ASX RELEASE

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QUALITY UPDATE

Quay Magnesium Limited (Quay) is pleased to announce that its Nanjing plant continues to build on a multi-year history of supplying the global automotive supply chain with the highest quality magnesium alloy.

As part of an ongoing program to audit metal quality after recent process modifications the attached results were received from a leading independent laboratory. These results are extremely pleasing given the increase in an already high alloy quality against the backdrop of aggressive cost cutting put in place after the Global Financial Crisis.

Fast Neutron Activation Analysis (FNAA) is the recognised analytical method for determining oxygen content in automotive magnesium alloy. Quay's Nanjing plant has never had an individual analytical reading that exceeded the most stringent automotive maximum of 100 parts per million (ppm). Several global automotive magnesium alloy customers use a lower quality specification of 300 ppm maximum oxygen content, as determined by FNAA analysis. The lowest detection limit of the FNAA analytical method is 50 ppm so any reported average is only stated as "< 50 ppm" oxygen content.

Through the team effort of our Chinese workforce and technical support from our network of experts in Europe and the USA Quay's Nanjing plant has reduced production costs significantly while maintaining its global automotive quality certifications and approvals.

Year	Observed metal cleanliness level through automotive laboratory testing by FNAA	Most stringent automotive specification	Milestone
2006	<50 ppm	<100 ppm	Self – certified and beginning of sales to automotive industry
2007	<50 ppm	<100 ppm	Achieved global automotive approval from Chrysler LLC
2010	<50 ppm	<100 ppm	Maintained highest quality standards with significant production cost reduction

As with all commercial business launches the expertise to produce exacting final product quality at globally competitive cost levels is achieved through technical expertise and actual business experience.

Quay continues to improve its cost structure while maintaining the same high quality that our workforce and technology has always provided to the most demanding automotive magnesium alloy customers in the world.

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Fast Neutron Activation Analysis (ppm)

Product Date	Lot Number	First Reading Average	Second Reading Average	Third Reading Average	Overall Average	Global Specification
Q2 - 2006	1000955	30	30	38	< 50	< 100
Q2 - 2006	1001057	16	34	37	< 50	< 100
Q2 - 2006	1001646	40	49	18	< 50	< 100
Q3 - 2006	1002641	31	29	35	< 50	< 100
Q4 - 2006	1003717	31	26	0	< 50	< 100
Q4 - 2006	1004073	17	19	32	< 50	< 100
Q1 - 2007	1006534	35	31	26	< 50	< 100
Q1 - 2007	1006562	13	21	19	< 50	< 100
Q1 - 2007	1006568	7	22	32	< 50	< 100
Q1 - 2010	1017727	24	12	23	< 50	< 100
Q1 - 2010	1017731	9	18	53	< 50	< 100
Q1 - 2010	1017735	17	30	7	< 50	< 100

The laboratory for this analysis has a lowest detection limit of 50 ppm which is why actual averages cannot be reported below this limit