

Media Release
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Q MAG Reduces Production in Response to Slowing World Economy

As a result of a significant decline in demand from world steel and refractory markets, QMAG has been forced to make major cuts in production at its Kunwarara mine and Parkhurst processing plant in Rockhampton. The production cuts are necessary to reduce inventories and conserve cash.

These adjustments have been progressively taking place since December 2008 and, as of today, the Kunwarara mine will cease contract mining activities and the Parkhurst processing plant will operate at only 30% of capacity. It is expected production will remain at these levels until the middle of 2009.

An unfortunate consequence of the reduced production has been a major reduction in the number of contractors that work at both sites. In addition, overtime and shift rosters have been reduced. These changes have reduced the total QMAG workforce (including contractors) by 130 people from about 350 to 220. The contractor most affected has been Downer EDI Mining which until today employed around 70 people at the Kunwarara mine.

QMAG Managing Director Alan Roughead said:

“Similar to most businesses around the world, QMAG is finding current trading conditions extremely difficult. We have had to adapt to the changed conditions to ensure we survive the downturn and position ourselves to emerge stronger once global markets recover.”

“We have had to stand down most of our contractors and have required our own people to accept reduced overtime, changes to shift rosters and enforced leave. At this time, we have no plans to make QMAG employees redundant but we will continue to monitor market conditions very closely.”

“The QMAG Board has discussed QMAG’s current expansion project and has decided to continue with construction which is scheduled to complete in December 2009. Despite the current downturn, the Board believes QMAG’s business fundamentals and the outlook for magnesia remain strong and that the capacity will be required from 2010 onwards. In addition, QMAG’s shareholder, Resource Capital Funds, will support the business financially during this period.”

“It is particularly disappointing that the Queensland State Government increased the royalty rate on magnesite by 200% in July 2008. Despite this increased tax being implemented while we are facing extremely difficult economic circumstances, the Queensland Government has declined our repeated requests to reduce or defer this significant increase. Now is not the time for Governments to be increasing taxes and charges.”

About QMAG

QMAG has been in operation since 1991 and is one of the world's largest producers of DBM, EFM and CCM for the global refractory and chemical markets. QMAG holds mining rights over extensive magnesite resources at Kunwarara and Yaamba, which together comprise the world's largest known deposit of high quality cryptocrystalline magnesite. www.qmag.com.au

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