



QMAG to increase magnesia capacity with cement plant buy

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Recommissioned plant to add caustic calcined capacity for chemical markets

Australian magnesia producer, Queensland Magnesia Pty Ltd (QMAG), is to purchase and restart a cement plant to facilitate an additional 100,000 tpa caustic calcined magnesia (CCM) production, expected on stream in 2012-13.

QMAG has signed an agreement to purchase Cement Australia Pty Ltd's mothballed cement facility at Rockhampton, located near to QMAG's existing magnesia operation at Parkhurst, Queensland.

The cement plant was placed on care and maintenance by Cement Australia after production ceased in 2009.

The acquisition covers the land and all plant and equipment, including a rotary kiln, ball mills, bagging plants and storage facilities.

The plant will be recommissioned by QMAG, and will employ about 50 people when fully operational. The total cost of the acquisition, refurbishment, and recommissioning is expected to be A\$20m. (\$20.8m.). The deal is expected to be settled by the end of 2011.

The additional capacity from the cement plant will increase QMAG's total magnesia production capacity (all grades) to over 400,000 tpa.

Commenting on the purchase, Alan Roughead, managing director of QMAG, said: "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."

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

Production from the new facility would be targeted at the CCM chemical markets, where demand is expected to grow significantly in coming years.

Mine investment to follow

QMAG has previously produced CCM at the facility on a toll basis. The plant will remain idle for the remainder of the 2011-12 financial year as QMAG develops final plans for its recommissioning and operation.

Production is scheduled to commence at the site in 2012-13, and ramp up over a two year period.

The additional 100,000 tpa production capacity which the upgraded cement plant will bring to QMAG is the latest in a series of magnesia production investments.

Since 2004, QMAG has invested over \$100m. acquiring additional magnesite resources, expanding capacity to over 300,000 tpa of caustic calcined, dead burned, and fused magnesia, and increasing operational efficiencies.

There will also be investment at QMAG's existing magnesite mining operations at Kunwarara and Yaamba, to facilitate increased production levels.

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

In 2011-12, QMAG is forecast to produce more than 300,000 tonnes of calcined, dead burned, and fused magnesia at its existing Parkhurst facility, generating revenues of around A\$200m. (\$207.8m.)

About 50% of QMAG's output supplies the chemical market and the remainder to the refractory industry.

Regarding QMAG's impending change in ownership, Roughead told **IM**: "Our due diligence work is almost complete, and we will formally commence the trade sale process and invite bids for the business in early September."

"RCF/QMAG has appointed Merrill Lynch as financial advisors." Roughead added.

Cement Australia mothballed its Rockhampton plant in 2009 owing to the projected cost impact of the then government's carbon pollution reduction scheme (CPRS).

Australia's mining industry has reacted strongly to the government's latest proposed tax on carbon emissions, warning that the country could lose its competitive edge.