

Friday, 4 June 2010

Queensland Government decision jeopardizes development of the Pisolite Hills bauxite project

- **The Queensland Government's declaration of the Wenlock River Basin as a wild river area fails to recognize the body of science demonstrating that responsible resource development on western Cape York can proceed and environmental values can be preserved**
- **The Pisolite Hills bauxite mine and port project's economic viability will now be carefully reviewed and avenues for administrative appeal and compensation explored**
- **The forecast \$1.2 billion boost to GDP and the creation of 1,700 jobs are now at significant risk**
- **Work on the Environmental Impact Statement (EIS), Bankable Feasibility Study (BFS) and Indigenous Land Use Agreement (ILUA) with the Traditional Owners of the project area have all been put on hold pending completion of the review**
- **The declaration jeopardises a project designed to deliver significant regional, social and economic benefits while ensuring environmental protection of the Wenlock River**

Cape Alumina Limited (ASX Code: CBX) has today placed its Pisolite Hills bauxite mine and port project in western Cape York under review as a result of the Queensland Government's declaration of the Wenlock River Basin as a wild river area under the state's Wild Rivers legislation.

Managing Director Dr Paul Messenger said the economic viability of the project had been materially impacted by the declaration, specifically by the size of the High Preservation Area (HPA) surrounding the so-called Coolibah Springs Complex.

"Our Pisolite Hills mine and port project, as it presently stands, is no longer viable – the Queensland Government's declaration of the Wenlock River Basin as a wild river area may have rendered this project uneconomic," Dr Messenger said.

"The Company is now reviewing all of its operations in western Cape York and will explore all avenues for appeal and appropriate compensation as a result of this decision.

"Our environmental studies show that a 200 metre buffer around the Coolibah Springs Complex would protect the natural environmental values of the springs.

"However, the Queensland Government's declaration flies in the face of scientific evidence by setting the buffer zone at an arbitrary 500 metres and sterilizing almost 30 per cent of the bauxite reserves in the area.

"We now need to review the project based on the reduced available resource and, therefore, the shortened life of the mine before we can proceed any further.

"We believe that the Queensland Government has ignored science and as a result they have failed to adequately balance the protection of the environment with the need for economic development of the Far North Queensland region just to satisfy a vocal minority," he said.

Cape Alumina recently released the findings of an Economic Impact Assessment that showed the Pisolite Hills would boost economic activity by \$1.2 billion, in Net Present Value (NPV) terms, and create or sustain more than 1,700 jobs over the mine's 15-year life.

The boost to the Far North Queensland economy alone included more than \$600 million in NPV terms and 1,300 jobs.

Dr Messenger said the Company would be seeking further meetings with the Queensland Government for an explanation of the decision and would also be exploring avenues for appeal and appropriate compensation.

"In the meantime we will stop all work on the project's EIS pending the outcome of the review," he said.

The Queensland Government's proposal to declare the Wenlock River and its tributaries as a wild river area under the state's Wild Rivers legislation and its potential to materially impact the Pisolite Hills project was an investment risk addressed in the Company's supplementary prospectus dated 19 December 2008.

The Company has subsequently consulted with the Queensland Government at length on its proposal to declare the Wenlock River a wild river area and the potential impact that any declaration would have on the Company's Pisolite Hills project.

Cape Alumina had planned to complete the EIS by the middle of this year and to be in a position to commence construction in 2012, subject to the outcome of the BFS and receipt of all regulatory approvals.

In addition to undertaking a review of the viability of the Pisolite Hills project, Cape Alumina will now bring forward assessment of a number of additional exploration targets that fit within the 2,100 km² of exploration permits held by the Company.

About Cape Alumina and its Pisolite Hills project

Cape Alumina is a Brisbane-based, Cape York-focused emerging bauxite company. Cape Alumina has international support from Chinese alumina majors including Xinfu, one of China's largest aluminium and alumina producers.

The Pisolite Hills bauxite project is centred on an elevated open, dry bauxite plateau approximately 50km northeast of Weipa in Cape York, Queensland. The Pisolite Hills resource base is approximately 132* million tonnes (Mt) of in situ bauxite. Continuing exploration of the company's surrounding tenements is expected to increase resources.

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.



*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.

For further information please contact:

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