

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:

Cape Alumina Limited
T: +61 (0) 7 3844 9911