



QMAG set for record year 2010/11 as ownership review launched

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Australian magnesia producer to change hands as demand forecast to grow >4% pa

Queensland Magnesia Pty Ltd (QMAG), having recently brought on stream [a major expansion programme](#), is anticipating its financial year ending June 2011 to be a record for sales and profitability with revenues above US\$150m.

The expected record results come as QMAG's owner, Resource Capital Funds (RCF), launches a review of its ownership structure.

QMAG has been owned by RCF since 2004. RCF, a private investment fund headquartered in Denver, is notable for specialising in the mining and resource sector.

Alan Roughead, managing director, QMAG told **IM**: "It has been well known that RCF would review its ownership at some point in time. With QMAG now in strong shape, it is a natural point in time for RCF to evaluate its options."

RCF has initiated a strategic review of QMAG and a process soliciting interest in QMAG will be launched in the September 2011 quarter with Merrill Lynch retained as financial advisors.

In the industrial minerals sector, RCF also has interests in [Talison Lithium](#), Australia, [NYCO Minerals Inc.](#), [Molycorp Inc.](#), and [IC Potash](#), all in the USA, and [First Bauxite](#), Guyana.

Investment and growth

"QMAG is now benefiting from a change in strategy and an extensive investment programme under RCF's ownership. QMAG is poised to benefit further from a robust outlook for the high grade magnesia market." explained Roughead.

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.

"The magnesia plant is one of the largest and most modern in the world and has a replacement cost in excess of US\$400m." said Roughead.

As one of the world's largest high grade magnesia producers, QMAG is expected to benefit from strong market conditions, which have seen prices increase by over 50% since the 2008/09 downturn.

Reports from the industry during the recent 5th MagMin conference held in Madrid last week testified to the upbeat climate and [high level of activity](#) in the sector.

Roughead commented: "Magnesia demand is projected to grow at over 4% pa – around 400,000 tpa – with growth in the high grade market, where QMAG is positioned, at over 7% pa."

However, growth on the supply side has been restricted by availability of high quality resources, low cost energy, and capital, with China's resources and energy policies also limiting supply.

Not surprisingly, these factors have [driven many players outside China to expand or emerge in the market](#).

For QMAG's part, Roughead is confident of continued growth: "The outlook is for further growth in FY12, with revenues approaching US\$200m., as the recently commissioned expansion and recent price increases flow through for a full year."

"QMAG is now assessing a number of large scale organic growth opportunities for supply to both the chemical and refractory markets." added Roughead.