeks to minimise the potential adverse effects on the financial performance. Risk management is carried out under the direction of the Board of Directors.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(d) Liquidity risk management

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements.

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 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.

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**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
8. EXPENSES		
Professional and legal fees	278,075	255,841
Other expenses	367,394	536,694
	<u>645,469</u>	<u>792,535</u>
Superannuation contribution	87,485	137,323
9. INCOME TAX		
Reconciliation of the effective tax rate		
(a) The prima facie tax on profit/(loss) before income tax is reconciled to income tax expense as provided in the financial statements as follows:		
The prima facie income tax benefit (30%) on loss before income tax	(992,001)	(883,309)
Add Tax Effect of:		
Non-deductible entertainment	751	1,120
Share based payments	21,100	68,410
Deferred tax asset not recognised	1,080,811	813,779
Less Tax Effect of:		
Prior period R&D Refund	(363,144)	(301,947)
Permanent Differences	(110,661)	-
Income tax expense/(benefit)	<u>(363,144)</u>	<u>(301,947)</u>
(b) Net unrecognised deferred tax assets		
Unused tax losses	9,430,450	8,613,052
Exploration and evaluation expenditure	(1,292,800)	(1,479,884)
Other deductible temporary differences	275,599	5
Total net unrecognised deferred tax assets	<u>8,413,249</u>	<u>7,133,173</u>
Gross amounts if items in net unrecognised deferred tax assets		
Unused tax losses	31,434,836	28,710,173
Exploration and evaluation expenditure	(4,309,334)	(4,932,946)
Other deductible temporary differences	918,663	16
	<u>28,044,165</u>	<u>23,777,243</u>
10. CASH & CASH EQUIVALENTS		
Bank deposits	626,034	1,971,839
Cash at bank	789,126	733,031
	<u>1,415,160</u>	<u>2,704,870</u>

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	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
11. TRADE & OTHER RECEIVABLES		
GST refundable	4,046	-
Other	10,173	33,684
	<u>14,219</u>	<u>33,684</u>

Receivable represents amounts that are not past due and are considered recoverable in full.

12. ASSETS HELD FOR SALE

Assets classified as held for sale

Exploration and evaluation assets	-	156,835
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During the prior year, the Consolidated Entity entered into an agreement for the sale of its Hey Point bauxite tenements and mineral sands interests on western Cape York, completion of which was subject to certain conditions. These conditions were satisfied during the year ended 30 June 2014. Consideration receivable under the agreement included cash payments of \$1,500,000 and royalties on all future bauxite sold. In relation to the cash payments, \$500,000 has been received and the receipt of the remaining \$1,000,000 is dependant on the shipment of bauxite from Hey Point. The remaining \$1,000,000 has been recognised as a contingent asset. Refer to Note 25 for further detail. The book value of the assets being sold under the agreement was \$156,835 at 30 June 2013.

13. EXPLORATION & EVALUATION ASSETS

Mineral properties	4,770,321	6,243,681
Security deposits	29,140	29,140
	<u>4,799,461</u>	<u>6,272,821</u>

Reconciliation

Carrying amount at beginning of the year	6,272,821	4,476,542
Additions	287,051	1,953,114
Transferred to assets held for sale	-	(156,835)
Expenditure written off	(1,760,411)	-
Carrying amount at end of the year	<u>4,799,461</u>	<u>6,272,821</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective mining areas. The Pisolite Hills asset was impaired in the financial year ended 30 June 2011. In October 2012, the Queensland Government declared the Pisolite Hills project a "significant project" and formalised a process to overturn the declaration of the Wenlock River as a Wild River. Subsequent to the declaration of the "significant project", the Consolidated Entity re-started the project and had been capitalising new costs incurred against the Pisolite Hills asset. In November 2013 the Queensland Government announced a ban of mining over the Steve Irwin Wildlife Reserve, which covers the majority of the Pisolite Hills project. The project was placed on hold in December 2013 and has been fully impaired in the financial year ended 30 June 2014, other than the Port Musgrave tenements, which may be available to be developed with the Bauxite Hills project. Cape Alumina has subsequently announced a new focus on the development of the Bauxite Hills project incorporating Direct Shipping Ore, which will reduce project costs. . This is explained in note 2(c).

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**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
14. PLANT & EQUIPMENT		
Plant and equipment, at cost	83,711	86,732
Accumulated depreciation	(58,561)	(48,661)
Carrying amount at end of the year	<u>25,150</u>	<u>38,071</u>

Reconciliation

Reconciliations of the carrying amount of each class of property, plant and equipment between the beginning and the end of the financial year.

Carrying amount at beginning of the year	38,071	41,201
Additions	-	40,580
Disposals	(3,021)	(30,207)
Depreciation	(9,900)	(13,503)
Carrying amount at end of the year	<u>25,150</u>	<u>38,071</u>

15. TRADE AND OTHER PAYABLES

Trade payables	73,526	678,383
Accruals	76,028	389,285
Deferred income (i)	-	250,000
Annual leave	38,630	43,086
	<u>188,184</u>	<u>1,360,754</u>

(i) Deferred income relates to a non-refundable deposit for the sale of the Hey Point tenements.

16. LOANS AND BORROWINGS

Non-current

Convertible note – secured	<u>-</u>	<u>3,523,896</u>
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During the year ended 30 June 2014, the convertible note was converted into 41,666,667 ordinary shares in the Company.

An embedded derivative liability of \$2,452,175 related to this convertible note issue was recognised at inception in December 2011 and subsequently revalued at 30 June 2013 \$368,870. The convertible note converted to ordinary shares in the year ended 30 June 2014 and at this time the derivative liability was reduced to nil.

During the year ended 30 June 2014 the Company raised \$1,000,000 through the issue of a convertible note to MetroCoal Limited. Following the termination of the proposed merger with MetroCoal Limited, the Company converted the convertible note with the issue of 16,666,667 shares to MetroCoal Limited.

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**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
17. ISSUED CAPITAL		
242,648,398 (2013: 178,783,611) fully paid ordinary shares	33,858,372	29,016,668

	30 June 2014		30 June 2013	
	#	\$	#	\$
a) Ordinary Shares				
Balance at beginning of the year	178,783,611	29,016,668	161,010,013	27,085,408
Shares issued during the year:				
- 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
- Shares issued as payment for convertible note interest (Q4 2012)	-	-	1,326,604	126,027
- Shares issued as payment for convertible note interest (Q1 2013)	-	-	1,641,330	123,288
- Shares issued as payment for convertible note interest (Q2 2013)	1,979,591	124,658	-	-
- Shares issued to employees upon vesting of performance rights issued in accordance with Performance Rights Plan	642,897	-	-	-
- Shares issued as payment for convertible note interest (Q3 2013)	1,775,034	126,027	-	-
- Shares issued upon conversion of convertible note	41,666,667	3,523,896	-	-
- Shares issued as payment for convertible note interest (Q4 2013)	1,133,931	67,123	-	-
- Shares issued upon conversion of convertible note	16,666,667	1,000,000	-	-
Transaction costs recognised during the year	-	-	-	(25,100)
Balance at end of the year	242,648,398	33,858,372	178,783,611	29,016,668

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

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**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Entity 2014 Number	Consolidated Entity 2013 Number
17. ISSUED CAPITAL (continued)		
b) Options		
Balance at beginning of the year	4,941,634	3,548,829
Granted during the year	14,706,000	3,784,619
Exercised during the year	(642,897)	(1,117,898)
Forfeited during the year	(4,298,737)	(1,273,916)
Balance at end of the year	<u>14,706,000</u>	<u>4,941,634</u>

Refer to note 21 for further details.

d) Details of the options outstanding as at the end of the year:

Grant Date	Expiry Date	Exercise Price \$	Consolidated Entity 2014 Number	Consolidated Entity 2013 Number
14 April 2011	14 April 2014	Nil	-	142,897
15 September 2011	23 December 2013	Nil	-	500,000
30 January 2014	30 June 2015	Nil	-	514,118
12 December 2012	5 January 2016	Nil	-	3,784,619
18 November 2013	18 November 2015	\$0.17	<u>14,706,000</u>	<u>-</u>
			<u>14,706,000</u>	<u>4,941,634</u>

18. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditors for:

- Audit and review of financial reports	38,312	43,835
- Other services (taxation advice)	<u>34,428</u>	<u>29,100</u>
	<u>72,740</u>	<u>72,935</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
19. CASH FLOW INFORMATION		
(a) Reconciliation of net cash provided by/(used in) operating activities to profit/(loss) after income tax		
Profit/(loss) after income tax	(2,943,525)	(2,642,417)
Add/(less) non operating cash flows		
Share based payments-options	163,735	228,034
Depreciation	9,900	13,503
Finance costs	286,553	1,251,823
Fair value movement of embedded derivative	(368,870)	(1,005,081)
Impairment	1,760,411	-
Gain on disposal of assets	(317,646)	-
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	19,465	54,591
Increase/(decrease) in trade and other payables	(902,254)	461,492
Cash flow from operations	(2,291,231)	(1,638,055)
Non-cash financing activity		
Shares issued to repay convertible note	4,523,896	-
Total non-cash financing activity	4,523,896	-

20. EARNINGS PER SHARE

	2014 (Cents)	2013 (Cents)
Basic and diluted earnings per share	(1.3)	(1.5)
	2014 (Number)	2013 (Number)
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	219,089,976	171,896,918
	2014 \$	2013 \$
Net loss after tax used in calculating basic and diluted earnings per share	(2,943,525)	(2,642,417)

Options are considered to be "potential ordinary shares" but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

21. SHARE BASED PAYMENTS

Options

During the 2014 financial year, no options were issued to Directors and employees.

During the 2013 financial year, 3,784,619 options were issued to Directors and certain employees. The options were issued for nil consideration, with 50% vesting on 7 July 2015 and 50% vesting on 7 July 2016, subject to the Company achieving certain performance criteria including total shareholder return and continued employment with the Company.

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21. SHARE BASED PAYMENTS (continued)

Options (continued)

During the 2013 financial year, 350,000 performance rights were issued to certain employees. The performance rights were issued for nil consideration, with 100% vesting on 14 October 2013, subject to continued employment with the Company.

	Consolidated Entity			
	2014		2013	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at beginning of year	4,941,634	-	3,548,829	-
Granted	-	-	3,784,619	-
Forfeited	(4,298,737)	-	(1,273,916)	-
Expired	-	-	-	-
Exercised	(642,897)	-	(1,117,898)	-
Outstanding at year-end	-	-	4,941,634	-
Exercisable at year-end	-	-	642,897	-

The prices of all options were calculated by using a Black-Scholes options pricing model applying the following inputs:

	2013
Weighted average exercise price	nil
Weighted average life of the option	3.07 years
Underlying share price	\$0.120
Expected share price volatility	111.599%
Risk free interest rate	2.60%
Number of options issued	3,784,619
Value (Black-Scholes) per option	\$0.090
Total value of options issued	\$342,132

Historical volatility has been the basis for determining the expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate. The volatility rate used to value options factored in the possibility of early exercise.

Life of the options is based on time to expiry.

Included under Employee benefits Expense in the Statement of Comprehensive Income is \$70,333, which relates to equity-settled share-based payment transactions (2013: \$228,034).

	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
22. RELATED PARTIES		
Key management personnel compensation		
Short term employee benefits	601,555	873,690
Post-employment benefits	46,031	59,987
Termination benefits	-	-
Share-based payments	68,749	153,839
	<u>716,335</u>	<u>1,086,546</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

22. RELATED PARTIES (continued)

Parent Entity

Cape Alumina Limited is the parent entity of the Consolidated Entity. MetroCoal Limited is the ultimate parent entity of Cape Alumina Limited, owning 57.2% of the ordinary shares in Cape Alumina Limited at 30 June 2014 (2013: Nil).

Subsidiaries

Interests in subsidiaries are disclosed in Note 28.

Loans and/or transactions with related parties

At 30 June 2014, MetroCoal Limited held 136,862,510 shares in Cape Alumina Limited which represented 57.2% of the Company's Share Capital. At 30 June 2013 MetroCoal Limited held no shares in Cape Alumina Limited.

At 30 June 2014, China Xinfu Group Corporation Limited (and its related entities) held 29,342,960 shares in Cape Alumina Limited which represented 12.1% of the Company's Share Capital. At 30 June 2013 China Xinfu Group Corporation Limited held 16.4% of Cape Alumina Limited.

The Company raised \$1,000,000 through the issue of a convertible note to MetroCoal Limited. Following the termination of the proposed merger, the Company converted the \$1,000,000 convertible note with the issue of 16,666,667 shares to MetroCoal Limited giving it a 6.87% interest in the Company.

23. COMMITMENTS

a) Tenements

The Consolidated Entity is expected to have certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Consolidated Entity. The expected commitments to be undertaken are as follows:

Not longer than 1 year

Longer than 1 year, less than 5 years

Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
--	--

531,000	385,333
1,905,000	1,364,000
<u>2,436,000</u>	<u>1,749,333</u>

Tenement rental per year

<u>64,441</u>	<u>67,391</u>
---------------	---------------

b) Operating lease commitments payable:

Not longer than 1 year

Longer than 1 year but not longer than 5 years

151,756	153,876
205,276	355,354
<u>357,032</u>	<u>509,230</u>

Operating lease commitments relate to rental of office premises, mobile phones and a photocopier. All leases are non-cancellable with no renewal options.

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24. FINANCIAL INSTRUMENTS

a) Capital risk management

The Consolidated Entity manages its capital to ensure that it will be able to continue as a going concern.

The capital structure of the Consolidated Entity consists of equity attributable to equity holders of the parent entity and borrowings, as disclosed in Notes 16 and 17 and the Statement of Changes in Equity, comprising interest bearing liabilities, issued capital, reserves and retained earnings. In common with many other exploration companies, the parent raises finance for the Consolidated Entity's exploration and appraisal activities in discrete tranches. The Consolidated Entity's overall strategy remains unchanged from 2013.

The working capital position of the Consolidated Entity is as follows:

	Consolidated Entity 2014 \$	Consolidated Entity 2013 \$
Current assets	1,429,379	2,789,685
Current liabilities	(188,184)	(1,360,754)
Working capital surplus/ (deficit)	<u>1,241,195</u>	<u>1,428,931</u>

The Consolidated Entity is not subject to externally imposed capital requirements.

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability, and equity instrument are disclosed in Note 4 to the financial statements.

c) Financial risk management objectives

The financial risks of the Consolidated Entity include market risk (including inherent interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Consolidated Entity does not hedge these risk exposures. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

d) Market risk

The Consolidated Entity's activities expose it primarily to the financial risks of changes in interest rates on its cash and cash equivalents. It is the policy of the Consolidated Entity to manage their risks by continuously monitoring interest rates. There has been no change to the Consolidated Entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Interest risk management

Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market factors.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Consolidated Entity and the parent entity's profit/loss before taxes through the impact on cash and cash equivalents with a decrease or an increase of 1.00% in interest rates.

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**NOTES TO THE FINANCIAL STATEMENTS
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24. FINANCIAL INSTRUMENTS (continued)

d) Market risk (continued)

Interest risk management (continued)

Interest rate sensitivity (continued)

	Consolidated Entity 2014	Consolidated Entity 2013
	\$	\$
Cash and cash equivalents	1,415,160	2,704,870
Effect on income before taxes:		
increase 1.00%	14,152	27,049
decrease 1.00%	(14,152)	(27,049)

There was no interest rate risk for the convertible notes, with the interest rate for all convertible notes being established up-front and not changing over the duration of the convertible notes.

e) Liquidity risk management

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Liquidity risks are caused by the inability to raise the money needed to meet payment liabilities as and when they fall due. The Consolidated Entity manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows and cash balances and matching the maturity profiles of financial assets, expenditure commitments and liabilities. The parent entity raises finance for the Consolidated Entity's exploration and appraisal activities in discrete tranches.

At 30 June 2014 and 30 June 2013 the only financial liabilities of the Consolidated Entity were trade payables, accruals, loans and convertible notes. All trade payables, accruals and loans have a contractual maturity of 6 months or less. Contractual cashflow from these balances approximate their carrying amounts. Contractual cashflows from convertible notes include future interest payments; refer to table below for maturity analysis. The working capital position is disclosed in Note 24(a) and convertible notes disclosed in Note 16.

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated Entity	Carrying amount \$	Contracted cash flow \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
2014					
Financial liabilities due for payment					
Trade and other payables	188,184	188,184	188,184	-	-
Total expected cashflows	188,184	188,184	188,184	-	-

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**NOTES TO THE FINANCIAL STATEMENTS
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24. FINANCIAL INSTRUMENTS (continued)

e) Liquidity risk management (continued)

Remaining contractual maturities (continued)

Consolidated Entity	Carrying amount \$	Contracted cash flow (i) \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
2013					
Financial liabilities due for payment					
Trade and other payables	1,053,078	1,053,078	1,053,078	-	-
Convertible note (i)	3,523,896	5,000,000	-	5,000,000	-
Interest on convertible note (i)	124,657	708,333	500,000	208,333	-
Total expected cashflows	4,701,631	6,761,411	1,553,078	5,208,323	-

(i) The Consolidated Entity has the option of paying the Convertible Note and interest accruing from the note in either available cash or the issue of shares.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

f) Credit risk management

In relation to financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangement. Credit risk for the Consolidated Entity arises from cash and cash equivalents and outstanding receivables. The Consolidated Entity is not exposed to any material credit risks and only trade with credit worthy third parties. All of the Consolidated Entity's cash and other financial assets are held with the Westpac, Commonwealth and ANZ banks. The maximum exposure for credit risk for financial assets is the carrying amount in the statement of financial position.

g) Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Consolidated Entity	Level 1 \$	Level 2 \$	Level 3 \$	Total
2014				
Derivative liabilities	-	-	-	-
	-	-	-	-
2013				
Derivative liabilities	-	-	368,870	368,870
	-	-	368,870	368,870

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period.

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25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Certain tenements to which Cape Alumina Limited has an interest may be subject to native title or similar claims. The position regarding likely success and impact on Cape Alumina Limited's operations are unknown at balance date. It is management's intention to continue to work through these matters, including the execution of an Indigenous Land Use Agreement ("ILUA") in relation to the Bauxite Hills and/or Pisolite Hills projects, if such Agreements can be negotiated successfully.

As part of the sale agreement of its Hey Point bauxite tenement on Western Cape York, the Consolidated Entity is entitled to receive royalties of 2% to 3% of future gross sales proceeds on all bauxite sold from the project. In relation to the cash payments, \$500,000 has been received and the receipt of the remaining \$1,000,000 is dependent on the shipment of bauxite from Hey Point, and thus has been recognised as a contingent asset. As this project is still in the early stages of development it is premature to determine whether royalties or further cash payments will be received in future years.

Cape Alumina Limited has an option of purchasing the Hey Point tenements for \$1 if the remaining payment of \$1,000,000 is not received by 18 June 2015.

Otherwise the Consolidated Entity has no known contingent assets or contingent liabilities.

26. PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity, Cape Alumina Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 4(a).

	2014	2013
	\$	\$
Current assets	1,429,379	2,733,093
Non-current assets	4,913,306	6,559,359
Total assets	<u>6,342,685</u>	<u>9,292,452</u>
Current liabilities	188,097	1,360,630
Non-current liabilities	-	3,892,766
Total liabilities	<u>188,097</u>	<u>5,253,396</u>
Net assets	<u>6,154,588</u>	<u>4,039,056</u>
Issued capital	33,858,372	29,016,668
Reserves	795,500	631,765
Accumulated losses	<u>(28,499,284)</u>	<u>(25,609,377)</u>
Total equity	<u>6,154,588</u>	<u>4,039,056</u>
Profit/(loss) for the year	<u>(2,889,907)</u>	<u>(2,647,153)</u>
Total comprehensive income/(loss) for the year	<u>(2,889,907)</u>	<u>(2,647,153)</u>

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2014 (2013: \$nil).

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**NOTES TO THE FINANCIAL STATEMENTS
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26. PARENT ENTITY INFORMATION (continued)

Contingent liabilities

The parent entity has no contingent liabilities.

27. SUBSEQUENT EVENTS

On 1 July 2014, Mr Graeme Sherlock resigned as Chief Executive Officer of the Company.

On 4 August 2014, MetroCoal Limited announced its intention to make a scrip offer for the remaining shares in Cape Alumina Limited, offering existing Cape shareholders 1 MetroCoal share for every 1.3 Cape shares they own.

On 11 August 2014, the company released a Direct Shipping Ore inferred resource for the BH6 plateau of the Bauxite Hills project.

On 27 August 2014, the company announced a \$250,000 loan from MetroCoal to enable the company to preserve its existing cash resources and still advance the Bauxite Hills project critical path work program.

On 3 September 2014, the company announced that the Cape York Regional Plan will not affect the permitting or development of the Bauxite Hills project and that substantial portions of the Pisolite Hills tenements are also outside of the Strategic Environmental Areas and may have potential for future development. However, more work is required to determine whether those areas of Pisolite Hills which are not impacted by the CYRP may be economically developed. The Company will minimise further expenditure on Pisolite Hills whilst the focus remains on the Bauxite Hills project.

28. SUBSIDIARIES

The consolidated financial statements incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of Incorporation	Equity holding	
		2014 %	2013 %
Aldoga Minerals Pty Ltd	Australia	100	100
Norkay Pty Ltd	Australia	100	100
Sigma Resources Pty Ltd	Australia	100	100
Sigma Kaolin Pty Ltd	Australia	100	100

29. COMPANY DETAILS

The Company's registered office and principal place of business is located at:
Level 8, 300 Adelaide Street
Brisbane Qld 4000

Company Secretary: Scott Waddell

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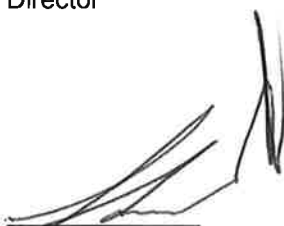
DIRECTORS' DECLARATION

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 Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 30 June 2014 and performance for the year ended on that date of the Consolidated Entity,
2. The financial statements also comply with International Financial Reporting Standards as disclosed in note 2(a).
3. The Remuneration Report as set out in the Directors' Report complies with Section 300A of The Corporations Act 2001.
4. The Managing Director and Chief Financial Officer have declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
 - (c) the financial statements and notes for the financial year give a true and fair view.
5. 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.

Stephen Everett
Director



Director

Dated at Brisbane this 10th day of September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Cape Alumina Limited

Report on the Financial Report

We have audited the accompanying financial report of Cape Alumina Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) The financial report of Cape Alumina Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 3 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cape Alumina Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane, 10 September 2014

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SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 9 September 2014.

Distribution of equity securities and the number of holders by size of holding in each class of security are:

	Ordinary shares	
	Number of holders	Number of shares
1-1,000	838	374,886
1,001-5,000	598	1,827,483
5,001-10,000	137	1,118,758
10,001-100,000	224	7,013,466
100,001 and over	88	232,313,805
Total	1,885	242,648,398

Twenty largest Shareholders

The names of the twenty largest shareholders, in each class of security are:

Rank	Investor	Current Balance	% Issued Capital
1	METROCOAL LIMITED	138,862,510	57.23%
2	CHINA XINFA GROUP CORPORATION LIMITED	26,426,248	10.89%
3	BONDLINE LIMITED	20,865,291	8.60%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	10,180,652	4.20%
5	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	4,712,048	1.94%
6	CHIPING XINFA HUAYA ALUMINA CO LTD	2,720,274	1.12%
7	CROFTON PARK DEVELOPMENTS PTY LTD	2,500,000	1.03%
8	JIEN MINING PTY LTD	2,221,873	0.92%
9	MR GRAEME THOMAS SHERLOCK	1,630,000	0.67%
10	REMOND HOLDINGS PTY LIMITED	1,585,000	0.65%
11	VICTORIAN FERRIES PTY LTD	1,022,557	0.42%
12	MR PAUL MESSENGER	1,015,000	0.42%
13	MBM CORPORATION PTY LTD	1,000,000	0.41%
14	MR CLIFFORD MALCOLM ARNOLD PRATT	907,746	0.37%
15	AUSTRALIAN CAPITAL MARKETS PTY LTD	692,813	0.29%
16	MR PHILIP KEATING	603,125	0.25%
17	LAWRENCE CROWE CONSULTING PTY LTD	535,114	0.22%
18	MR STEFAN JOSEF WILD & MRS JOSIE ANN WILD	505,200	0.21%
19	MR DAVID GERARD BYRNE	505,190	0.21%
20	CITY CORP PTY LTD	500,000	0.21%
	TOTAL OF TOP 20	218,990,641	90.25%

Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares
Substantial shareholder 1 - MetroCoal Limited	136,862,510
Substantial shareholder 2 - China Xinfu Group Corporation Limited and Chiping Xinfu Huaya Alumina Co Ltd	29,342,960
Substantial shareholder 3 - Bondline Limited (including multiple holdings)	21,356,387

Voting rights

Each ordinary share has one vote at any meeting of members.

Restricted securities

There are no restricted securities (held in escrow) as of the 30 June 2014.