Chalco - Queensland Refinery Requirement Not Scrapped

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Sydney, Australia (ABN Newswire) - **Aluminum Corp of China** (SHA: 601600) (HKG: 2600), or Chalco, is three weeks away from deadline to submit a feasibility study of developing a refinery for the Aurukun bauxite deposit in Queensland. The state government has indicated that Chalco has to build an aluminium refinery on the state's east coast as part of the requirements to secure the lease.

The Chinese aluminium giant said it was in close contact with the Queensland government and working on plans for a A$3 billion bauxite project in Australia, in response to recent media reports that Chalco considered scrapping two projects due to the proposed resources super profits tax (RSPT).

Chalco is also speculated that it was seeking to change the condition of building a refinery as costs will be increased after the RSPT and the refinery will be less attractive to the firm. Premier of Queensland Anna Bligh reiterated that the Aurukun project was awarded on the basis of secondary manufacturing of this product in Queensland.

The state government has been put under pressure following **Xstrata's** (LON: XTA) move to shelve expansion of two Queensland resource projects. The Swiss giant has suspended A$586 million of expenditure on its Wandoan thermal coal project and its expansion of its Ernest Henry copper mine, blaming uncertainty caused by the RSPT. Miners have reacted angrily to the Federal Government's proposed mining tax. Some mining companies have decided to scrap or suspend their projects after reviewing them. **Fortescue Metals** (ASX: FMG) has shelved the US$9 billion Solomon hub and US$6 billion Western hub projects, which the company said the two projects could provide 30,000 positions in construction and operation.

However, Rudd government appears to remain committed to the tax reform and has prepared for a long lasting debate. Prime Minister Kevin Rudd says this will be the normal 'argy bargy' of a very tense debate between parts of the mining industry and the Australian government.

Chalco has said it was pushing forward the Aurukun project and comparing different proposals with the mining tax under consideration. Chinalco, parent of Chalco, and Rio Tinto (ASX:RIO) are working on a new deal that could see them merge their adjacent bauxite operations at Aurukun and Weipa or invest in a US$1.8 billion expansion of the Yarwun 2 refinery, a media report says.

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