

Tuesday, 13 April 2010

ASX Release

Pisolite Hills project to boost economic activity by \$1,200 million (NPV)

- **An Economic Impact Assessment (EIA) report finds that the Pisolite Hills bauxite mine and port project will boost Gross Domestic Product (GDP) by \$1.2 billion, in Net Present Value (NPV) terms, over the life of the project. Most of the gains will occur in Queensland**
- **The Pisolite Hills project's direct and indirect impact on Far North Queensland's economy estimated to be \$600 million (NPV) over the 15-year life of the mine**
- **Total employment impact of more than 1,700 direct and indirect jobs to be created or sustained over the mine's 15-year life. More than 1,300 of these will be in Far North Queensland**

An Economic Impact Assessment (EIA) report has found Cape Alumina Limited's (ASX Code: CBX) proposed Pisolite Hills bauxite mine and port project in western Cape York, Queensland, will boost economic activity by \$1.2 billion, in Net Present Value terms, and create or sustain more than 1,700 jobs over the mine's 15-year life.

The EIA was undertaken by Synergies Economic Consulting on behalf of Cape Alumina as part of the Environmental Impact Statement (EIS) being prepared for the Pisolite Hills mine and port project on western Cape York, Queensland.

The report's economic impact analysis estimated that construction costs of \$380 million are expected to result in flow-on activity in the economy of \$771 million, including about \$416 million in Far North Queensland, and make a \$342 million contribution to Queensland's Gross State Product (GSP) and a \$201 million contribution to the Gross Regional Product (GRP) during construction of the mine.

When the mine reaches the target production capacity of 7 million tonnes per annum (Mtpa), the project will boost GSP by \$118 million and GRP by \$58 million a year respectively.

That makes the project's total direct and indirect impact on GDP approximately \$1.2 billion (NPV) over the life of the project. For the Far North Queensland region, the direct and indirect economic impact is approximately \$600 million (NPV) over the life of the project.

The report found that more than 1,200 direct and indirect jobs will be supported during the construction phase, while approximately 520 direct and indirect jobs will be created when the mine and port are operating at target capacity.

The report also found that the social and economic benefits would be shared between Cape Alumina, the Commonwealth and Queensland governments and community stakeholders, including the Aboriginal community of Mapoon, which is one of the most disadvantaged communities in the State.

Cape Alumina's Managing Director Dr Paul Messenger said the EIA report would be released in full with the submission of the Company's EIS, which is on track to be completed in the first half of this year.

“This report confirms what we have always known – that the Pisolite Hills project will be a boon for the Queensland economy. It offers tremendous social and economic benefits for all stakeholders,” Dr Messenger said.

“The Pisolite Hills project will generate long-term jobs and economic prosperity for the local western Cape York communities – in particular the Traditional Land Owners of the region and Mapoon residents – as well as major centres such as Cairns, Cooktown, Townsville and Innisfail,” he said.

Project success contingent upon a science-based Wenlock River Basin wild rivers declaration

Dr Messenger said the economic report showed that the project was economically viable provided that access to the Pisolite Hills bauxite resource was not adversely impacted by the Queensland Government’s proposal to declare the Wenlock River Basin a wild river area under its Wild Rivers legislation.

“We know that a balance between responsible mining, economic development and protection of the natural values of western Cape York - where bauxite mining has been going on for more than 50 years - can be achieved,” he said.

“The Company acknowledges that the Wenlock River catchment contains some areas of natural environmental values that are worthy of protection and protecting the natural environment is an integral part of our approach to business.

“However, the need to protect the environment and the creation of so-called High Preservation Areas (HPA) must be supported by sound scientific assessment, and science should not become subservient to a politically motivated environmental agenda.

“Our mining activities will take place between 2.8 and 15 kilometres away from the Wenlock River and well away from major tributaries. The proposed mining area is stringy bark country on which cattle have grazed for more than 100 years!

“Cape Alumina has no plans to mine any wetlands, rivers, springs or areas of high conservation value and the Wenlock River will be fully protected under our operational and environmental management plans,” he said.

Dr Messenger said the time was right for the Queensland Government to make a decision on whether to declare the Wenlock River Basin as a wild river area.

“The Government should not delay its decision any longer – it has all the relevant information and has had more than enough time to make up its mind,” he said.

Project a boon for the Far North Queensland economy

Dr Messenger said that Far North Queensland communities and businesses would be major beneficiaries of the project.

“The report finds that much of the turnover and value added from the project would flow towards Cairns and other major population centres,” Dr Messenger said.

“The report states that during construction the project will inject \$201 million into the regional economy and create or sustain 950 full time direct and indirect jobs. When fully operational the project will boost the Far North economy by \$58 million a year and create about 390 direct and indirect jobs.”

Dr Messenger said that the Indigenous community of Mapoon would gain from employment and general income benefits, while the Aboriginal Trustees and Traditional Owners would also receive royalty payments should an Indigenous Land Use Agreement (ILUA) negotiation with Cape Alumina be finalised.

The report found that Mapoon was ranked in the most disadvantaged category of an index used to assess socio-economic wellbeing across the State.

Benefits for the Commonwealth Government would flow from increased taxation revenues and the prosperity of Indigenous communities on the West of Cape York.

The Queensland Government would benefit from royalty and tax revenue and the contribution of the mine to its development objectives for the region.

Potential environmental impacts of the project were assessed but found to be of low likelihood and consequence and, therefore, do not significantly detract from the benefits of the project to the local community.

The report noted that the Pisolite Hills project would not have a material impact on the economic activities of the adjoining landholders.

Cape Alumina's Application for Mining Lease (MLA) 20572 covers 12,360 hectares of Bertiehaugh Cattle Station. This equates to 9.16 per cent of the overall pastoral lease.

The actual land on the Bertiehaugh Cattle Station pastoral lease that is proposed to be mined is 2,053 hectares, which equates to 1.5 per cent of the overall pastoral lease. This land will be fully and progressively rehabilitated to its pre-mining condition.

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.

Subject to a positive feasibility study, permitting and successful financing, construction is expected to be carried out between 2012 and 2013 with bauxite production starting soon after commencement of construction and a design capacity of 7 Mtpa of dry bauxite product.

The Pisolite Hills EIS is being fully funded by Cape Alumina Limited and will represent the most comprehensive environmental study ever undertaken in the area.

The EIS will be assessed by the Queensland Department of Environment and Resource Management and the Commonwealth Department of Environment, Water, Heritage and the Arts.

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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