

Friday, 21 October 2011

## ASX Release

### Cape Alumina announces the signing of the Convertible Note agreement to raise up to \$5 million

Cape Alumina Limited (ASX: CBX) (“the Company”) is pleased to announce that it has signed a binding agreement with its largest shareholder, Resource Capital Fund IV L.P. (“RCF”), to raise up to \$5 million through the issue of a Convertible Note. This ASX release follows the announcement on 23 September 2011 that the Company had signed a Term Sheet for this same facility.

#### Key terms:

- The issue of the Convertible Note is subject to Shareholder approval.
- The Convertible Note allows the Company to draw up to \$5 million (**Principal Amount**), at its election, for the further advancement of the Bauxite Hills project and other corporate activities.
- Funds can be drawn down at any time up to 29 February 2012; however, if shareholder approval of the Convertible Note is not obtained, the Company has 60 days to repay the funds.
- RCF may convert the Convertible Note plus accumulated interest into fully paid ordinary shares of the Company at any time at a price being the lower of the following (Conversion Price):
  - (a) 20 cents;
  - (b) the offer price under any capital raising conducted by the Company to raise not less than \$5 million in aggregate;
  - (c) 120% of the VWAP for the Shares for the 30 Business Days immediately preceding:
    - (1) the date of acceptance of the Term Sheet being 22 September 2011;
    - (2) Announcement by the Company of the Term Sheet being 23 September 2011;
    - (3) where a Conversion Notice has been issued the date of the relevant Drawdown Notice.
- A Facility Establishment fee is applicable being the issue of 1,000,000 shares in CBX on the issue of the Convertible Note. The issue of the Facility Establishment Fee is subject to Shareholder approval;
- If the facility is not drawn down by 29 February 2012, the Company will pay RCF or its nominee a fee equal to 3% of the Principal Amount;

- The Maturity Date of the Convertible Note is 36 months from the date of issue;
- The interest rate is 10% per annum, payable quarterly in arrears. CBX can elect to pay interest through the issue of shares, subject to shareholder approvals;
- The Convertible Note may be prepaid by CBX at any time up to 60 days prior to the Maturity Date subject to:
  - repayment of the whole Principal Amount together with all accrued but unpaid interest up to the date of repayment;
  - the issue to RCF of options in amount equal to the Principal Amount divided by the relevant Conversion Price (as defined on previous page);
  - the options will have an Exercise Price equal to the Conversion Price and will expire on the Maturity Date of the Convertible Note.

Additional information will be provided to shareholders prior to the Company's 2011 Annual General Meeting (to be held on 30 November 2011) where the Company will seek shareholder approval for the issue of the Convertible Note.

Cape Alumina's Chairman, Mr George Lloyd stated "the ongoing support of Cape Alumina's largest shareholder, RCF, reflects their confidence in the Company and, in particular, the value to be added through its Bauxite Hills project".

**More information:** Cape Alumina Limited

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