



Tuesday, 22 February 2011

The Committee Secretary  
House of Representatives Standing Committee on Economics  
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Parliament House  
Canberra ACT 2600

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To whom it may concern

**Re: Wild Rivers (Environmental Management) Bill 2010**

The Queensland Government's wild rivers legislation has had a significant impact on Cape Alumina Limited and its operations in western Cape York, Queensland. In particular, the declaration of the Wenlock River basin as a wild river area in June 2010 has resulted in the sterilization of a significant proportion of the available bauxite resources at Cape Alumina's proposed Pisolite Hills bauxite mine and port project near Mapoon. In fact, the declaration has rendered the project, which has been actively evaluated over the past five years, unviable under forecast economic conditions.

It is the view of Cape Alumina that this outcome was unnecessary and that, with judicious application of existing legislative and regulatory mechanisms – including the *Wild Rivers Act 2005*, such an outcome could easily have been avoided. In fact, Cape Alumina has consistently made the point to the Queensland Government that the Company is committed to the principles of Ecologically Sustainable Development (ESD) – principles that have underpinned successful project development in Queensland for many decades. More importantly, we have made the point that we would protect the natural values of Queensland's rivers and waterways in the areas in which we operate – including the Wenlock River Basin.

The sterilization of a significant portion of the Pisolite Hills resource is solely attributable to the decision to create 500-metre exclusion zones around so-called special features in the vicinity of the Pisolite Hills project and to declare these exclusion zones High Preservation Areas (HPAs). Under the *Wild Rivers Act 2005*, mining is not permitted in HPAs. This decision was taken contrary to the advice of experts employed by the Queensland Government and experts within the Queensland Department of Environment and Resource Management (DERM), who recommended that 300-metre exclusion zones would provide all the necessary protection of the natural values of the Wenlock River basin and any sensitive environmental features.

In relation to the Wenlock River Basin wild river declaration, Cape Alumina made numerous submissions and representations to the Queensland Government, including to the Premier of Queensland. These submissions argued that 200-metre HPAs in the vicinity of the Pisolite Hills project would allow the Government to achieve a balance between responsible mining and economic

development while at the same time protecting the natural values of the Wenlock River Basin. These submissions were based upon rigorous, scientific investigations that also concluded that 200-metre buffer zones around the areas the Queensland Government wanted to declare as HPAs would afford all the necessary environmental protection of these areas.

In summary, therefore, Cape Alumina believes the decision to declare the Wenlock River basin a wild river area did not reflect the application of good public policy. Cape Alumina's shareholders, who have invested approximately \$21 million in the Pisolite Hills bauxite mine and port project, and all Queenslanders, in particular the Traditional Owners and Aboriginal people of Mapoon and western Cape York, have been disadvantaged as a result.

Cape Alumina also believes that the Queensland Government's own environmental assessment legislation would ensure that any valuable environmental features associated with the Wenlock River basin would be adequately protected. We invested a considerable amount of shareholders funds accordingly. This approach was supported by statements made by the Queensland Minister for Natural Resources, Mines and Energy and Minister for Trade, the Honourable Stephen Robertson MP, who said that the:

*"... mining applications are being assessed by the EIS [Environmental Impact Statement], the most rigorous assessment process available. The EIS will identify how the proposed mining venture would potentially impact on the environmental values of the site and propose measures to avoid or mitigate those impacts."*

Cape Alumina believes that, by acting arbitrarily and contrary to expert and departmental advice, the Minister has prejudged the Company's environmental investigations and has used the *Wild Rivers Act 2005* to pursue a political agenda instead of seeking to achieve sustainable development in the best interests of all Queenslanders.

Some key facts about Cape Alumina and the Pisolite Hills mine and port project are outlined below.

- The proposed Pisolite Hills bauxite mine and port project lies between 2.8 and 15 kilometres away from the Wenlock River and the Company's plans *do not* involve mining or harming any springs, waterways, wetlands or rainforests.
- The proposed mine site is located on an area of open, dry, Darwin Stringybark country, which is characterized by low nutrient soils and is common throughout Cape York and northern Australia.
- Cape Alumina has spent three years and around \$5 million conducting a comprehensive EIS. The Company is *very* confident that the Wenlock River and its associated springs and tributaries will not be harmed by the proposed mining activity, and this is supported by all of our rigorous, independent environmental investigations undertaken to date.
- Cape Alumina has no plans to mine any wetlands, rivers, springs or areas of high conservation value. The Wenlock River will be fully protected under the Company's operational and environmental management plans.
- The mined areas will be fully and progressively rehabilitated to the pre-mining condition. The project should not have a material impact on the future intentions of the adjoining landholders.

And, in fact, Cape Alumina’s proposal is consistent with the prevailing economic development plans for the region.

- Independent surveys have shown that about 80 per cent of the Aboriginal people of Mapoon, including the Traditional Owners of the land on which the project is located, strongly support Cape Alumina’s project and want to work in the mine.
- The project would provide the Traditional Land Owners and the Aboriginal people of Mapoon a rare opportunity to gain social and economic independence and prosperity. Mapoon is one of the most disadvantaged communities in Queensland.
- The Indigenous Land Use Agreement (ILUA), that was at an advanced stage of negotiation with the Traditional Owners as well as other aboriginal stakeholders in the region, set a target minimum level for employment of indigenous people on the project at 25 per cent of the project workforce. Once this target was achieved a new target of 30 per cent was to be adopted.
- The ILUA provided for business development and training opportunities for the Traditional Owners.
- The ILUA provided for the Traditional Owners to participate in decision making that might have an environmental or cultural impact on the project area.
- Cape Alumina has worked alongside and with the full cooperation and support of the Traditional Land Owners and members of the Mapoon community for the past five years through the exploration and EIS phases of the Pisolite Hills project.
- The proposed mine site is partly located on the Bertiehaugh Cattle Station, where cattle grazing commenced in the late 1800s and continues today.
- The Bertiehaugh Cattle Station is repeatedly and wrongly referred to as a “Reserve” when, in fact, it is a pastoral lease.
- 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. This equates to 1.5 per cent of the overall pastoral lease, which will be fully and progressively rehabilitated and revegetated throughout the life of the mine.
- Some water will be drawn from the upper tidal reaches of the Wenlock River to support the mine, the total volume of water is estimated to be 2,200 MI per year which is equivalent to 0.07 per cent of the mean annual flow of the river and this will have minimal environmental impact.
- Cape Alumina’s studies show that the proposed 7 million tonnes per annum (Mtpa) Pisolite Hills project 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 would be more than \$600 million in NPV terms and 1,300 jobs.

Cape Alumina respects the right of the Queensland Government to make laws for the people of Queensland. We have agreed to work cooperatively with the Queensland Government to ensure such a situation does not occur in the future and that we are able, together, to deliver other bauxite mining projects in other areas of the western Cape York region – projects that will prove that it is possible to

achieve a balance between responsible mining economic development and protection of the natural values of the region.

In addition to the foregoing, please find attached two announcements that the Company has made to the Australian Securities Exchange (ASX) about our Pisolite Hills project. These announcements were necessary as a result of Queensland Government's declaration of the Wenlock River basin as a wild river area.

Should the Committee require more information about Cape Alumina and its projects we would be happy to oblige.

Yours faithfully,

A handwritten signature in black ink, appearing to read "George Lloyd".

**Mr George Lloyd**  
Chairman  
Cape Alumina Limited

*Enc.*

Monday, 18 October 2010

## ASX Release

### Wild Rivers declaration renders Pisolite Hills project unviable

#### Release summary

- The declaration of the Wenlock River Basin as a wild river area under the Queensland Government's *Wild Rivers Act (2005)* has rendered Cape Alumina Limited's (ASX Code: CBX) Pisolite Hills bauxite mine and port project unviable under forecast economic conditions unless the size of the buffer zones are reduced.
- Cape Alumina's review of the impact of the declaration has determined that 45 per cent of the reported dry beneficiated bauxite at Pisolite Hills has been directly locked up or indirectly rendered uneconomic to mine as a result of the imposition of arbitrary, 500-metre-wide buffers (so-called High Preservations Areas or HPAs) in the vicinity of the project.
- Major consequences of the declaration of the Wenlock River Basin as a wild river area and the Pisolite Hills project not proceeding include:
  - the denial of the opportunity for indigenous communities of Cape York, who are among the most disadvantaged communities in Queensland, to obtain jobs, employment skills, business opportunities and an escape from the welfare cycle;
  - the people of Queensland being denied a project that would boost economic activity in Queensland by \$1.2 billion and directly inject hundreds of millions of dollars into the State budget by way of royalties and other taxes.
- The Cape Alumina Board believes that the Queensland Government should reduce the 500-metre-wide buffers in the vicinity of Pisolite Hills to 200 metres. This would:
  - render the Pisolite Hills project economic and allow it to proceed;
  - reflect the advice of independent experts engaged by the Queensland Government; and
  - provide a balance between responsible environmental management and positive economic development in regional Queensland.

## Results of review

Cape Alumina Limited (ASX Code: CBX) has completed a review of the impact of the declaration of the Wenlock River Basin as a wild river area, under the Queensland Government's *Wild Rivers Act (2005)*, on the Company's proposed Pisolite Hills bauxite mine and port project in western Cape York, Queensland.

The internal review has confirmed that 23 per cent of the Pisolite Hills Mineral Resource has been sterilised as a direct result of the imposition of arbitrary, 500-metre-wide buffers around features within the Wenlock River basin – referred to as High Preservation Areas (HPAs) – and which intrude into the project area. Under the *Wild Rivers Act (2005)*, mining is not allowed within a declared HPA.

The Company's review also considered the impact of the declaration on mine sequencing and ore blending options, and determined that a further 22 per cent of the Mineral Resource has been indirectly rendered uneconomic to mine as a consequence of the sterilisation of higher-grade bauxite.

As a result of the review, the Cape Alumina Board has concluded that this loss of 45 per cent of dry beneficiated bauxite means that the project is no longer economically viable under forecast economic conditions and that it cannot proceed unless the HPAs are reduced in size.

However, because of the uncertainty surrounding the Wild Rivers laws Cape Alumina will, at this stage, maintain its Mining Lease Applications (MLAs) and will continue the lengthy Environmental Impact Statement (EIS) process.

The Company remains hopeful that the 500-metre buffers will be reduced through a change of position by the current or a future State Government.

Cape Alumina initiated a review of the Pisolite Hills bauxite mine and port project following the declaration of the Wenlock River Basin as a wild river area by the Queensland Minister for Natural Resources, Mines and Energy, the Hon. Stephen Robertson MP on 4 June 2010.

Specifically, the Company's review focused on understanding the full impact of the creation of 500-metre-wide HPAs in part of the project area more recently referred to as the Coolibah Springs Complex.

The review confirmed that 200-metre-wide HPAs in this area would preserve and protect nearby springs while not adversely affecting the Mineral Resource at Pisolite Hills and that the project could proceed.

In making his decision, the Minister rejected the findings of an independent expert engaged by his Department – the Queensland Department of Environment and Resource Management (DERM) – to assess public submissions on the proposed Wenlock River Basin declaration.

The independent expert concluded that “... bauxite mining as proposed will have relatively little impact on the groundwater hydrology of the springs”, “... there appears to be no clear justification of the magnitude [500 metres] of the High Preservation Areas”, and “... the springs within MLA20572 and MLA20573 are not unique.”

DERM officers subsequently recommended that the arbitrary 500-metre-wide HPAs be reduced to 300 metres, but this recommendation was also rejected by the Minister.

The Company’s review found that, had the Minister accepted DERM’s recommendation of 300-metre-wide HPAs, approximately seven per cent of the bauxite planned to be mined would have been sterilised.

In short, 200-metre-wide HPAs or 300-metre-wide HPAs would not impact the conservation values of the springs or seriously affect the Mineral Resources at Pisolite Hills and the project could proceed subject to a definitive feasibility study.

Prior to making his declaration, Cape Alumina had been repeatedly assured by the Queensland Government that the decision with respect to the size of the HPAs would be based on science.

More importantly, Cape Alumina was assured that the EIS process would be the true mechanism to determine the project’s environmental credentials and its social and economic benefits – not the *Wild Rivers Act*. To use Minister Robertson’s own words:

*“The mining applications are being assessed by the EIS, the most rigorous assessment process available. The EIS will identify how the proposed mining venture would potentially impact on the environmental values of the site and propose measures to avoid or mitigate those impacts.”*

But in making his declaration the Minister pre-empted the findings of the Company’s EIS and admitted that setting the size of the so-called HPAs was his decision and his alone.

Minister Robertson subsequently sought to justify his decision to declare the Wenlock River a wild river and the creation of 500-metre-wide HPAs around the Pisolite Hills project area by implying that the project presented an unacceptable risk to the environment.

The Cape Alumina Board believes that this is incongruous – suggesting the project would harm the environment before reviewing the EIS for the project and in the full knowledge that Cape Alumina would not mine any wetlands, rivers, springs or areas of high conservation value and that the Wenlock River would have been fully protected under the Company’s operational and environmental management plans.

Furthermore, the Minister was aware that the elevated, dry Stringybark country earmarked for shallow mining would have been fully rehabilitated progressively throughout the life of the operation.

Since 2005, Cape Alumina has invested \$21 million in the Pisolite Hills project and has carried out the most detailed environmental studies ever undertaken in this part of western Cape York.

These studies confirm that 200-metre-wide HPAs would provide all the necessary environmental protection to the Wenlock River Basin and would conform to the Queensland Government's own published guidelines.

The Company's studies also show that, if developed as proposed and with 200-metre-wide HPAs in the project area, the 7 Million tonnes per annum (Mtpa) Pisolite Hills project would boost economic activity in Queensland by \$1.2 billion, in Net Present Value (NPV) terms, and created or sustained 1,700 jobs over the mine's 15-year life.

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

The project, if developed, would be a boon for the Traditional Land Owners and Aboriginal people of western Cape York, providing them with a rare opportunity to gain social and economic independence and prosperity. For example, the project would:

- invest in local economic infrastructure in Mapoon, one of the most disadvantaged communities in Queensland. Cape Alumina would upgrade the Mapoon airstrip, build a ferry and transport terminal in Mapoon, and invest in accommodation facilities in the area;
- provide training, employment and business opportunities for the people of Mapoon. Cape Alumina has set an employment target of 25 per cent of the project workforce to be drawn from local aboriginal communities; once reached this target will be increased to 30 per cent of the project workforce; and
- provide tens of millions of dollars to the local Traditional Owners and Aboriginal Trustees in royalty revenues through a mutually agreed Indigenous Land Use Agreement (ILUA).

The Cape Alumina Board believes that this is how the 'gap can be closed' on indigenous disadvantage.

Cape Alumina has invested a number of years in consulting with the Aboriginal people in western Cape York – in particular the Traditional Owners of the land on which the project would have been established.

The Company has been working co-operatively with the local people to recognise and protect their environmental, social and cultural priorities.

In fact, the Pisolite Hills project has the overwhelming support of the people of Mapoon, the community which is closest to the project area, with an independent survey conducted as part of the Social Impact Assessment studies revealing that 80 per cent of the local community wants the project to go ahead.



Dr Paul Messenger, Cape Alumina's Managing Director, said that there was simply no justification for the Minister's decision or the imposition of arbitrary 500-metre buffers near the Pisolite Hills project area.

"This decision completely ignores the well-established precedent at the 50-year-old Weipa bauxite mining operations, on western Cape York, where bauxite mining has been carried out in places within 100 metres of substantial springs or wetlands without adverse environmental impacts," Dr Messenger said.

"The Minister has rejected a large body of robust scientific evidence that supports Cape Alumina's position and has instead relied on the myths and fairytales spun by opponents of the project in pursuit of their own commercial and ideological agendas.

"Cape Alumina's Pisolite Hills project has become "Exhibit A" in the debate around Queensland's unfair and discriminatory wild rivers legislation. There are already about 30 pieces of environmental legislation that govern and regulate mining projects in Cape York. Our project was designed to the highest standards and in compliance with these laws.

"The wild rivers legislation does not contribute to improving best practice environmental management – it simply locks land away from development in an entirely arbitrary manner and removes the rights of Aboriginal people to make decisions as to how their land could or should be developed for the benefit of future generations.

"The right to determine their future is being stripped away from Aboriginal people without their consent or proper consultation. The Minister did not identify the rightful owners of the land impacted by his decision and, when those Traditional Land Owners wrote to him in May, 2010 expressing their deep concern and lack of understanding about the wild rivers law, he ignored their concerns and pushed through his decision," he said.

Dr Messenger said that there was a simple solution to the problems created by the Queensland Government's wild rivers legislation.

"If the Queensland Government is fair dinkum about getting the balance right between economic development and environmental protection, then they will reduce the size of the HPAs and set them in accordance with accepted scientific and environmental principles and practices.

"If they don't, Minister Robertson's continued assertion, first made to the Queensland Parliament last year, that '*nobody has been able to provide details of one project that has been stopped as a result of Wild River declarations. It is time to actually deal with the facts*', can no longer be substantiated."

## **Project update**

### **Direct impact to Mineral Resource**

Table 1 sets out the estimated Mineral Resource for the Pisolite Hills project prior to the declaration of the Wenlock River Basin as a wild river area. The Mineral Resource includes the Musgrave deposit situated at the proposed port site near Port Musgrave.

The Musgrave deposit is estimated to contain 2.2 Mt of *in situ* bauxite which is expected to yield 1.6 Mt of beneficiated bauxite on a dry product basis at an average grade of 52.8 per cent  $\text{Al}_2\text{O}_3$  and 11.7 per cent  $\text{SiO}_2$  or 6.4 per cent reactive silica at 150°C.

The total combined Mineral Resource at Pisolite Hills and Musgrave as at April 2010 is estimated to be 134.6Mt *in situ* bauxite, which would yield 88.9 Mt of beneficiated bauxite on a dry basis at an average grade of 53.1 per cent  $\text{Al}_2\text{O}_3$ , 6.8 per cent  $\text{Fe}_2\text{O}_3$  and 12.3 per cent  $\text{SiO}_2$ , including 7.5 per cent reactive silica at 150°C (Table 1).

Table 2 sets out the Mineral Resource as a result of the Wenlock River basin wild river declaration and the establishment of 500-metre-wide HPAs.

The result of the application of 500m wide HPAs is the direct sterilisation of 20.1 Mt of dry beneficiated bauxite. The Pisolite Hills Mineral Resource has been reduced to 103.3 Mt of *in situ* bauxite to yield 67.2 Mt of dry beneficiated bauxite at an average grade of 52.8 per cent  $\text{Al}_2\text{O}_3$ , 6.9 per cent  $\text{Fe}_2\text{O}_3$  and 12.6 per cent  $\text{SiO}_2$  including 7.7 per cent reactive silica at 150°C. This equates to the direct sterilisation of 23 per cent of the Mineral Resource.

### **Indirect Mining Project impacts**

In addition to the direct sterilisation of 23 per cent of the Mineral Resource, Cape Alumina's mining studies indicate that a further 19.6 Mt of dry beneficiated bauxite from PH3, PH5, PH6 is no longer economically viable as this lower-grade material was to be blended with the sterilized higher-grade material to meet market specifications.

The mining of this lower-grade bauxite from PH3, PH5 and PH6 on its own and without blending is not justified as its quality falls outside current market specifications. This additional 19.6 Mt of dry beneficiated bauxite equates to a further 22 per cent reduction of the total available Mineral Resource estimated for the Pisolite Hills project.

The result of the Queensland Government's declaration of the Wenlock River Basin as a wild rivers area has consequently resulted in the reduction of 45 per cent of the bauxite at Pisolite Hills.

### **Shareholders contact:**

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**Table 1: Pisolite Hills and Musgrave Resources, April 2010**

Area	Resource Category	In-situ Dry Tonnes (Mt)	Dry Beneficiated Tonnes (Mt)	Total SiO <sub>2</sub> (%)	Total Al <sub>2</sub> O <sub>3</sub> (%)	Beneficiated Bauxite Qualities					
						Fe <sub>2</sub> O <sub>3</sub> (%)	TiO <sub>2</sub> (%)	LOI (%)	Recovery (%)	RXSi* (%)*	THA** (%)**
PH1	Indicated	47.0	31.3	12.5	53.5	6.2	2.2	25.4	66.5	7.7	41.9
	Inferred	17.3	11.0	13.2	53.0	6.2	2.2	25.2	63.3	8.0	41.3
	<b>Total</b>	<b>64.3</b>	<b>42.3</b>	<b>12.7</b>	<b>53.3</b>	<b>6.2</b>	<b>2.2</b>	<b>25.3</b>	<b>65.7</b>	<b>7.7</b>	<b>41.7</b>
PH2	Measured	27.5	20.1	10.8	54.4	6.7	2.2	25.6	73.1	6.4	41.8
	Inferred	0.4	0.3	10.9	54.0	7.3	2.2	25.4	76.8	6.5	41.8
	<b>Total</b>	<b>27.9</b>	<b>20.4</b>	<b>10.8</b>	<b>54.4</b>	<b>6.7</b>	<b>2.2</b>	<b>25.6</b>	<b>73.2</b>	<b>6.4</b>	<b>41.8</b>
PH3	Indicated	5.9	4.3	13.6	53.1	6.0	2.2	24.7	73.7	7.7	40.8
	Inferred	3.5	2.4	14.3	52.2	6.3	2.1	24.8	69.6	8.2	39.7
	<b>Total</b>	<b>9.4</b>	<b>6.7</b>	<b>13.9</b>	<b>52.8</b>	<b>6.1</b>	<b>2.2</b>	<b>24.8</b>	<b>72.2</b>	<b>7.9</b>	<b>40.4</b>
PH4	Indicated	3.2	2.3	10.7	53.9	7.4	2.2	25.5	72.7	6.6	42.1
	Inferred	1.3	0.9	11.0	53.6	7.5	2.2	25.3	73.0	6.8	41.5
	<b>Total</b>	<b>4.5</b>	<b>3.2</b>	<b>10.8</b>	<b>53.8</b>	<b>7.4</b>	<b>2.2</b>	<b>25.5</b>	<b>72.8</b>	<b>6.6</b>	<b>41.9</b>
PH5	Inferred	24.1	13.4	13.3	50.8	8.7	2.5	24.4	55.6	8.3	40.6
	<b>Total</b>	<b>24.1</b>	<b>13.4</b>	<b>13.3</b>	<b>50.8</b>	<b>8.7</b>	<b>2.5</b>	<b>24.4</b>	<b>55.6</b>	<b>8.3</b>	<b>40.6</b>
PH6	Inferred	2.2	1.3	11.8	50.2	9.7	2.3	25.7	59.7	9.2	39.4
	<b>Total</b>	<b>2.2</b>	<b>1.3</b>	<b>11.8</b>	<b>50.2</b>	<b>9.7</b>	<b>2.3</b>	<b>25.7</b>	<b>59.7</b>	<b>9.2</b>	<b>39.4</b>
<b>Total Measured</b>		<b>27.5</b>	<b>20.1</b>	<b>10.8</b>	<b>54.4</b>	<b>6.7</b>	<b>2.2</b>	<b>25.6</b>	<b>73.1</b>	<b>6.4</b>	<b>41.8</b>
<b>Total Indicated</b>		<b>56.1</b>	<b>37.9</b>	<b>12.5</b>	<b>53.5</b>	<b>6.2</b>	<b>2.2</b>	<b>25.3</b>	<b>67.7</b>	<b>7.6</b>	<b>41.8</b>
<b>Total Inferred</b>		<b>48.8</b>	<b>29.3</b>	<b>13.2</b>	<b>51.8</b>	<b>7.6</b>	<b>2.3</b>	<b>24.8</b>	<b>60.6</b>	<b>8.2</b>	<b>40.8</b>
<b>Pisolite Hills TOTAL</b>		<b>132.4</b>	<b>87.3</b>	<b>12.3</b>	<b>53.1</b>	<b>6.8</b>	<b>2.2</b>	<b>25.2</b>	<b>66.6</b>	<b>7.5</b>	<b>41.5</b>
Musgrave	Indicated	2.2	1.6	11.2	52.8	8.6	2.3	24.7	68.2	6.4	41.7
	<b>Total</b>	<b>2.2</b>	<b>1.6</b>	<b>11.2</b>	<b>52.8</b>	<b>8.6</b>	<b>2.3</b>	<b>24.7</b>	<b>68.2</b>	<b>6.4</b>	<b>41.7</b>
<b>Musgrave TOTAL</b>		<b>2.2</b>	<b>1.6</b>	<b>11.2</b>	<b>52.8</b>	<b>8.6</b>	<b>2.3</b>	<b>24.7</b>	<b>68.2</b>	<b>6.4</b>	<b>41.7</b>

Note: Economic bauxite mineralisation has been defined as material with Trihydrate Available Alumina (THA) grade of greater than or equal to 37%, a reactive silica (RSiO<sub>2</sub>) grade of less than 9% at a thickness of greater than or equal to 0.5m.

\* RXSi – Reactive silica at 150°C

\*\* THA - Trihydrate Available Alumina (gibbsite alumina + kaolinite alumina – low temperature desilication product [DSP] alumina) at 150°C

**Table 2 Pisolite Hills Mineral Resource with the Wild River High Preservation Area 500m exclusion zone applied**

Area	Resource Category	In-situ Dry Tonnes (Mt)	Dry Beneficiated Tonnes (Mt)	Beneficiated Bauxite Qualities							
				Total SiO <sub>2</sub> (%)	Total Al <sub>2</sub> O <sub>3</sub> (%)	Fe <sub>2</sub> O <sub>3</sub> (%)	TiO <sub>2</sub> (%)	LOI (%)	Recovery (%)	RSiO <sub>2</sub> * (%)*	THA** (%)**
PH1	Indicated	40.9	27.3	12.5	53.4	6.2	2.2	25.4	66.7	7.7	41.9
	Inferred	10.3	6.4	13.4	52.9	6.3	2.2	25.0	62.1	7.9	41.1
	<b>Total</b>	<b>51.2</b>	<b>33.7</b>	<b>12.7</b>	<b>53.3</b>	<b>6.2</b>	<b>2.2</b>	<b>25.3</b>	<b>65.8</b>	<b>7.7</b>	<b>41.7</b>
PH2	Measured	17.3	12.6	10.9	54.3	6.6	2.2	25.6	72.9	6.4	41.7
	Inferred	0.1	0.1	10.8	53.9	7.2	2.2	25.6	76.5	6.5	41.7
	<b>Total</b>	<b>17.4</b>	<b>12.7</b>	<b>10.9</b>	<b>54.3</b>	<b>6.6</b>	<b>2.2</b>	<b>25.6</b>	<b>73.0</b>	<b>6.4</b>	<b>41.7</b>
PH3	Indicated	4.8	3.5	13.7	52.9	6.0	2.2	24.8	73.3	7.8	40.8
	Inferred	2.0	1.4	14.5	51.8	6.4	2.1	25.0	66.9	8.5	39.6
	<b>Total</b>	<b>6.8</b>	<b>4.9</b>	<b>14.0</b>	<b>52.6</b>	<b>6.1</b>	<b>2.2</b>	<b>24.8</b>	<b>71.4</b>	<b>8.0</b>	<b>40.4</b>
PH4	Indicated	1.2	0.9	10.3	54.3	7.2	2.2	25.8	72.7	6.7	42.2
	Inferred	0.4	0.3	10.5	54.1	7.4	2.2	25.4	73.0	6.5	41.8
	<b>Total</b>	<b>1.6</b>	<b>1.2</b>	<b>10.4</b>	<b>54.2</b>	<b>7.2</b>	<b>2.2</b>	<b>25.7</b>	<b>72.8</b>	<b>6.7</b>	<b>42.1</b>
PH5	Inferred	24.1	13.4	13.3	50.8	8.7	2.5	24.4	55.6	8.3	40.6
	<b>Total</b>	<b>24.1</b>	<b>13.4</b>	<b>13.3</b>	<b>50.8</b>	<b>8.7</b>	<b>2.5</b>	<b>24.4</b>	<b>55.6</b>	<b>8.3</b>	<b>40.6</b>
PH6	Inferred	2.2	1.3	11.8	50.2	9.7	2.3	25.7	59.7	9.2	39.4
	<b>Total</b>	<b>2.2</b>	<b>1.3</b>	<b>11.8</b>	<b>50.2</b>	<b>9.7</b>	<b>2.3</b>	<b>25.7</b>	<b>59.7</b>	<b>9.2</b>	<b>39.4</b>
Total	Measured	17.3	12.6	10.9	54.3	6.6	2.2	25.6	72.9	6.4	41.7
	Indicated	46.9	31.7	12.6	53.4	6.2	2.2	25.3	67.6	7.6	41.8
	Inferred	39.1	22.9	13.3	51.4	8.0	2.4	24.7	58.4	8.2	40.6
<b>Pisolite Hills</b>	<b>Total</b>	<b>103.3</b>	<b>67.2</b>	<b>12.6</b>	<b>52.8</b>	<b>6.9</b>	<b>2.3</b>	<b>25.1</b>	<b>65.0</b>	<b>7.7</b>	<b>41.3</b>

Note: Economic bauxite mineralisation has been defined as material with Trihydrate Available Alumina (THA) grade of greater than or equal to 37%, a reactive silica (RSiO<sub>2</sub>) grade of less than 9% at a thickness of greater than or equal to 0.5m.

\* RXSi – Reactive silica at 150°C

\*\* THA - Trihydrate Available Alumina (gibbsite alumina + kaolinite alumina – low temperature desilication product [DSP] alumina) at 150°C

**Competent Persons' Statement**

The information in this document relates to the Pisolite Hills Mineral Resource, which was reviewed by Mr Justin Watson. Mr Watson is a Member of The Australasian Institute of Mining and Metallurgy. Mr Watson is a full time employee of Snowden Mining Industry Consultants and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, "2004 Edition"). The information in this report that relates to Exploration Results is based on information compiled by Mr John Cameron who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Cameron is a full-time employee of Cape Alumina Pty Ltd.

Mr Watson and Mr Cameron have consented in writing to the inclusion in this announcement of the matters based on the information in the form and context it appears.

-ENDS-

Friday, 28 January 2011

## ASX Release

### Cape Alumina confirms \$11.4 million impairment charge

Cape Alumina Limited (ASX: CBX) Board of Directors today announced that, as part of the half yearly financial review process, a non-cash impairment charge of \$11.4 million has been raised. The impairment charge will be presented as an 'individually significant item' in the accounts for the half year to 31 December 2010.

The impairment charge follows the announcement to the ASX on 18 October 2010, in which Cape Alumina stated that the declaration of the Wenlock River Basin as a wild river area under the Queensland Government's *Wild Rivers Act (2005)* had rendered Cape Alumina's Pisolite Hills bauxite mine and port project unviable under forecast economic conditions unless the size of the buffer zones were reduced.

Cape Alumina's review of the impact of the declaration determined that 45 per cent of the reported dry beneficiated bauxite at Pisolite Hills had been directly locked up or indirectly rendered uneconomic to mine as a result of the imposition of arbitrary, 500-metre-wide buffers (so-called High Preservations Areas or HPAs) in the vicinity of the project.

The impairment charge will have no impact on the Company's cash flow.

Cape Alumina is now focussed on developing the Bauxite Hills project, which is located approximately 60 kilometres north-west of Pisolite Hills. As announced in the September 2010 Quarterly report (ASX release date 26 October 2010), scouting exploration results of Bauxite Hills have confirmed the high-grade bauxite discovery. Work is underway to drill and further define the Bauxite Hills tenements during 2011.

The assessment and development work being undertaken on Bauxite Hills is benefiting greatly from Cape Alumina's six years experience and project development work on the Pisolite Hills project. However, Cape Alumina is unable to reflect any value or benefit of this in the Bauxite Hills Mineral Properties asset (as required in the Australian Accounting Standards).

It is also expected that the Pisolite Hills project will deliver value to Cape Alumina at some point in the future. This value could be realised through one or a combination of the following:

- a change to the Wild Rivers laws (refer to the proposed Federal Opposition's Private Members Bill) and/or,
- a change to the economic conditions and/or,
- a reduction in future mining costs (e.g. combining a number of Cape Alumina tenements into a larger project).

Thus Cape Alumina will maintain its Pisolite Hills Mining Lease Applications (MLAs) and continue to assess options to develop its tenements.

Cape Alumina's Chairman, George Lloyd, stated "I have confidence in our ability to develop a bauxite mine in Cape York, which will provide employment and other benefits to the local community and Queensland. We are currently working with the traditional owners, local community, and State Government to progress the development of Bauxite Hills as our highest priority."

Further information contact:

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