

ASX release

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Cape Alumina to focus on development of Bauxite Hills project

Following the Queensland Government's determination that mining will be banned on that portion of Cape Alumina's (ASX: CBX) Pisolite Hills bauxite project which underlies the Steve Irwin Wildlife Reserve on western Cape York, Queensland, the company will elevate its focus on development of its Bauxite Hills mine and port project.

The board made this decision after a meeting between Cape Alumina's Chairman, Mr George Lloyd, Managing Director, Mr Graeme Sherlock, and Queensland's Deputy Premier, Mr Jeff Seeney, this week.

The meeting was held to discuss the impact of the Queensland Government's proposed Cape York Regional Plan on Cape Alumina's mining lease applications and exploration permits on western Cape York.

Mr Sherlock said that "overall the meeting was positive" but the Government and the company did "agree to disagree" on several matters.

"The Queensland Government committed to work with Cape Alumina during the finalisation of the Cape York Regional Plan to ensure that the true economic and environmental values associated with Cape Alumina's Cape York bauxite tenements are fully understood," he said.

The draft Cape York Regional Plan is currently open for public consultation. It is expected that the plan will be finalised by mid-2014.

Mr Sherlock said that Cape Alumina remains confident that the Queensland Government will give the company "a fair go" and support the development of the Bauxite Hills mine and port project.

"If the Government is serious about creating environmentally sustainable economic development on Cape York then it will work cooperatively with us to advance the development of Bauxite Hills," he said.

"The Bauxite Hills project, along with other proposed resource developments on Cape York, will bring significant social and economic benefits to the traditional owners and local aboriginal communities through royalties, skills training and business development opportunities.

"Cape Alumina is a responsible corporate citizen which has always worked collaboratively with its stakeholders towards its goal of delivering sustainable and profitable bauxite mining projects which make positive social, economic and environmental contributions to the local communities and the broader Australian public.

"That is how we are approaching the development of the Bauxite Hills project," he said.

With regard to the Queensland Government's decision that it would ban mining at the Bertiehaugh Cattle Station and the Steve Irwin Wildlife Reserve "in perpetuity", which has had a significant impact on the value of Cape Alumina's Pisolite Hills project, Mr Sherlock said the parties have "agreed to disagree".

"We remain bitterly disappointed with the Queensland Government's decision but we acknowledge their right to make those decisions – regardless of whether or not we think that they are in the genuine and long-term interests of all Queenslanders," Mr Sherlock said.

"We were completely surprised by this decision and had expected that the future of the project would be determined through a genuine and rigorous environmental assessment process.

"We are also extremely disappointed for the traditional land owners of the Pisolite Hills project area who would have benefited through employment and business opportunities and hundreds of millions of dollars in direct royalty payments," he said.

Mr Sherlock has also rejected the assertion from the Government that it had warned the company that it was going to recognise Bertiehaugh Cattle Station and the Steve Irwin Wildlife Reserve with a special status.

"In all of our meetings with Queensland Government Ministers, their advisers and departmental staff, the Government had confirmed its commitment to due process and that Cape Alumina's projects would be assessed based on their merits – specifically the environmental credentials of the Pisolite Hills project which would be established by the environmental impact statement," he said.

"For example, as recently as late September this year, the Queensland Government said that:

*"The consideration of, or grant or otherwise of, the mining lease applications impacting on the Steve Irwin Wildlife Reserve area will continue through due process with consideration of the requirements of all applicable legislation, including native title rights and interests and **environmental impact assessments.**"*

"All we have ever expected is a fair go, for due process to be followed and, more importantly, for decisions to be based upon scientific rigour not politics.

"We reserve our right to challenge the Queensland Government's decision, which will not be enacted until legislation is passed next year."

Mr Sherlock said that Cape Alumina's exploration tenements predate the establishment of the Steve Irwin Wildlife Reserve and the recently declared Steve Irwin Wildlife Reserve Nature Refuge, which clearly excluded and preserved the integrity of Cape Alumina's mining lease applications.

"Cape Alumina's focus must now be on the future of its other bauxite projects with the Bauxite Hills mine and port project being the most advanced," he said.

"The company is confident that, with its remaining bauxite tenements, excluding the resources within the Steve Irwin Wildlife Reserve, it will be able to develop successful bauxite mines on Cape York in a sustainable and environmentally responsible manner which will benefit its shareholders, the local communities and all of Queensland."



About Bauxite Hills mine and port project

The proposed Bauxite Hills integrated mine and port project 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 kilometres south-east of the existing port at Skardon River.

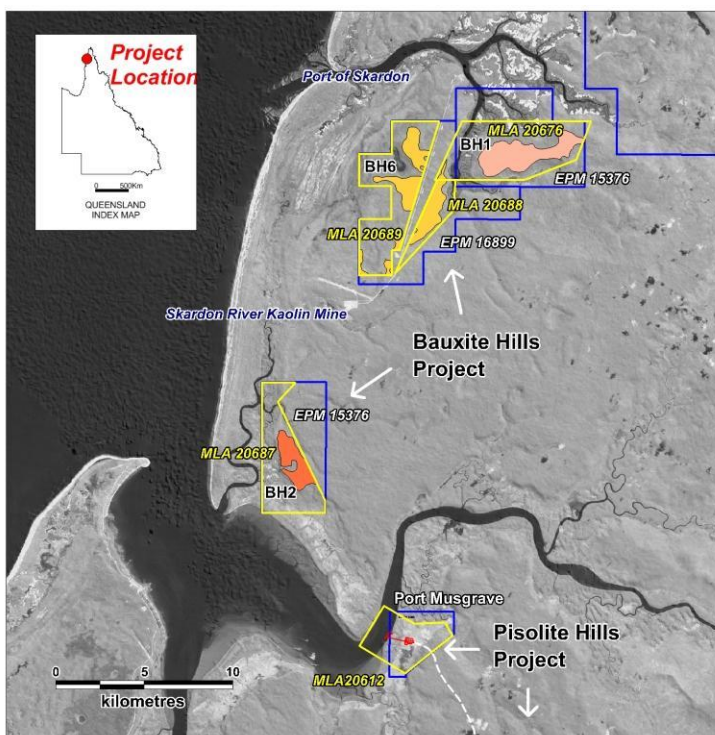
Cape Alumina has estimated an Inferred Resource of 60 million tonnes (Mt) of *in-situ*, high-quality, export-grade bauxite.

This is expected to yield 42 Mt of beneficiated, dry-product bauxite at average grades of 51.6 per cent alumina (Al_2O_3) and 9.5 per cent silica (SiO_2).

The resources at Bauxite Hills have low strip ratios and are very shallow, free-digging deposits. They are located close to coastal waters and international shipping routes, and have a high alumina content with low bauxite to alumina ratios, which mean lower shipping costs and lower overall refinery input costs compared to bauxite deposits outside the Weipa region.

The assay results from the project's BH1 area have indicated the presence of two types of bauxite - an upper layer of mixed bohemite-trihydrate bauxite (MBT) and an underlying layer of low monohydrate bauxite (LMB). The LMB product is expected to be suitable for refineries operating at low temperature.

In late 2012, Cape Alumina completed the Bauxite Hills prefeasibility study, which confirmed the technical and economic feasibility of the project. The study showed that Bauxite Hills alone could produce 5 million tonnes per annum (Mtpa) of high-quality, export-grade bauxite over a life of up to 10 years.



COMPETENT PERSON'S STATEMENT

Technical information about exploration targets and ore resources relating to Cape Alumina contained in this report has been compiled by Neil McLean who is Cape Alumina employee and a Fellow of the Australasian Institute of Mining and Metallurgy (F. AusIMM) with more than five years of relevant experience in the style of mineralisation being reported and qualifies as a Competent Person as defined by the Australasian Code for Reporting of Minerals, Resources and Reserves. Mr McLean 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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