

Annual General Meeting held on 30 November 2011

Chairman's Address

Good morning ladies and gentlemen

Welcome to the third Annual General Meeting of Cape Alumina as a listed public company.

Projects

In the early part of the 2010/2011 financial year, following promising results from reconnaissance exploration, the Company started to focus on the development of the Bauxite Hills project which is about 95 kilometres north of Weipa on Cape York. This followed the decision to suspend further development of the Pisolite Hills project after the declaration of the Wenlock River Basin as a wild river area under the Queensland Government's Wild Rivers Legislation.

Based on the early exploration results from Bauxite Hills a concept study was carried out. It showed that, subject to confirmation of resources, a viable bauxite mining, beneficiation and export operation could be established there. As a result of the favourable concept study the Company has committed to advancing Bauxite Hills and a substantial portion of the balance of the year was dedicated to planning the next steps for the project. These included preparing for detailed exploration of the project area, scoping baseline environmental studies, securing strong support for the project from stakeholders – including the local Aboriginal people and the traditional land owners, and obtaining the necessary agreements with traditional landowners to enable the initial phases of the project to begin.

It was also considered essential that the State Government understand the benefits that a successful development of Bauxite Hills can bring to the state and to the people of far north Queensland and, during the year, we received in-principle support from the Queensland Government for our work towards achieving the relevant environmental and other approvals to make this project a reality.

Since the end of the 2010/2011 financial year we have commenced a drilling program over the Bauxite Hills area with the aim of establishing a JORC-Code-compliant resource. We have just announced a resource estimate for BH1, the first of three promising deposits in Bauxite Hills, and are expecting to announce an extension to BH1 as well as resource estimates for the BH2 and BH6 deposits in coming months. The encouraging results from exploration support our confidence that we will be able to develop a commercial project at Bauxite Hills.



For the balance of the 2011/2012 year we are planning to continue our exploration activities and environmental studies and build on the good relationship we have established with the traditional land owners in the area to be affected by the project. In addition, we are hoping to progress business development initiatives in relation to other bauxite project opportunities.

We are also continuing baseline environmental monitoring over the Pisolite Hills project area in the expectation that development of part or all of the deposit will become achievable in due course.

Shareholders

Towards the end of the past financial year Cape Alumina increased its shareholder base through the in-specie distribution by major shareholder Metallica Minerals Limited of about 30% of its shareholding in the Company to its own shareholders. This has meant that, whilst a large portion of the issued capital of the Company is still held by our major shareholders, the addition of approximately 2,000 new shareholders significantly increases the liquidity and trade-ability of the Company's shares. It is expected that we will further improve liquidity and shareholder value in the coming year. In particular, the announcement of JORC compliant resource estimates for the Bauxite Hills project is expected to contribute to increased shareholder value.

Funding

Turbulent equity markets, as a result of the global financial disruptions over the past year, have made broad-based issues of equity difficult for most companies. However, Cape Alumina has received strong support from its major shareholders in the form of a \$1.8 million issue of Converting Notes in June and the agreement by Resource Capital Funds to provide additional funding up to \$5 million. The proceeds of these capital raisings are being used to establish the resource at Bauxite Hills and to meet other costs incurred in advancing the development of our tenements.

We have also just announced a Share Purchase Plan (SPP). The SPP, which is 50% underwritten, is designed to raise up to \$2.34 million and allows existing shareholders to subscribe for up to \$15,000 in new shares at a heavily discounted price of 12 cents per share. The SPP has several objectives including providing shareholders with small holdings an opportunity to increase the size of their investment at an attractive price. We think participation in the SPP is good for shareholders and encourage you to subscribe to it.



Board and Management

This year also saw changes at the senior management level. The Board of Directors regretfully accepted Dr Paul Messenger's resignation as the Company's Managing Director and Chief Executive Officer in February. Paul was the founding CEO of the Company and made a very significant contribution over the previous six years.

Graeme Sherlock, our new Managing Director and Chief Executive Officer joined the Company in July. Graeme's strong focus on business development will be an important driving force in the next phase of Cape Alumina's growth strategy as we advance the Bauxite Hills project and seek new bauxite-related business opportunities.

This AGM will be the last to be attended by Paul Messenger and Andrew Gillies as directors of the Company. Paul has advised that he has chosen to not stand for re-election at this meeting and Andrew has resigned to allow him to devote more time to his role as Managing Director of Metallica Minerals Limited. Paul and Andrew have played pivotal roles in the establishment and development of Cape Alumina. Andrew was the founder of the Company and Paul, as CEO and Managing Director, led the Company from its early days as an explorer through the identification and evaluation of major bauxite projects. Both Paul and Andrew have shown great commitment to the Company and Paul led it with distinction through some extremely challenging times. Paul and Andrew have both advised that they remain committed to the Company and its goals and Paul has agreed to continue to be involved with the Company as Principal Adviser as we progress the Bauxite Hills project. I want to place on the record my appreciation for the great contributions that Paul and Andrew have made to the Company.

We do not presently intend to seek replacements for the retiring directors. However, we are mindful that the Board still comprises a majority of non-independent directors and we do intend to address the structure of the Board in the medium term so that it conforms to the ASX corporate governance recommendations.

The past year has been challenging in many respects and I am sure I reflect the views of shareholders in thanking all who have been associated with Cape Alumina over this period for their loyalty, commitment and continued support.



AGM Resolutions

At this Annual General Meeting we are seeking shareholder approval of the 2012 Performance Rights plan which is designed to incentivise employees and directors to progress the best interests of the Company. The 2012 plan is described in detail in the Notice of Meeting.

We strongly believe that the involvement of directors is important for early stage companies such as Cape Alumina and they are often called upon to contribute much more in the way of advice, leadership and time than is the case for more established companies. The value of these contributions is often not reflected in cash payment systems, particularly when there is a strong need to conserve cash for the direct benefit of the business. The significant contribution by Board Members has been very apparent over the past year and I am confident that we will continue to call on directors to make a substantial contribution towards getting the Bauxite Hills project up and running. I hope I can count on shareholder support in approval of the relevant resolutions.

At this AGM we are also seeking shareholder approval for the conversion of a \$5 million loan from Resource Capital Funds (RCF) to a \$5 million Convertible Note and the Issue of Shares on conversion of the Convertible Note. The proposed Convertible Note has a three year term and we expect that significant project advances will be made in this time. I encourage shareholders to support this resolution, which will underpin the financing necessary for the next phases of Bauxite Hills as well as further project development activities.

Conclusion

In conclusion I would like to take this opportunity to thank shareholders for their patience and to stress our commitment to building something of real value for them. I would also like to thank our employees. We have a small but dedicated and very competent team and I am confident that they will form the foundation and core of a truly excellent company.

Thank you

A handwritten signature in black ink, appearing to read "George Lloyd". The signature is fluid and cursive, with several loops and a long horizontal stroke at the end.

George Lloyd

Chairman, Cape Alumina Limited