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ASX RELEASE

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Magnesium Plant Acquisition and Nanjing Plant Recovery

- ***Proceeding to a Joint Venture for 49% of a 20,000 t.p.a. pure magnesium plant***
- ***Repairs to Nanjing on schedule, production to resume mid July***

On 25 March and 21 April 2008 Quay Magnesium Limited (Quay) announced the signing of Heads of Agreement for the potential acquisition of interests in two pure magnesium plants to supply feedstock for its Nanjing alloy plant. Due diligence has been completed on both potential targets and a decision has been made to proceed with one of these.

The potential acquisition subject of the 25 March, 2008 announcement was found to have land usage rights and other issues that may not be resolved for some time. Quay's management has decided not to proceed with this potential acquisition at this time. Quay will continue to negotiate with the owner of this plant and may enter into a magnesium supply agreement that would meet a portion of Nanjing's feedstock requirements. On rectification of the due diligence issues identified by Quay joint venture negotiations may recommence.

The potential acquisition subject of the 21 April, 2008 announcement has satisfied legal, accounting and environmental due diligence requirements. In addition, from a financial return perspective, this investment exceeds Quay's hurdle rate of return. Quay has decided to progress and with our partner will form a joint venture in which Quay will hold 49%.

As previously announced Quay will raise the funds required for the acquisition through either equity or a combination of equity and debt.

This joint venture will provide around 10,000 t.p.a. of pure magnesium to Quay's Nanjing alloy plant. Future expansion of the business is possible through two additional pure magnesium plants which Quay's partner has planned. Quay has first right of refusal to participate to 49% in both of these potential 20,000 t.p.a. facilities. If exercised this option would give Quay a further 20,000 t.p.a. of attributable pure magnesium production to add to its initial 10,000 t.p.a. At current sustained high market prices for pure magnesium this initial 10,000 t.p.a. acquisition will be a very positive addition to Quay.

As previously announced the Nanjing alloy plant was damaged by fire on 25 April, 2008 and production was suspended. The cause of the fire has been identified and a combination of process changes and building redesign should minimize future risk. Repair to the production equipment is essentially complete while the building repair work has been let to the original builder, Spaceframe. Local safety authorities are working closely with the Nanjing management team to assist in returning the alloy plant to operation by mid July, 2008.

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