



27 November, 2009

CEO's Address

Since listing on the ASX earlier in the year we have completed many important tasks including increasing the Pisolite Hills *in situ* bauxite resource by 30 per cent to 132.4Mt*, and its product bauxite on a dry basis to 87.3Mt*. This makes Cape Alumina the largest bauxite owner in Australia apart from the vertically integrated majors. We have also conducted further exploration drilling aimed at upgrading at least 50 per cent of the Pisolite Hills bauxite resource to the "Measured" classification under the JORC guidelines in support of the Bankable Feasibility Study which is now underway.

In addition, we have completed detailed drilling of a small area of high-grade bauxite at the proposed port site at Port Musgrave. Further studies will be undertaken on this deposit which, it is hoped, will provide early cash flow for Pisolite Hills.

We have built a highly experienced project development team led by Mr David Byrom who has over 30 years' experience in delivering major projects for major publically listed resource companies. The team has completed a thorough review of the 2008 Pre-Feasibility study and made a number of important changes to the scope and design of the project aimed at reducing the environmental footprint and substantially reducing both the capital and operating costs.

We have designed a very flexible and fully scalable project which will allow Cape Alumina to quickly respond to changes in market conditions. We plan to build a staged operation with an initial capacity of 3-5Mtpa of dry product bauxite, which can be easily and rapidly ramped up to 7Mtpa. The capital cost of the initial 3-5Mtpa operation is estimated to be approximately A\$330 million with operating costs in the range from A\$16 to A\$18 per tonne FOB. Should favourable market conditions justify an immediate move to full production of 7Mtpa, the estimated capital cost will be approximately A\$400 million with an estimated operating cost of A\$15 per tonne FOB. At the 7 Mtpa production rate the project life based on the current resource is estimated to be 14 years. However, we see good potential to expand this through further exploration success.

The Pisolite Hills mine and port will, if developed, be a very different operation to many traditional bauxite mines built in the past. Instead of using large trucks and expensive railways we will use low-

impact, low-emission conveyors. Instead of building large, difficult to rehabilitate fines disposal dams we will use in-pit fines disposal and progressive mine rehabilitation. Our trans-shipment operation will utilise 10,000 tonne capacity self-propelled, self-discharge barges capable of loading directly to either Panamax or 160,000 tonne Cape-size vessels - providing increased shipping flexibility and reducing shipping costs. With a designed ship loading rate of 30,000-40,000 tonnes a day, we will be very competitive with many Indonesian bauxite exporters who typically load ships at rates of 8,000-to-12,000 tonnes a day resulting in higher shipping costs.

As we move into 2010 we are gearing up for another very busy year with a clear aim to complete both the Environmental Impact Statement (EIS) and the Bankable Feasibility Study for the Pisolite Hills project. As we progress we are building our team of specialists to meet the increasing demands of planning for the project. A recent key addition is Mr Glynn Waricker who will assume the position of Environment, Communities and Sustainability Manager. Glynn has had a long and successful career in environment and social management of resource projects in Africa and Western Australia and we welcome him to the team.

We have identified a high priority area for exploration adjacent to Rio Tinto's Andoom bauxite mine, which contained some of the highest grade deposits in the Weipa Bauxite Province. We are now preparing to assess this area with a view to substantially increasing our bauxite resources. While we remain focused on bringing the Pisolite Hills mine into production in the shortest possible time, we shall continue to explore and assess opportunities abroad that fit the company's strategic objectives. I look forward to keeping you informed of our progress throughout the year as we reach key project milestones and build shareholder value.

Paul Messenger

Chief Executive Officer

Cape Alumina Limited

132.4 Mt in-situ to yield **87.3 Mt (20.1 Mt Measured + 37.9 Mt Indicated + 29.3 Mt Inferred) at an average grade of 53.1% Al₂O₃ (41.5% Trihydrate Available Alumina + 7.5% reactive SiO₂), at a minimum mining thickness of 0.5 m.*

Competent Person Statement

The information in this report related to Exploration Results is based upon data compiled and supplied by Mr John Cameron from Cape Alumina Ltd. The information in this report related to Mineral Resources was compiled by Snowden Mining Industry Consultants Pty Ltd (Snowden), and is based upon and accurately reflects data compiled by Mr Cameron. The reported Mineral Resource has been reviewed by Mr Justin Watson whom at the time of reviewing was



employed fulltime by Snowden. Messer's Cameron and Watson are Members of the Australasian Institute of Mining and Metallurgy and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Messer's Cameron and Watson consent in writing to the inclusion in the matters based on the information and context in which it appears.