



ALUWORKS LIMITED

EXTRA-ORDINARY GENERAL MEETING CIRCULAR TO SHAREHOLDERS



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NOTICE OF EXTRA-ORDINARY GENERAL MEETING

Notice is hereby given that an Extra-ordinary General Meeting of Shareholders of Aluworks Limited will be held at the Fiesta Royale Hotel, Adjacent to Nestle Ghana Limited's Head Office, Dzorwulu, Accra on Wednesday 25th February, 2009 at 10.00 am.

AGENDA

1. To approve an increase in the authorised number of shares of the Company from 50,000,000 ordinary shares of no par value to 100,000,000 ordinary shares of no par value and amend Regulation 7 of the company's regulations in accordance therewith.
2. To authorise Directors of the company to raise an amount of GH¢30 million through a Rights Issue of up to 58,000,000 ordinary shares of no par value to shareholders in proportion as nearly as may be to their respective holdings in the issued capital of the company and that any shares not taken up in pursuance of this Rights Issue be offered to the public as the Directors of the company may determine.

WC, Machinery

BY ORDER OF THE BOARD

ACCRA NOMINEES LIMITED

COMPANY SECRETARIES

Dated this 29th day of January, 2009

REGISTERED OFFICE:

PLOT NO. 63/1

HEAVY INDUSTRIAL AREA

P. O. BOX 914

TEMA

A member of the company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not also be a member of the company. Completed proxy forms should be deposited at the offices of the Registrars, NTHC Limited, Martco House, Off Kwame Nkrumah Avenue, P. O. Box KIA 9563, Accra, not less than 48 hours before the appointed time of the meeting. Failure to submit the forms before the 48 hour deadline will result in the Proxy not being admitted to, or participating in, the meeting. A Proxy Form is provided in the Extra-ordinary General Meeting Circular to Shareholders.

CHAIRMAN'S LETTER

Fellow Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to invite you to an Extra-ordinary General Meeting (EGM) of your Company on February 25, 2009. The purpose of this EGM is to provide you with reasons for the recapitalization of your Company through a Rights Issue and seek your approval for same.

The financial performance of your company indicates that it is recovering from the devastating effects of the energy crisis which peaked in 2006/2007. The recovery to date has been achieved through the adoption of various operational and strategic measures which include intensification of cost rationalization to streamline the company's expenditure.

Demand for aluminium products is increasing in the West Africa region. Your company needs to expand its capacity in order to effectively compete in the region by meeting the requirements of its customers. Your company has therefore embarked upon an expansion program by acquiring and installing a Coil Coating Line. In addition, a second Cold Mill which will eventually increase capacity from 30,000 metric tonnes to 50,000 metric tonnes per annum is planned to be in place by the end of 2009.

In order to be able to quickly implement the expansion strategies, the Board needs your approval to recapitalize the Company through a Rights Issue to raise an amount of GH¢30 million. A successful recapitalisation will expand the Company's capacity to deliver quality products that will meet customers' needs and create more value for shareholders through sustained increases in profits.

I urge all of you to read the entire document titled, 'Extra-ordinary General Meeting Circular to Shareholders'. This document details the critical issues and challenges confronting your company, proposed strategies to address them and the financial implications.

The Board is convinced about the enormous potential of a recapitalized Aluworks Limited and believes that you would be similarly enthused about this great opportunity.

Upon your approval to pursue the rights issue, a full process document containing all relevant information and reports from the various experts will be subsequently forwarded to each of you to guide you in your decisions, with respect to the rights issue process itself.

On behalf of the Board of Directors, I thank you all for the continued support and look forward to your participation in the EGM.

Yours faithfully,

W. E. Inkumsah (Mr.)

Chairman, Board of Directors

BACKGROUND

Demand for aluminium products in West Africa remains strong notwithstanding the downturn in the world economy. Consistent economic and population growth are driving the very strong demand in the region. For instance, in Ghana 50% of all roofing are done using aluminium roofing sheets and this requires 36,500 tonnes of aluminium per annum. The situation is similar throughout West Africa. In addition, demand for cookware is increasing largely due to the youthful nature of the demography of the region which is leading to increasing number of new households. Currently, Aluworks Limited satisfies 60% of the cookware market while the rest is imported.

While Aluworks Limited along with a few competitors in Nigeria satisfies part of the requirements of West Africa, much of the demand is currently being met by imports from China and the Far East. However, the supply from China and the Far East into West Africa are expected to decline because the car building and metal utilisation industries across the world are expected to recover in the very near future through the injection of funds into the industries by various governments.

Aluworks Limited aims to position itself to be the supplier of choice for aluminium products in the West African region. The company's plain and coloured coil products are renowned for their high quality to the extent that there is demand in Europe for them. However, the capacity of the company is limited to 30,000 tonne output. The proposed Rights Issue is therefore a plan to boost the company's capacity to 50,000 tonnes by the end of 2009 through the addition of a second cold mill. It will also support additional working capital concomitant to the additional capacity.

BROAD OBJECTIVES OF ALUWORKS STRATEGY

In order to become the supplier of choice in the West African Region, strategies have been developed to drive the company towards:

- Increasing business generation through improving and strengthening capacity so as to be able to adequately meet demand for flat rolled aluminium products in the region, in a mix of products that are responsive to the changing needs of the industry
- Assuring the quality of products through improving and strengthening the quality credentials of the company's products with continued renewal of its ISO 9001: 2000 certificates
- Diversifying sourcing of raw metal input with VALCO as an alternative supplier that provides much needed cost differentiation when it is in operation.
- Attracting and retaining the right staff, with quality of delivery as their main credo
- Restoring and enhancing profit through revenue growth, cost effectiveness and management control.

THE BUSINESS RE-ENGINEERING PROGRAMME

Highlights of the strategy of Aluworks Limited in relation to Plant and Equipment, Employees and Raw Material are presented below:

Plant and Equipment

The company has embarked on two major expansion projects since 2007, one being a value addition project and the other a capacity enhancement one. The first project was a US\$10 million Coil Coating Line to add value to our coils for both local and export market. The equipment was supplied by INCO of Spain and was funded with a loan facility from SG-SSB. The project is completed and commissioned.

The second project is a second cold mill which will supplement the existing one which is about 26 years old and prone to breakdowns. The second cold mill will eventually increase capacity availability to 50,000 metric tonnes, after the refurbishment of the current line. We intend the second cold mill to be in place by end of 2009. The current cold mill will be retired for refurbishment in 2010, which will last some six months of that year.

The second cold mill has been ordered from Fata Hunter of Italy and has been manufactured ready to be transported to Ghana and to be installed and commissioned. The total cost of the equipment is 8.3 million Euros. Aluworks is in the process of arranging financing for this cost by way of a bridging loan from a willing financial institution to be retired with the proceeds of this rights issue. Pre-installation costs of 2.49 million Euros covering design, drawings and civil works have been funded by Barclays Bank of Ghana by way of a short term loan.

In the aluminium industry, much of the cookware production is carried out by small and medium scale enterprises. It is important that your company supports this segment of the industry. Demand for flat sheets and discs for the production of cookware has been growing with attendant pressure on our facilities. In order to be able to meet this demand, it is intended that the current production capacity for discs (a.k.a. circles) will also be increased during 2009, and enhanced further in line with demand as overall cold mill capacity increases over the coming years.

Employees

In 2007, a restructuring exercise was carried out that reduced staff strength from 450 to 260 at a cost of GH¢1,811,000. In the light of this it is considered that staff numbers are near optimal. However no new engagements will be carried out unless considered entirely necessary whereas reduction by natural wastage will not be replaced. Staff training will be continuous to ensure maintenance of the right job skills and knowledge. The company believes that this situation has helped foster an atmosphere of serious engagement and is working to translate this new energy, mindset and attitudes into increased efficiency and better quality consciousness, particularly in customer service, across all areas of the company.

Raw Material

Until quite recently, Volta Aluminium Company (VALCO) was the sole supplier of Aluworks's raw material requirements. This situation has however changed due to constant interruption of power supply to VALCO by the Volta River Authority (VRA). Aluworks has developed the capacity to source raw material from other smelters and now has three other suppliers in addition to VALCO, namely, UC Russal Marketing GMBH, whose supplies come from either Alscon in Nigeria or St. Petersburg in Russia; BHP Billiton Marketing AG, whose supplies come from South Africa, and Bharat Aluminium Co. Ltd. of India.

VALCO continues to be Aluworks's preferred supplier due to its proximity to the company which allows the supply of molten metal and other economic considerations. However, the uncertainty involved in sourcing raw material from VALCO makes it necessary not to limit sourcing of raw material from only VALCO. The loss of beneficial credit arrangements and extremely low lead time, that existed under the VALCO arrangement, coupled with higher prices raise the need for working capital funding both for the metal ingots and to finance the long lead time and supply chain costs that arise.

COST IMPLICATIONS OF THE RE-ENGINEERING PROGRAMME

The company has completed and financed the installation of the Coil Coating Line and the employee restructuring exercise. It is expected that the company will need the Ghana Cedi equivalent of US\$ 10 million to acquire and install the second cold mill. In addition, the company requires the Ghana Cedi equivalent of US\$ 10 million in working capital to implement its strategy in the area of raw material.

THE NEED FOR A RIGHTS ISSUE

Shareholders value maximisation underlies all financing decisions of the company. In making the choice of the most appropriate option, the Board of Directors considered several factors including the macro-economic environment, capital market conditions, the specific circumstances of the company, the need for financial flexibility in the future and the cost effectiveness of each financing option. The following are the pros and cons of each of the options considered:

Use of Retained Profits/Internally Generated Funds

The company believes in balancing payment of good and sustainable dividends to shareholders and retaining a healthy level of profits to finance further growth and development. The company financed projects such as building the foundation for the new cold mill which has so far cost the Ghana Cedi equivalent of US\$1.35 million using retained profits. At this time there is in fact, no capacity in the income surplus account to be utilised for these projects.

The Board considers wholly financing the re-engineering programme using retained profits inappropriate because it can delay the implementation process and adversely affect the financial flexibility of the company in the future. In addition, the use of this method can negatively impact the company's ability to pay dividends and finance other projects which may be necessary to further increase shareholder value in the future.

Bank Loans/Issue of Bonds

Using bank loans and/or issuing bonds through private placement or public floatation was also considered by the Board. The appropriateness of these means of financing was assessed by considering debt in the company's total financing as well as the expected cost of borrowing.

Using bank loans and/or issuing bonds are considered inappropriate at this time because the debt level of the company is very high and it is deemed more suitable to lower the Debt-to-Capital ratio through the injection of equity before the company later considers these means of financing. In addition, the current macro-economic environment coupled with the high debt level of the company will make the cost of borrowing too high which can adversely affect the company's ability to pay dividends.

Issue of Preference Shares

The pre-requisites for a successful issue of preference shares are similar to those of using bank loans and issuing bonds. Financing the re-engineering programme by issuing preference shares is inappropriate because of the current macro economic conditions as well as the high debt level of the company.

Rights Issue

The Board believes that financing the re-engineering programme through Rights Issue is the most appropriate in order to maximise shareholder value. Given the company's condition currently, equity financing has the advantage of improving the debt capacity of the company and will enable it take full advantage of bank loans and the bond market in financing future projects

THE RIGHTS ISSUE PROCESS

Having considered all the available financing options, the Board plans to raise the needed funds through a Rights Issue. In line with this decision, consultants have been engaged to undertake the following activities:

- Legal Due Diligence
- Financial Due Diligence
- Preparation and Distribution of Circular to Shareholders
- Promotion and Floatation of the shares to be issued under the Rights Issue.

it is important to however state that the determination of the final amount to be raised and the final pricing of the shares will be done after thorough market evaluation which will include the assessment of investors' appetite for Aluworks shares.

CONCLUSION

It is in the light of the foregoing that the Board of Aluworks seeks shareholders support to complete the re-engineering programme. The Board urges all shareholders to vote in support of the resolution.

The company will continue to communicate with shareholders through press releases on the process and progress of the Offer.

PROXY FORM

PROXY FORM FOR USE AT THE EXTRA-ORDINARY GENERAL MEETING OF SHAREHOLDERS OF ALUWORKS LIMITED TO BE HELD AT FIESTA ROYALE HOTEL, ADJACENT TO NESTLE GHANA LIMITED'S HEAD OFFICE, DZORWULU, ACCRA ON WEDNESDAY 25TH FEBRUARY, 2009 AT 10.00 AM.

I/Webeing member(s) of **ALUWORKS LIMITED** hereby appointor failing him/her the Chairman as my/our Proxy at the Extraordinary General Meeting of Shareholders to be held on Wednesday February 25, 2009 and at every adjournment thereof.

Please indicate with an X in the spaces below how you wish your votes to be cast.

RESOLUTION	IN FAVOUR OF	AGAINST
1. The Special Resolution increasing the authorised number of shares of the company from 50,000,000 ordinary shares of no par value to 100,000,000 ordinary shares of no par value and amending Regulation 7 of the company's Regulations in accordance therewith.		
2. The Resolution authorising the Directors of the company to raise an amount of GH¢30 million through a Rights Issue of up to 58,000,000 ordinary shares of no par value to shareholders in proportion as nearly may be to their respective holdings to support working capital requirements as well as investments in plant and machinery and further authorising that any shares not taken up in pursuance of this Rights Issue be offered to the public as the Directors of the company may determine.		

On any other business transacted at the meeting and unless otherwise instructed in 1 and 2 above, the resolutions to which reference is made in those paragraphs, the proxy will vote as he/she thinks fit.

Signature of Shareholder

Signed this.....day of2009

THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE REGISTERED OFFICE IF THE MEMBER WILL BE ATTENDING THE MEETING.

1. A member (Shareholder) who is unable to attend a Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the Form for the Chairman of the meeting to act as your Proxy but if you so wish, you may insert in the blank space the name of any person whether a member of the company or not who will attend the meeting and vote on your behalf instead of the Chairman.
3. In case of joint holders, each joint holder must sign.
4. If executed by a company, the Proxy Form must bear its Common Seal or be signed on its behalf by a Director.
5. Please sign the above Proxy Form and post or hand-deliver same to the offices of the Registrars, NTHC Limited, Martco House, No. D542/4 Okai Mensah Link, Adabraka, P. O. Box KIA 9563, Airport, Accra so as to reach the said offices at their addresses not later than 4.00 p.m on Friday February 21, 2009.
6. The Proxy must produce the Admission Card with the Notice of the Meeting to obtain entrance to the meeting.

NOTES

