

Media Release
4th March 2008

QMag announces A\$42M (US\$39M) 100,000tpa Calcined Magnesia (CCM) expansion.

The Board of Queensland Magnesia (QMag) has approved an A\$42M (US\$39M) capital programme to expand its Parkhurst magnesia processing operation by 100,000tpa of CCM. Following the investment, QMag's magnesia production capacity will increase from 220,000tpa to 320,000tpa. This investment comes on top of the A\$35M (US\$33M) that has been invested over the last 3 years to expand the mine, de-bottleneck the processing plant and acquire the Yaamba magnesite deposit.

The project involves the installation of a third multiple hearth furnace (MHF) and associated milling, upgrading, storage, packaging and logistics infrastructure. The new MHF is identical to the existing equipment with little or no technological or operational risk. Work on detailed design, engineering, statutory approvals and permitting has been underway since December 2007. Construction is scheduled to commence in July 2008 with commissioning and ramp up to commence in September 2009. Jord International of Sydney will be appointed as the EPCM contractor including the supply of the MHF.

Robust growth in the world steel, nickel, copper, cobalt and agricultural industries is continuing to underpin strong current and future demand for QMag's products. This growth is expected to lead to an ongoing tightness in the global magnesia market even after the QMag expansion. Long term CCM sales contracts for more than 50% of the expanded capacity are either in place or well advanced in negotiations, with 100% of the expanded capacity expected to be fully committed during the second half of 2008. The expansion will further diversify QMag's markets into hydrometallurgical and agricultural applications globally.

QMag Chairman and Resource Capital Funds (RCF) Senior Partner, James McClements said, "Since RCF acquired QMag in 2004, we have seen a significant improvement in the operating performance of the business and, more recently, much stronger market conditions. As a result of this, we have complete confidence to undertake this investment and we will be actively pursuing further growth opportunities as part of our longer term strategy for QMag."

QMag Managing Director Alan Roughead said, "This is a significant step in the roll out of QMag's strategy. It is a very efficient utilisation of capital with the cost per tonne of capacity amongst the lowest in the world. Operating costs will benefit from economies of scale and a change in the sales mix towards CCM will improve the mine yield. These benefits, along with Queensland's low cost energy, will help alleviate rising cost pressures over future years. Following the acquisition of Yaamba, QMag will have a mine life in excess of 40 years at the expanded production levels. The expansion is an extremely positive step for all QMag stakeholders including shareholders, employees, customers, Government and the local community."

About QMag

QMag has been in operation for 17 years and is one of the world's largest producers of DBM, EFM and CCM for the global refractory and chemical markets. QMag currently produces and sells 110,000tpa DBM, 30,000tpa EFM and 80,000tpa CCM. QMag holds mining rights over extensive magnesite resources at Kunwarara and Yaamba, which together comprise the world's largest known deposit of cryptocrystalline magnesite. www.qmag.com.au

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