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ASX Release

Concept study confirms major project potential at Bauxite Hills

- **New high-grade bauxite discovery at Bauxite Hills 95 kilometres north of Weipa, Cape York, Queensland, and just 5 kilometres south-east of the existing port at Skardon River**
- **Exploration Target is 50-100 million tonnes* of export-grade bauxite product**
- **Concept study indicates that, subject to confirming resources, the Bauxite Hills project should be viable and robust and capable of sustaining a 15-year export operation**
- **Advanced exploration and drilling program planned for 2011 to establish a JORC-code-compliant resource**
- **Also during 2011 environmental programs leading to the grant of a mining lease will commence**
- **Cape Alumina will engage with the Traditional Land Owners of the area to be affected by the Bauxite Hills project with the aim of signing an Indigenous Land Use Agreement (ILUA) with them**

Cape Alumina Limited (ASX Code: CBX) today announced that it has successfully completed a concept study for its proposed Bauxite Hills mine and port project – the first step towards creating a major new mining project on western Cape York. The Company will now proceed with an advanced exploration and drilling program.

The Bauxite Hills project area is located approximately 95 kilometres north of Weipa on western Cape York, Queensland, within the bauxite plateau between the Ducie and Skardon Rivers and just five kilometers south-east of the existing port at Skardon River.

The Bauxite Hills concept study, which was undertaken by leading engineering firm SNC Lavalin and is based on production of 100 million tonnes* of dry, export-grade bauxite product, shows that, subject to confirmation of resources, a 15-year mine can be established in the area.

The study was commissioned following the discovery of excellent bauxite grades in early exploration of Cape Alumina's tenements at Bauxite Hills.

The study focused on four (BH1, BH3, BH4 and BH5) of the seven plateaux identified to host significant export-grade bauxite within Cape Aluminia's existing Exploration Permits Minerals (EPMs) 15376, 15374 and 16899 – all of which are 100 per cent held by the Company (see Figure 1 below).

If commercial quantities and grades of bauxite are demonstrated in other bauxitic plateaux within Cape Alumina's Bauxite Hills project tenements (BH2, BH6 and BH7), the life or scale of the project could be extended.

** The potential quantity and grade of the deposits at Bauxite Hills are conceptual in nature. There is insufficient information to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource in these areas.*

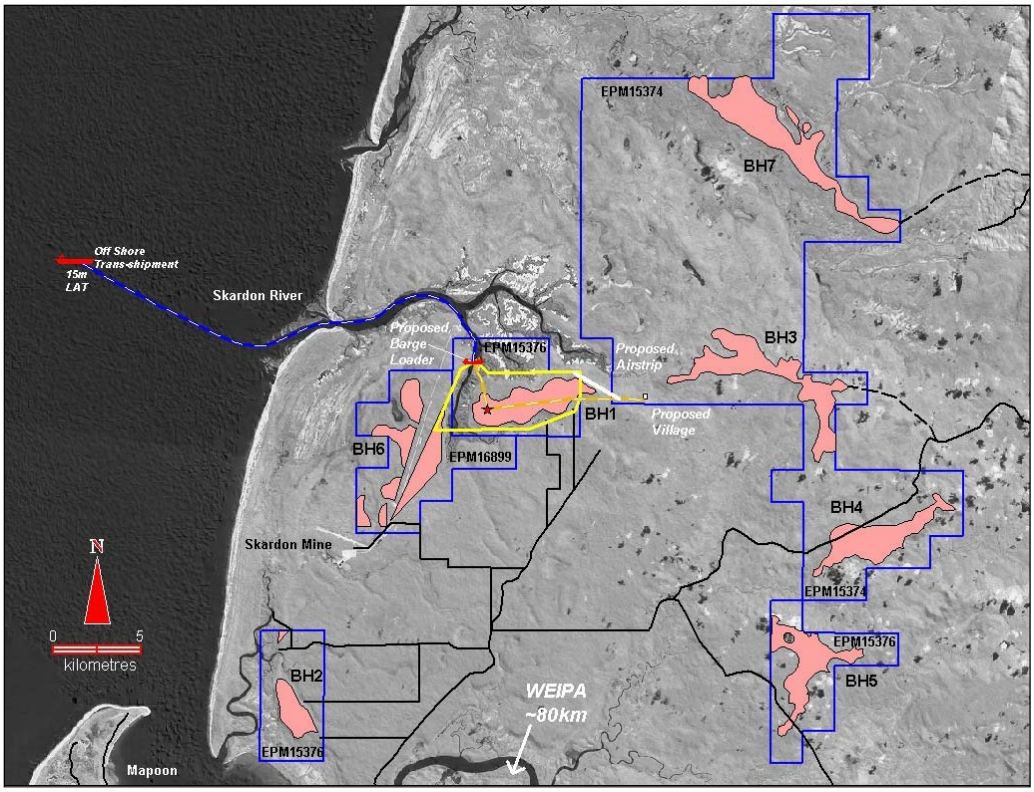

Figure 1: Bauxite Hills mine and port project area showing BH1-BH7, EPM15374, EPM15376, EPM16899 and MLA 20676.

Cape Alumina's Chairman, Mr George Lloyd, said the concept study provided the Company with the confidence to continue with the next stages of the project's development.

"The proposed Bauxite Hills mine and port project has potential to deliver great value for shareholders, the local aboriginal communities of western Cape York and the people of Queensland," he said.

"The high-grade results from the reconnaissance samples and the close proximity of the Bauxite Hills project to the existing port at Skardon River make the project appear to be very attractive – especially given the strong outlook for the growing Asia-Pacific bauxite market.

"Over the past few months Cape Alumina has completed the Bauxite Hills concept study, lodged the first of several Mining Lease Applications (MLAs) over the area and commenced preparations for an Environmental Impact Statement (EIS)," he said.

Mr Lloyd said that, while the concept study focused on four plateaux (BH1, BH3, BH4 and BH5) within Cape Alumina's tenements, testing at a further two plateaux within the tenements (BH2 and BH6) had also returned high-grade samples.

"These results have confirmed the Company's assessment that the Bauxite Hills area represents a new, high-grade bauxite discovery which has the potential to support a major new export bauxite operation in western Cape York," he said.

"Over the coming months we will undertake an advanced exploration and drilling program to establish a JORC-code-compliant resource before moving to the feasibility stage of the project.

"We will also commence environmental studies of the area and engage with the Traditional Land Owners with a view to negotiating an agreement to establish the relationship between them, the Company and the project."

Mr Lloyd said that the conduct of environmental and technical studies of the Bauxite Hills project will benefit greatly from the experience and resources that Cape Alumina has already invested in similar studies on western Cape York.

"Cape Alumina has carried out some of the most comprehensive environmental studies ever undertaken on western Cape York, particularly in relation to the marine and terrestrial environments. These will have great relevance to the Bauxite Hills area."

He said the successful development of the project will be a boon for the western Cape York region, in particular the local aboriginal communities.

"It will boost skills, employment and business development opportunities among local aboriginal communities and presents a rare opportunity for people in the area to escape the welfare cycle.

"The Bauxite Hills project is potentially larger than the Company's Pisolite Hills project and is expected to boost economic activity in Queensland by over $1 billion and directly increase State revenue by hundreds of millions of dollars in the form of royalties and other taxes.

"It will also boost economic development in regional centres such as Cairns, which will be an important base for the fly-in fly-out component of the workforce," Mr Lloyd said.

Bauxite Hills project details:

The Bauxite Hills project area is located approximately 95 kilometres north of Weipa on western Cape York, Queensland, within the dissected lateritic bauxite plateau between the Ducie and Skardon Rivers.

At Bauxite Hills Cape Alumina has identified seven prospective zones, BH1-BH7, within EPM15376, 15374 and 16899. These tenements are 100 per cent held by Cape Alumina Limited.

As announced to the Australian Securities Exchange (ASX) in October 2010, reconnaissance exploration undertaken across Cape Alumina's Bauxite Hills tenements has returned encouraging results which indicate that the area has the potential to host a new, high-grade bauxite discovery.

BH1 Plateau (EPM15376)

The most promising area is BH1, which lies five kilometres south-south-east of the existing Skardon River port. At BH1 eight rockchip or float samples were collected along a 1.8 kilometre traverse and five of these returned excellent grades ranging from 53.6 per cent to 56.6 per cent Al_2O_3 and 4.6 per cent to 7.6 per cent total SiO_2. The remaining three samples returned assays between 48.9 per cent and 51.9 per cent Al_2O_3 and 10.6 per cent to 16.1 per cent SiO_2.

At BH1 three shallow hand auger holes were drilled to blade refusal, at between 0.75 metres and 1.50 metres, all terminating in ore-grade, hard, cemented bauxite. The actual thickness of bauxite is not known. The auger samples were wet screened to remove the fine fraction and analysed for major oxides. The first hole assayed 52.2 per cent Al_2O_3, 8.2 per cent SiO_2 and 16.3 per cent Fe_2O_3 in the interval from 0.5 to 0.75 metres. The second auger hole drilled 1,200 metres west of the first hole terminated at one metre in hard, cemented, pisolitic

bauxite. The interval from 0.5 to 1.0 metre returned an assay of 52.8 per cent Al_2O_3, 9.3 per cent SiO_2 and 13.5 per cent Fe_2O_3. The third hole was drilled 1,750 metres east of drill hole one and intersected a 1.25 metre thick interval averaging 50.5 per cent Al_2O_3, 18.4 per cent Fe_2O_3 and 7.1 per cent SiO_2 from 0.25 metre below the surface.

Mapping of the BH1 area indicates bauxite mineralisation covers an area up to 1,000 hectares (ha). Based on our experience with related bauxite deposits in the region, assuming an average bauxite thickness of 2.5 metres, average beneficiation recovery of 70 per cent and an average dry bulk density of 1.8 g/cm^3, there is an estimated potential for up to 20 – 30 Mt* of dry-product bauxite within the BH1 plateau area alone.

BH2 Plateau (EPM15376)

Two hand auger holes were drilled into the BH2 plateau, 20 kilometres south-west of BH1 plateau. The first hole intersected a one metre thick ore-grade bauxite interval averaging 53.8 per cent Al_2O_3, 7.9 per cent Fe_2O_3 and 10.4 per cent SiO_2 from one metre below surface. The second hole, drilled 1,000 metres to the south, returned an 0.6 metre interval of bauxite averaging 50.0 per cent Al_2O_3, 12.5 per cent Fe_2O_3 and 11 per cent SiO_2 from 0.75 metre below surface. Hole two terminated prematurely in bauxite due to hard ground conditions.

BH4 Plateau (EPM15374)

At plateau BH4, located approximately 20 kilometres east of BH1, preliminary exploration comprising of four grab samples collected from along the existing access track, which runs across the northern boundary of BH4 plateau, returned ore-grade assays ranging from 51.2 to 53.3 per cent Al_2O_3, 9.3 to 11.7 per cent Fe_2O_3 and 5.4 to 11.3 per cent SiO_2.

BH5 Plateau (EPM15376)

Reconnaissance surface sampling was also conducted over a seven kilometre long ridge at the BH5 plateau area, 22 kilometres south-east of BH1. In all, 21 surface samples of pisolitic laterite where collected. Eleven of these samples, collected from sites across the entire length of the reconnaissance traverse, returned assays considered to be ore-grade. These ranged from 48.8 to 55.1 per cent Al_2O_3 and 4.1 per cent to 12.4 per cent SiO_2.

BH6 Plateau (EPM16899)

At BH6, nine auger holes were drilled over a total area of 11.57 square kilometres of mapped bauxitic plateau. The holes were drilled to blade refusal at depths of between 0.65 and 1.0 metre, with all holes terminating in mineralised, hard, cemented bauxite. The true thickness of the bauxite plateaux is unknown. Surface mapping undertaken at the time of the drilling noted cemented, pisolitic bauxite distributed across the plateau areas. The analytical results are highly encouraging with the individual hole results returning ranges of between 47.0 to 50.5 per cent Al_2O_3, 10.3 to 16.9 per cent Fe_2O_3 and 8.8 to 15.1 per cent SiO_2. Overall the BH6 plateau area exhibits a gradational increase in Al_2O_3 and decrease in SiO_2 levels with drill hole depth.

On the basis of this preliminary sampling and mapping of the bauxite plateau areas the total potential bauxite tonnage in the Bauxite Hills project is estimated to be in the order of 50-100 Mt* of dry-product bauxite. Preparations are underway to complete cultural heritage surveys and establish access for drilling on EPM15376 to be undertaken early in the 2011 field season. In addition, negotiations are underway for access agreements covering EPM15374 and EPM16988 to allow access for drilling in 2011.

** The potential quantity and grade of the deposits at Bauxite Hills are conceptual in nature. There is insufficient information to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource in these areas.*

COMPETENT PERSONS' STATEMENT

Technical information relating to Cape Alumina Limited contained in this report has been compiled by Mr John Cameron who is a competent person and full time employee of Cape Alumina Limited and member of the Australasian Institute of Mining and Metallurgy with relevant experience to the mineralisation being reported on to qualify as a Competent Persons as defined by the Australasian Code for Reporting of Minerals, Resources and Reserves. Mr Cameron consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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