

ASX RELEASE

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SECOND AGREEMENT SIGNED TO ACQUIRE 49% OF CHINESE MAGNESIUM PLANT

- ***Proposed Foreign Joint Venture Company will expand an existing magnesium plant to 20,000 tonne capacity and Quay will be a 49% partner in the JV.***
- ***Option to participate in two already approved future magnesium plants***
- ***This agreement is in addition to the HOA announced on 25 March, 2008***

Quay Magnesium Limited (Quay) is pleased to announce it has signed a second Heads of Agreement with a major Chinese magnesium products producer to form a new Foreign Joint Venture (JV) company. The Chinese partner company is a long established manufacturer of pure magnesium and produces a range of magnesium products including magnesium automotive die castings and extrusions.

Initial plans for the JV are for the re-development of an existing pure magnesium plant to 20,000 tpa capacity. The expansion has approval and construction will commence on the establishment of the JV, with an expectation of taking seven months to complete. The energy efficient technology employed for this facility will be the latest for magnesium production and the plant will meet all environmental operating regulations.

If it proceeds, the JV will supply Quay with approximately 10,000 tpa of pure magnesium for its Nanjing alloy plant. The agreement gives Quay first option on any excess magnesium from the partner's volume of their shareholding.

The Heads of Agreement confers exclusivity on Quay for three months. Completion of Quay's due diligence is scheduled to occur within 60 days. On confirmation of satisfactory due diligence, Quay will enter into a definitive sale and purchase agreement governing the management of the company post-acquisition. Completion of this JV will also be subject to Chinese regulatory approvals, approval by Quay's Board and Quay securing finance.

The Chinese JV partner has plans for two additional plants of 20,000 tonne each. These planned facilities are already in final stages of Chinese regulatory authority approval. Quay has first option to participate in these future facilities.

According to Mr Stuntz, Chairman of Quay, "This partnership will allow Quay further growth opportunities in additional magnesium plants as well as other areas of cooperation, as the relationship with our JV partner grows." He continues, "Having a partner with a broad range of magnesium products and established marketing network may assist Quay with future opportunities for expansion of our Nanjing site with value added products".

Quay will require finance of around AUD 20 million for this JV acquisition. The Board of Quay is currently considering financing options. Quay will make a further announcement regarding financing in due course.

The due diligence for this acquisition will be concurrent with due diligence for the potential acquisition announced in March, which is ongoing.

For further information contact:

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