

Media Release
15th August 2011

QMag to significantly boost production capacity with new facility

Queensland Magnesia ('QMag') has signed an agreement to purchase a mothballed cement facility which will be recommissioned by QMag to add 100,000 tonnes a year to its magnesia production.

The facility ceased production and was placed on care and maintenance by Cement Australia in 2009. The acquisition covers the land and all plant and equipment, including a rotary kiln, ball mills, bagging plants and storage facilities. The facility is near QMag's existing magnesia operation at Parkhurst, Queensland. QMag has previously produced calcined magnesia at the facility on a toll basis.

The facility will remain idle for the remainder of the 2011-12 financial year as QMag develops final plans for its recommissioning and operation. Production will commence at the site in 2012-13 and ramp up over a two year period. Total acquisition, refurbishment and recommissioning costs are expected to be \$20 million.

There will also be investment at QMag's existing operations at the Kunwarara and Yaamba mines, to facilitate increased production levels.

The purchase, recommissioning and upstream investment will be funded using cash reserves.

QMag Managing Director Alan Roughead said he was excited about the acquisition, adding that it represented a very efficient use of capital.

"The advantage of the facility not only includes its close proximity to our existing Parkhurst plant but also the anticipated level of output from a relatively small capital outlay," Mr Roughead said.

"We believe the incremental output created by this acquisition will be one of the most efficient capital expenditure programmes in our industry globally."

Mr Roughead said production at the new facility would be targeted at the calcined magnesia chemical markets, where demand is expected to grow significantly in coming years.

QMag will employ about 50 people at the facility when it is fully operational.

The acquisition is expected to be settled by the end of 2011.

In 2011-12, QMag is forecast to produce more than 300,000 tonnes of calcined, deadburned, and fused magnesia at its existing Parkhurst facility, generating revenues of around \$200 million. Approximately half will be sold into the chemical market and the remainder to the refractory industry.

About QMag

QMag has been in operation for 20 years and is one of the world's largest producers of deadburned, fused and calcined magnesia for the global chemical and refractory markets. QMag holds mining rights over extensive magnesite resources at Kunwarara and Yaamba, which together comprise the world's largest known deposit of cryptocrystalline magnesite. Website www.qmag.com.au

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