

ASX RELEASE

ASX Code: QMG

27th November, 2008

CHAIRMAN'S ADDRESS – NOVEMBER 2008 AGM

Ladies and Gentlemen,

Once again welcome to the sixth Annual General Meeting of Quay Magnesium Limited and thank you for your attendance today.

The past year has been a very challenging and at times frustrating one for your company. With extended and ultimately fruitless attempts for an acquisition of a share in a pure magnesium Joint Venture, a fire at the company's Nanjing alloy facility and when the plant returned to operation the failure of the world's financial system accompanied by a collapse of global confidence, all had a major impact. For our small company, with its limited resources, there have been many difficulties and obstacles to overcome.

This time last year I spoke about the volatility of the primary magnesium price and the due diligence underway for the acquisition of a share in a primary magnesium plant. After two extended periods of due diligence on ultimately unsuitable targets we reached agreement with a third potential partner who met our Western company compliance standards. I emphasise the difficulty in finding such a target in China. Unfortunately, in the time from agreeing a heads of agreement to completion of due diligence, the world had begun to change. The primary magnesium price in China peaked in May of this year at over 36,000 Renminbi per tonne (RMB / t). I will talk more about this later. At the time of reaching commercial and legal agreement with our prospective partner, the price had fallen to around 24,000 RMB / t and the consensus was that prices would continue to fall. The collapse of global markets and sentiment has seen this price fall further to current prices around 16,000 RMB / t. Apart from greatly diminished revenues this project's economics have also been adversely affected by the massive depreciation of the Australian dollar. The capital investment required increased over 25 % as a result of this currency move. Apart from the project specific economics not supporting an investment, the environment for financing projects in China also deteriorated. The joint venture is sound, the prospective partner first rate but under the current economic conditions the joint venture must remain on hold until the economics support an investment.

On April 25 the company's Nanjing plant was damaged by a fire. The production equipment was returned to service in July, but repairs to the shell of the building have taken longer to complete than originally anticipated. In rebuilding, the factory was redesigned to make it a more fire resistant structure. The cause of the fire has been identified and processes have been varied to minimise the risk that is inherent in magnesium processing. The plant's return to operation coincided with a downturn in the magnesium alloy die-casting industry.

There are two reasons for the downturn – one short term and one related to the broader economic conditions we find ourselves operating in. I believe the short term factor was directly related to the Olympic Games being hosted in China. In the run up to the Games the conventional wisdom was that the Central Government would shut many of the heavily polluting industries near Beijing.

Quay Magnesium Limited

3 Spring Street, GPO Box 5438 Sydney NSW 2001 Australia

T / 电话: +61 2 8274 0900 F / 传真: +61 2 8274 0999 E / 电邮: mail@quaymagnesium.com W / 网站: www.quaymagnesium.com

ABN: 75 104 179 099

Consumers bought ahead and stockpiled magnesium products to ensure they would not risk supply of components to their customers. They were left carrying substantial excess stocks due to the downturn in Q3. This unprecedented demand drove the price of primary magnesium up over 36,000 RMB / t. As it turned out there were no reported shutdowns and production in China continued.

Magnesium alloy consumers found themselves entering a rapidly slowing global economy carrying far higher levels of inventory than usual. In Quay's experience and supported by China export statistics, the level of shipments of magnesium alloys decreased over 60% from pre-Olympic levels. Generally, there have been very few orders placed in the last few months for magnesium alloy. This has placed a significant burden on our cash as we have taken the decision to maintain the management and skilled team in Nanjing necessary to produce certified automotive alloy.

The automotive supply chain has a traditional "contract season" in November each year for sales in the following year. This year it appears to have been delayed with consumers still holding excess stocks. With magnesium and alloy prices falling dramatically some customers are delaying purchases in anticipation of continued price decreases. The automotive industry's problems have been well publicised in recent weeks and I don't propose to dwell on them here. What I would like to point out though is that even with a "worst case" fall in production of 20 % next year there will still be a substantial quantity of vehicles made and these vehicles will consume substantial quantities of magnesium. In the last few weeks Quay has been in contact with our customers seeking sales forecasts for next year. The outlook as stated by our customers is lower than 2008 but anticipated orders should provide sufficient volume to underwrite cash generation from the Nanjing plant. However, prices are continuing to fall and margins eroding. The major positive I would like to report today is that within the last week we have several customers issue firm requests for quotes with tonnages in line with what was previously indicated. It would appear that ever so slowly the industry is coming back to life after a period of destocking.

Another less visible but much more malignant effect of this global slowdown is the tightening in terms of trade. While the average person concentrates on falling asset prices, commodities and exchange rates they do not see the effects of this crisis on insurance and the availability of credit. These are critical in day to day business and without them commerce stops.

Quay's share price is of concern at the moment. It has taken approximately \$50 million to get the company to where it is today. A technically advanced and qualified producer of automotive magnesium alloys. With high energy prices and pressure to cut greenhouse emissions we operate in a space with substantial growth potential. Yet the market is valuing your company at less than \$2 million. This is less than 5 cents in the dollar for a fully constructed and de-risked plant. The land the factory is built on is worth more than this. As stated at the time of our undersubscribed rights issue in April the company would seek to place any shortfall. This need for capital is more so the case now which is why we have proposed an issue to raise \$1.2 million and for which I will ask for your approval later in this meeting. I must emphasise how crucial it is for the company's immediate future that Quay is able to raise this \$1.2m needed to continue operations. In addition to trying to implement our business plan in an extremely adverse environment, the Board is considering all other options to realize shareholder value.

Thank you.

Mr Peter Stuntz
Chairman