

Friday, 2 September 2011

ASX release: Bauxite Hills drilling program update

Initial results from Cape Alumina Limited's (ASX code: CBX) drilling program at the Bauxite Hills project area have boosted the company's confidence in the project's long-term prospects.

The Bauxite Hills project area is 95 kilometres north of Weipa on Queensland's Cape York Peninsula and five kilometres south-east of the port at Skardon River (see Figure 1 below).

The drill program at bauxite plateaux BH1 and BH6 has been completed and will now move to plateaux BH4, BH3, BH5 and BH2. The Exploration Target is 50 to 100 Million tonnes* of export-grade bauxite.

To date, 842 holes have been drilled for a total depth of 2,476.5 metres. The drillhole data shows the average thickness of the pisolitic bauxite-rich unit at BH1 is 2.6 metres, with a maximum thickness of up to 6.25 metres. At BH6 the average thickness of the pisolitic bauxite-rich unit is 1.9 metres.

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 export operation would viably be sustained.

Cape Alumina's Managing Director Graeme Sherlock said the results were positive and in line with the company's expectations.

"The beneficiated grade on a dry-product basis is expected to be in the range 48-54 per cent Al_2O_3 and 8-12 per cent SiO_2 assuming average 65 per cent beneficiation recovery," he said.

Mr Sherlock said that work will also commence on environmental studies in the area with the view to starting the formal Environmental Impact Statement (EIS) process before the end of the year.

"We are working on a number of fronts to advance this project as quickly as possible," he said.

"The company lodged a mining lease application for the project in November 2010. After we have all the data from the drilling program we plan to lodge additional mining lease applications.

"We will also advance the environmental studies needed to develop a project that will build shareholder value and deliver jobs and prosperity for the people of Queensland and, in particular, for the Aboriginal people of western Cape York."

**The potential quantity and grade of the deposits at Bauxite Hills are still conceptual in nature. There is insufficient information at this time to define a mineral resource and there is no certainty that further exploration will result in the determination of a mineral resource in these areas.*

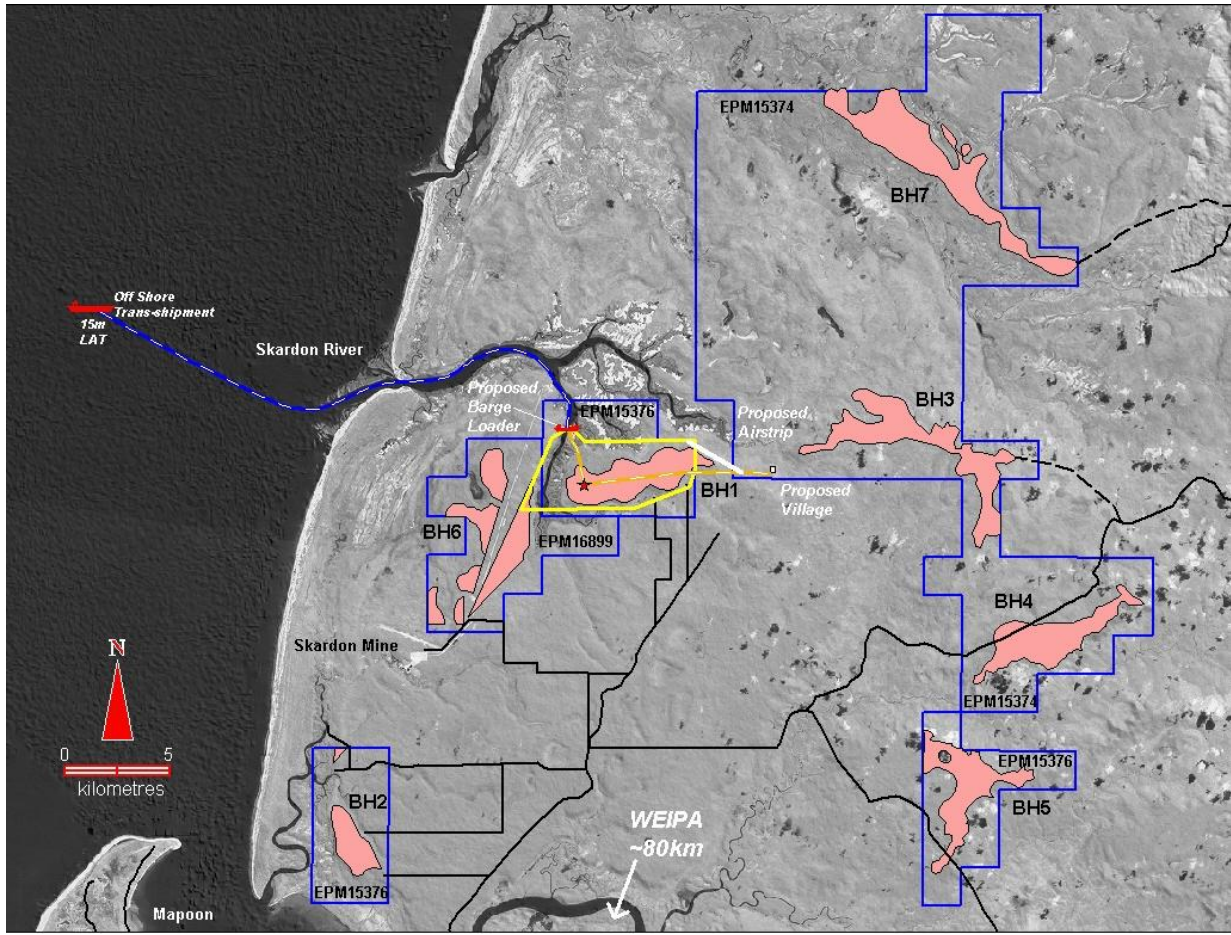


Figure 1: Bauxite Hills mine and port project area showing BH1-BH7, EPM15374, EPM15376, EPM16899 and MLA 20676.

COMPETENT PERSONS' STATEMENT

Technical information relating to the Exploration Target contained in this report has been compiled by Dr Paul Messenger who is a Non-Executive Director of Cape Alumina Limited and a Fellow of the Australasian Institute of Mining and Metallurgy (F. AusIMM) with relevant experience in the style of mineralisation being reported to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals, Resources and Reserves. Dr Messenger consents to the inclusion in this report of the matters relating to the Exploration Target based on the information in the form and context in which it appears.

More information: Cape Alumina Limited

+61 7 3844 9911

