

## ASX RELEASE

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### WORKING CAPITAL FINANCE FOR EXPORT SALES

Quay Magnesium Limited (Quay) is pleased to announce that it has secured a USD 10 million revolving credit facility to fund working capital requirements at its Nanjing plant. This facility has been provided by a leading London based global financial institution.

"This development is extremely positive for Quay" Mr Stuntz, Chairman of Quay said. "Despite the present uncertainties in world financial markets a leading institution has made this significant line of credit available to Quay. Given the current climate Quay considers this to be an endorsement of our business".

The Nanjing plant has been constrained by working capital and this has limited production to date. This new credit facility will allow a significant increase in volume at the plant and operations will be more cost efficient at the increased production level. Discussions with the financial institution indicate that this line will be reviewed and increased in 2009.

The demand for magnesium alloy remains strong and margins are being maintained. Negotiations with Quay's largest customers indicate it should be able to place the increased production resulting from this credit facility in coming months. Most of this magnesium alloy will be sold into either North America or Europe.

The facility is secured in the first instance by customer receivables and also by a fixed and floating charge over Quay's assets. The facility is for a 12 month term renewable by the provider.

This finance will support export sales to the Quay's major customers in the automotive supply chain. These customers are the major manufacturers of magnesium die castings and all request extended payment terms for contracts. Local sales in China are generally on shorter terms and Quay balances export and local sales to achieve the optimum cash position possible for its business.

Another emerging positive factor is that magnesium supply in China has not been impacted by anti-pollution restrictions to the extent forecast earlier in 2008. As a result suppliers are currently offering favourable terms and longer term supply agreements to secure sales in a softer market.

If the current favourable supply terms continue and the discussed increase in working capital is obtained then the Nanjing plant could be operating at close to maximum capacity by mid 2009.

For further information contact:

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