

Good morning Ladies and Gentlemen,

As you have by now noted, we are in a change era. We have a new Chairman and for the first time a new procedure. This is the first time that a CEO is speaking at this function. That has been the preserve of the Chairman. I have used the title CEO to denote that this is an executive report, I am normally called the MD. We are now doing things differently under our new Chairman. You therefore should expect that our performance will also be different going forward. I daresay we will be doing much better to the satisfaction of all of our stakeholders from now on.

You have the annual report. As it shows 2010 was a very difficult year, far more difficult than we expected it to be when we drew up the annual plan for that year.

We cannot mince words. In 2010 we could not produce enough and hence we could not sell enough. You will recall that we executed the long awaited rights issue in 2010. It was only a 67% success. But the funds came too late to fully alleviate the working capital problem that it was meant to. In the event we could not import enough metal throughout the year despite our best efforts, even with trying to use third party support finance. In the end we imported just 5,784 tonnes, less than half of what we would normally require. You will also recall that we reported a strong effort to get Government to impose countervailing measures against the very cheap imports from China seriously destabilising our markets in Ghana and West Africa. We still continue the effort but we have not yet achieved any concrete results, and certainly did not in 2010.

Due to the combination of the working capital crunch, and the blockage caused by the influx of cheap Chinese products, we sold only 4,786 tonnes of products, well below the break-even point for the year. This meant that regrettably we made a loss in 2010. I will talk about 2011 in a few minutes, but the preview is that 2011 is a completely different year. The year has started fairly well and we believe will end well.

The Economic Environment.

The Chairman has expounded on the ongoing economic conditions and the government's budget for 2011. Let me add that amongst the other factors, the two main economic elements that we look at very crucially in the business are the exchange rates, and the bank interest rates. Although we no longer import ingots for production, we still buy our raw material from VALCO in dollars, based on the prevailing LME rates. So it is very important to us that the exchange rate is favourable. It is also very important that the exchange rate is favourable because we have foreign exchange loans that we are still paying off. The continued devaluation as we have experienced already in this year could lead to high exchange losses on these loans, something we wish to avoid but is not under our control. We look at bank interest rates carefully because we borrow from the banks in the form of overdrafts for our everyday needs and therefore we would be really gratified if the banks would look again at the still high interest rates that they charge today. These are two elements that in the past tended to be a huge drain on our profitability.

Review of 2010

General

2010 was a very difficult year characterised by a low level of purchases of raw materials due to working capital insufficiency, plus an inability to freely sell our products due to the effect of very low priced imports of finished products from China. Sales in 2010 amounted to 4,784 tonnes compared to 7,713 tonnes in 2009. Therefore a loss was recorded at operational level for most of the year except in the final quarter. You will note from the accounts that considerable effort had been made to limit and to reduce general and administrative expenses. Unfortunately we continued to experience heavy financial expenses in exchange losses and bank interest, leading to a final loss for the year of GH¢7.350 million compared to GH¢8.005 million at the end of 2009, despite the much lower volume compared to previous year.

Operations and Production activity

Total production for the year was 4,948 metric tonnes as against a budgeted 18,000 tonnes, and 6,915 tonnes produced in the year before. The low production was attributed to our continued inability to import sufficient raw materials during 2010.

Turnover

Quantity sold for the year was 4,784 metric tonnes, well below the budget for the year, and below the sales in 2009 of 7,711 metric tonnes. The cause was mostly stiff competition from Chinese imports and low production quantity. With the re-opening of VALCO, 2011 will see a marked change from this trend. In value terms net turnover for the year was GH¢25.16 million as against GH¢34.27 in the previous year.

Exports

Our share of sales in exports also dropped in 2010 because of, as happened in Ghana, the influx of cheap Chinese product into our traditional markets in West Africa especially Nigeria. 669 metric tonnes was exported out of the total sale of 4,784 metric tonnes representing 14% of total sales in 2010 compared with 2,265 metric tonnes which represented 29% of sales in 2009. We earned just \$2.2million in foreign exchange compared with \$ 6.8 million in the year before. Normally export sales amount to about 45% of total sales.

Financial Results

Due to the reasons expatiated on before, the company made a loss of GH¢7.350 million in 2010. As explained previously volumes were much lower in 2010. The sale of 4,784 metric tonnes was below our break-even level in 2010 of about 6,000 metric tonnes hence the loss. Nevertheless it has to be noted that despite the difficult conditions, the cost effectiveness measures instituted from 2009 were seriously continued, and the loss after tax at GH¢7.350 million was less than the loss in 2009 of GH¢8.005 million despite the much lower volume. The loss in 2010 was after charging interest on loans amounting to GH¢ 1.884 million and after charging GH¢1.400 million in exchange losses on foreign exchange denominated balances on the books during the year.

Projections for the future.

Aluworks has three main issues to deal with.

One of our three main problems has seen some resolution. Government has re-opened VALCO which we thank them for and since the 1st of February 2011 Valco has been supplying raw material to the factory. We now have assurance of supply plus the benefit of reduced costs for import and energy savings. When we used to import ingots we incurred 36% additional costs because we had to pay freight, pay duty, clear the goods through the ports, and then incur huge costs utilising the solid metal. From February 2011 we now receive raw

material from VALCO, most of it in molten form. We still sometimes have to order solid ingots from VALCO, but we still save all the import costs. By the end of the year we will have avoided some of the 36% increase that we were incurring and we would have made savings.

Although the savings have in fact not yet been earned, we were so confident that we in turn passed on the potential savings to our customers by way of price reductions, from since 1st February. We saw an immediate improvement in interest and orders from some of our more serious customers, especially those more interested in quality rather than in cheap shoddy material. Indeed we have had good interest from Nigeria, Togo and Burkina Faso. In addition, during this year the LME has been rising steadily. The LME at the beginning of the year was at \$2,461.0 per tonne. At the end of March 2011 the LME was at \$2,599.9 per tonne and continues to rise steadily. This is driving discerning customers to reduce their costs by sourcing from us, as we save them a lot of financing costs that they have to incur when they import. Their imports can take as much as three months to arrive whereas we can deliver within a fortnight. These positive factors, including our intention to restore credit facilities to deserving customers during the coming year, are the drivers of change in customer behaviour going forward. We have had in May 2011 to adjust prices to reflect the increased cost due to the LME rise but we are confident nevertheless that we shall have a reasonably good 2011 as a result.

The second problem is that of the Chinese encroachment on our markets with cheap products. While some of our customers have started coming back for supplies from us, mainly because of the better quality, not everyone has returned because the price differential between us and the Chinese is still high enough so that the marginal customers still prefer to buy cheap rather than quality. The difference is still appreciable despite our price reductions and for a normal 0.5mm coil is today as much as 25%. The gap is so large it is simply, as far as I am concerned, an act of war. This second problem is one we continue to discuss with Government through the Tariff Advisory Board of the Ministry of Trade and Industries, and with the Ministry of Finance for redress. We are quietly confident that something will be done about it in 2011. Nevertheless we have to sound a note of caution that this menace will not be completely wiped out as all of us here would like.

Nevertheless despite the continued Chinese presence, all of the interventions we have made such as reduced price, strong cost control and reduction, and sourcing from VALCO instead of importing means we will make strong gains. In our medium term plan we forecast modest but positive results for 2011, and much better results for the next few years thereafter. I do not want to go into the details of the China problem here so I have taken the liberty to re-produce an article that was published in the Business and Financial Times of March 2011 that clearly argues the problem, which you can read at your leisure. Alternatively the article can be found on the Business and Financial Times website www.thebftonline.com

The third problem is an off shoot of the state of the plant. We have put in place strong plans to refurbish the plant. The working capital shortage forced serious discriminatory decisions upon us and we most often opted to import raw materials for production rather than spare parts for stock. We are now in a position of using some of the increasing free cash flow when generated to import much needed spare parts. This is a problem that can only be fully resolved as the business improves and/or as when we receive sufficient investment into the business to be able to tackle the various problems at the same time.

We continue to hold discussions with selected investors with the objective of raising further investment capital to be able to considerably improve the reliability of the plant, with priority on investment in the much required second cold mill. I have to say interest has been good and is growing. We have had initiatives from as far away as China and South Africa, and as close as Nigeria, but we are yet to find the right mutually beneficial oriented strategic partner. We will advise shareholders when we have been able to find the right partners to support our planned future growth with investment into our capital expenditure plans.

Despite these seeming setbacks we find that the business is slowly reviving. By March 2011 I can report that we had already sold 1,693 tonnes of product, 1,161 tonnes in local sales and 532 tonnes in exports. Despite the slow start, this was equivalent to 35% of all the sales made in 2010, already effected in the first quarter of 2011. The trend line is the right direction, and our SWOT analysis points (especially our quality, cost effectiveness and short delivery) to a good opportunity for would be investors, and so management is excited because at long last we can begin to feel some satisfaction from all the hard work put in during the very difficult times, starting to pay off. Indeed as at the end of last week i.e. week 24, we had sold 2,410 metric tonnes on the local market and 1,434 metric tonnes on to the export market, a total of 3,753 metric tonnes representing 78.5% of the total for the whole of 2010. Of course it is still low because 2010 was low but it is still a vast improvement and establishes the potential good trend. It would have been better if demand were not suppressed by the low Chinese prices.

Ladies and Gentlemen 2011 is bound to be good, at least OK. We will make profit this year *ceteris paribus*. And hopefully for the next few years as well. If the recession ends soon, and Government is able to help solve or to reduce the effects of the China problem, then the future will be very good. If we are able to find further capital investment, then the future will be very bright. This is the hope of the Directors and Management of Aluworks Limited. We hope it will come true soon.

Conclusion

I join the Chairman of the board to sincerely thank shareholders for their forbearance, customers, suppliers, and other stakeholders for holding firm with us. I thank the Board of Directors for their steady support and wise counsel in the face of the very difficult times the company has been going through. I cannot conclude without expressing my sincere best wishes to Messrs William Inkumsah and Ben Gogo. I found them stalwarts of support and do sincerely miss their wise counsel. Particularly I have to thank the management and staff of the company for their steadfastness in the face of extreme difficulty and pray that their faith will be richly rewarded very soon. God Bless Aluworks Limited, God Bless Ghana.