

ASX release

6 October 2014

Independent Directors Recommend Acceptance of MetroCoal Bid

The Directors of Cape Alumina Limited who are independent of MetroCoal Limited (Non-Associated Directors) strongly recommend that Cape Alumina shareholders accept the takeover offer which was announced by MetroCoal Limited on 4 August 2014 (the MetroCoal Bid).

The offer, which is 1 MetroCoal share for every 1.3 Cape Alumina shares not already held by MetroCoal, is currently scheduled to close on 17 October 2014.

In Cape Alumina's Target's Statement, which was issued on 15 September 2014, the Non-Associated Directors recommended that, in the absence of a superior offer, shareholders accept the MetroCoal Bid. At the time of writing no superior offer has emerged and MetroCoal is now entitled to 63.37% of the issued capital of Cape Alumina.

The reasons for the recommendation, which are set out more fully in the Target's Statement, include:

- The independent expert which was appointed to assess the MetroCoal Bid has determined that it is fair and reasonable to the shareholders of Cape Alumina,
- The combined company will have a mix of short and medium to longer term value creation projects,
- The combined company will have better access to funding and better prospects for development of the Bauxite Hills project than Cape Alumina on its own, and
- Acceptance of MetroCoal Bid will provide Cape Alumina shareholders with improved share liquidity which should mean that shares are easier to buy and sell and the share price should better reflect the value of the combined company's assets.

At the date of this letter neither of Cape Alumina's two major shareholders have indicated whether they intend to accept the MetroCoal Bid.

Notwithstanding this, the Non-Associated Directors urge Cape Alumina shareholders to accept the MetroCoal Bid and avoid being minority shareholders in Cape Alumina in the event that the MetroCoal Bid is declared unconditional but MetroCoal does not proceed to compulsory acquisition of the outstanding Cape Alumina shares.

Cape Alumina shareholders are encouraged to read the Target's Statement in full and, if in any doubt as to how to deal with the document, to consult their legal, financial or other professional adviser as soon as possible.

If you have misplaced your acceptance form or wish to receive another copy of Cape Alumina's Target's Statement please contact +61 7 3009 8009.



George Lloyd
Chairman
Takeover Response Committee
Cape Alumina Limited

