



SIBELCO
AUSTRALIA

COMMUNITY ANNOUNCEMENT

23 April 2013

This update is to inform the community of the recent decision regarding the running of our silica sand mine on North Stradbroke Island (NSI).

We have seen significant changes to the silica sands business environment we operate in.

Notable changes include;

- 30% increase in exchange rates, with the dollar consistently above parity,
- Increases in logistics and storage costs,
- Decreased demand in the domestic glass market and increasing competition in the export sand market.
- Increased compliance and operating costs.

The NSI silica sands team have worked diligently to counter the effects of these external factors and Sibelco has also trialled alternate mining strategies over the past 18 months. Unfortunately sales volumes have continued to decrease to a point where ongoing permanent production at the site is no longer viable.

Therefore a decision was made last week that we will not recommence continuous mining at the NSI silica sand site. Our plan is to maintain production until we have produced enough silica sand stock to meet our existing customer obligations. We anticipate this to take until the middle of June this year.

Once production ceases there will be ongoing haulage activities to meet existing customer commitments. As a result Sibelco will maintain a presence at the silica sands site to meet these needs as well as to fulfil our legal obligations.

Unfortunately a number of positions will be made redundant. However in as many cases as possible, we will seek alternate employment within Sibelco on NSI as part of our mineral sands operations or elsewhere within the Sibelco Group.

A decision on how we will access this resource into the future has not been made at present; however we will not be mining on a continuous basis.

This decision is not related to the ongoing B-Grade sands legal case. Sibelco will continue to fight to clear our name against the allegations of impropriety regarding B-Grade sands.

Decisions like this are always difficult especially in a small community such as North Stradbroke Island. Sibelco wants to assure all employees as well as the wider NSI community that Sibelco remains committed to long term sustainable operations on NSI.

If you have any questions regarding Sibelco's silica sands operations please contact Paul Smith Sustainability Manager – Development, Sibelco on 0408 766 186 or email Paul.Smith@Sibelco.com.au.

Kind Regards

John Costigan
Group Operations Manager – Mineral Sands