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18 April 2006

CAPRAL ALUMINIUM LIMITED ANNOUNCEMENT

CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

ANNUAL GENERAL MEETING – 18 APRIL 2006

Chairman's address

In 2005 Capral Aluminium reported a net loss before tax of $48.7 million. It was the third consecutive year of loss for the company.

During this 3-year period, substantial changes have been made to the company's operations. These changes include:

- Commissioning the large industrial press at Campbellfield in Melbourne
- Closing the extrusion press facility at Minto in Sydney
- Relocating the distribution warehouses in Brisbane and Melbourne
- Opening the integrated Bremer facility with its 4 extrusion presses, automated internal warehouse, 2 vertical paint lines and anodising plant.

The restructuring was completed at the end of 2005 with closure of the extrusion press facilities at Eagle Farm and Yennora and closure of the paint facility at Milperra

These changes have given rise to significant restructuring costs, caused major disruption within the company, have affected customer service capability and led to unsustainable operating costs.

I am pleased to say that this period of restructuring is over and your directors and management are focused on returning the company to profitability.

I am also pleased to report that in October we completed the acquisition of the Crane Aluminium businesses for $124 million. This brought together Australia's 2 largest aluminium extrusion companies and gave the company an improved manufacturing platform from which to compete with imports, a much stronger distribution capability and downstream market presence, and a skilled and experienced team.

Late in the year there was a substantial change in management personnel. Robin Freeman was appointed managing director in August and following the Crane acquisition, put in place the new executive team. I am pleased that most of the team are with us today and I would like to introduce them to you:

- Richard Stephenson joined Capral in August from OneSteel. He is Capral's Chief Financial Officer
- Stefan Wisniowski joined in November after spending 20 years as a management consultant. He is our EGM Sales and Marketing.
- Emma Pollard joined Capral in 2005 from Rail Infrastructure Corporation. She is Capral's General Manager Human Resources.

  Two other members of the team that are unable to attend today are:
- Martin Haszard who joined Capral with the Crane Aluminium business. He had previously worked at Alcan, then Capral for 19 years. He is Capral's EGM Manufacturing and
- Paul Gregg who joined Capral in 2000. Until recently he was the general manager responsible for information systems. He is now EGM Planning and Logistics

During the year there were two rights issues, which raised $32 million and $113 million. They financed the completion of the Bremer facility and the acquisition of the Crane Aluminium business. The rights issues were underwritten by Guinness Peat Group (Australia) Pty Limited (GPG) and as a result, GPG's interest in Capral increased to 52%.

Nigel Chalk retired as a director in July 2005 and, last week, John Crabb retired from the board of directors. John was chairman of the company from 2002 until I took over the chairman's position in November 2005. We are holding discussions with prospective directors and anticipate making an announcement on the appointment of a new director shortly.

Robin Freeman will now give an overview of the operations of the company.

Managing Director's address

Our agenda to restore Capral to acceptable performance is broad and today I will touch on the most important areas we are working on to give shareholders an understanding of the scope and nature of our plans:

Safety

In 2005, in the combined Capral and Crane Aluminium businesses, 118 people were injured requiring medical treatment; about 1 in 12 employees. Our endeavour is to significantly reduce the number of injuries in our workplaces. We are doing this through the introduction of improved safety systems in areas of high risk – by our people taking appropriate precautions when working in areas where there is stored energy, by limiting the interaction of people and mobile equipment like forklifts, and by ensuring safe procedures for loading and unloading vehicles. We are improving safety management practices in areas such as risk assessment, incident investigations and hazard identification. And we are devoting more time to the development of safety management skills. Our expectations of management have increased and there is improved understanding of the responsibility for ensuring safe working conditions.

Cash generation

Our immediate financial performance objective is to generate cash. To do this we must reduce the company's operating losses. Improving the operating performance at Bremer and lifting its output are key factors. The other plans to bring a big improvement in operating performance are increasing sales through Capral's distribution businesses and reducing overheads. We do, of course, get a full year's profit contribution from the Crane Aluminium businesses in this year.

To achieve our cash objective we must also improve management of trade receivables, reduce inventory and exercise tight control over capital expenditure.

I am pleased to say that in the first quarter of this year we achieved our cash flow target even though there has been a significant lift in aluminium price, from A$3100 per tonne at the start of January to A$3500 per tonne at the end of March, causing an increased investment in working capital – receivables and inventory.

The new Bremer facility

In 2005 the Bremer facility was commissioned. During the year production gradually increased, but the plant operated at less than half its productive capacity and its high fixed costs were absorbed over a small base. The extrusion facility at Eagle Farm in Brisbane and the paint lines at Milperra in Sydney operated for the whole of 2005, further adding to the fixed cost base of the company's manufacturing operations.

Bremer is a green field site and its operating costs in the early period of its life have been very high as new employees have gained experience in their work and more efficient ways to run the new equipment have been identified.

During the Bremer start up period Capral's service to customers in terms of both product quality and delivery lead time deteriorated. As a result, market share was lost.

In 2006 our objective is to almost double production at the Bremer facility. At the same time we are improving our customer service capability so that we are able to reliably meet our promise to customers on delivery times. We have new management in place at Bremer and a comprehensive plan to achieve these objectives. We will not see major changes overnight but we are seeing and will continue to see progressive improvement on all key performance measures.

Distribution businesses

In the last 2 years, the Capral distribution businesses, the businesses which sell Capral designed architectural products, and the Capral trade centres, were adversely affected by Capral's supply issues. These businesses were too often out of stock. Work is underway to revitalise the trade centre network. And the release of a new suite of windows and doors, called Genesis, which will take place in May, will be an important boost to our product range.

Crane Aluminium

Crane Aluminium Systems and Smart Aluminium continue to perform strongly and are trading in line with expectations. So are the 2 Crane Aluminium extrusion plants at Penrith in Sydney and Angaston in South Australia. In 2006, we have plans to realise early synergies from the combination of Capral and Crane businesses. They will come from overhead reduction and the introduction of common business systems. We are also seeing benefits from combining the purchasing needs of our businesses. In time we will realise economies of scale from manufacturing and gain from the consolidation of warehousing.

Additional extrusion volume

The extrusion press facilities at Penrith, Angaston and Campbellfield are working productively and are operating a little short of their capacity. Incremental tonnes for these presses contribute significantly to the bottom line and we are endeavouring to win this new work in competition with imported product.

Our extrusion plant in Canning Vale in Western Australia is operating at capacity. The market in Western Australia is very strong and we have a successful business in Western Australia, which is well placed to take advantage of continuing growth of the economy.

These are the plans we have in place for 2006. In the current year we believe that trading conditions in our major markets will be generally stable. Regardless of overall trading conditions, our improvement plans will deliver better results. Our objective is to be in a position of generating cash in the second half of 2006 and, barring a significant further increase in the aluminium price in that period, we expect to achieve this objective.