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## ASX RELEASE

12 May 2008

ASX Code: QMG

### **QUAY MAGNESIUM LIMITED RIGHTS ISSUE NOTICE UNDER SECTION 708AA OF THE CORPORATIONS ACT 2001 (CTH)**

On 28 April 2008, Quay Magnesium Limited (Quay or Company) announced to the market that a non-renounceable pro-rata rights issue of ordinary shares in the Company (Rights Issue or Offer) would be offered to all eligible shareholders recorded on the share register at 7.00pm AEST on 6 May 2008 (Record Date). An Offer document in relation to the Rights Issue will be mailed to all eligible shareholders together with the Entitlement and Acceptance Form today.

Up to approximately 51,293,923 fully paid ordinary shares in the Company (New Shares) will be offered on the basis of one (1) fully paid ordinary shares for every four (4) shares held on the Record Date, at an issue price of \$0.05 per New Share. The Rights Issue will raise approximately \$2.56 million before costs of the Rights Issue.

The Rights Issue is not underwritten but the Company reserves the right to place any shortfall with institutional and sophisticated private investors within 3 months after the close of the offer.

The Company confirms the Rights Issue is being made without a disclosure document, pursuant to the exemption granted in section 708AA of the Corporations Act 2001 (Act).

Pursuant to section 708AA of the Act, the Company provides the following information:

- (a) the Company will offer the Shares for issue without disclosure to investors under Part 6D.2 of the Act;
- (b) the Company is providing this notice under paragraph 2(f) of section 708AA of the Act;
- (c) as at 12 May 2008, the Company has complied with:
  - i. the provisions of Chapter 2M of the Act as they apply to the Company; and
  - ii. section 674 of the Act;
- (d) as at 12 May 2008 there is no information:
  - i. that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
  - ii. that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
    - the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
    - the rights and liabilities attaching to the Shares;

- (e) as the Rights Issue is a pro-rata non-renounceable rights issue to ordinary shareholders (other than a small number of shareholders with a registered address outside Australia or New Zealand), if all members take up their entitlements under the Offer, then the issue of the Rights Issue Shares will have no effect on the control of the Company; and
- (f) if members do not take up their entitlements under the Offer then their proportionate shareholdings may be diluted relative to those shareholders who do take up their entitlements and may also be diluted as a result of the Company placing any shortfall with institutional and sophisticated private investors (which may include other existing shareholders).

If you have any questions in relation to the Rights Issue, please do not hesitate to contact the Company on 02 8274 0900.

Peter Stuntz  
**Chairman**  
12 May 2008