

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of Quay Magnesium Limited (the Company) will be held at the Shang Room, Mezzanine Level, 3 Spring Street, Sydney on Friday 26 November 2010 at 11:00am.

The purpose of the meeting is to consider and if thought fit to pass the resolutions referred to below.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form. The completed proxy form must be received by the Company's share registrar, Link Market Services Limited by no later than 11:00am Australian Eastern Daylight Saving Time (AEDST) on Wednesday 24 November 2010.

ORDINARY BUSINESS

Receipt of Financial Report

To receive and consider the financial report of the Company and its controlled entities and the reports of the Directors and auditors for the year ended 30 June 2010.

Resolution 1: Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"To adopt the Remuneration Report as set out in the Annual Report for the year ended 30 June 2010."

While there is a requirement for a formal resolution on this item, under section 250R(3) of the Corporations Act, the resolution is only advisory and does not bind the Company or its Directors.

Resolution 2: Retirement by rotation and re-election of Mr Brendan Joyce

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr Brendan Joyce retires by rotation in accordance with rule 7.1(e)(2)(A) of the Company's constitution, and being eligible, is re-elected as a director of the Company."

SPECIAL BUSINESS

Resolution 3: Approval of past issue of securities to Xueren MA, Ed GU, Robin MENG and Lily JUAN

To consider, and if thought fit, to pass the following the following resolution as an ordinary resolution:

"That for all purposes, including the requirements of ASX Listing Rule 7.4, the issue on 7 January 2010 of 12,500,000 fully paid ordinary shares in the Company at two cents per share to Xueren MA, Ed GU, Robin MENG and Lily JUAN, shall hereby be approved and authorised"

Resolution 4: Approval of past issue of securities to Central Turbo Limited

To consider, and if thought fit, to pass the following the following resolution as an ordinary resolution:

"That for all purposes, including the requirements of ASX Listing Rule 7.4, the issue on 27 January 2010 of 23,000,000 fully paid shares in the Company at two cent per share to Central Turbo Limited, shall hereby be approved and authorised"

Resolution 5: Approval of the proposed issue of securities to Clever Talent Group Limited

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That for all purposes, including the requirements of ASX Listing Rule 7.1 and exception 7 of section 611 of the Corporations Act, approval is given to the Company to:

- a) issue 125,000,000 fully paid ordinary shares at 1.6 cents per share to Clever Talent Group Limited;*
- b) grant 125,000,000 options at no cost but exercisable at 3.0 cents per share at any time up to three (3) years after grant date to Clever Talent Group Limited or an associated party; and*
- c) issue a maximum of 125,000,000 fully paid ordinary shares to Clever Talent Group Limited in the event that the options referred to in paragraph (b) above are exercised.*

EXPLANATORY MEMORANDUM

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this notice of meeting for further details on the proposed resolutions.

ENTITLEMENT TO VOTE

It has been determined that under the Corporations Regulation 7.11.37, for the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are registered holders at 7:00pm Australian Eastern Daylight Saving Time (AEDST) on Wednesday 24 November 2010. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on resolution 3 by Xueren MA, Ed GU, Robin MENG and Lily JUAN and each of their associates.

The Company will disregard any votes cast on resolution 4 by Central Turbo Limited and its associates.

The Company will disregard any votes cast on resolution 5 by Clever Talent Group Limited and Central Turbo Limited and their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

PROXIES

Members are advised that:

- (a) each member entitled to vote at the Annual General Meeting has a right to appoint a proxy. Any instrument appointing a proxy in which the name of the appointee is not shown is regarded to be in favour of the chair of the meeting;
- (b) the proxy need not be a member of the Company;
- (c) a member who is entitled to cast two or more votes may appoint not more than two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the member's votes. An additional proxy can be obtained from Link Market Services Limited on request; and
- (d) a member may specify the way in which the proxy is to vote on the resolution or may allow the proxy to vote at his or her discretion.

The Company in accordance with section 250BA of the Corporations Act, specifies the following information for the purposes of receipt of proxy appointments:

Postal Address

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By Hand

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Facsimile Number: (+61 2) 9287 0309

Proxies and any power of attorney or other authority under which the proxy is signed must be received by Link Market Services Limited at the address or at the facsimile number specified above no later than 11:00am Australian Eastern Daylight Saving Time (AEDST) Wednesday 24 November 2010. A proxy form is enclosed with this notice of Annual General Meeting.

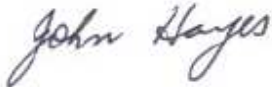
VOTING INTENTIONS

The Chairman of the meeting intends to vote in favour of all resolutions on the agenda in respect of undirected proxy votes held by him.

CORPORATE REPRESENTATIVES

A corporate Shareholder or proxy holder wishing to appoint a person to act as its representative at the meeting must provide that person with a letter executed in accordance with the Company's constitution and the Corporations Act 2001 authorising him or her to act as the Company's representative. The authority may be sent to Link Market Services Limited in advance of the meeting or handed in at the meeting when registering as a corporate representative.

By Order of the Board
15th October 2010

A handwritten signature in black ink that reads "John Hayes". The signature is written in a cursive style with a large initial 'J' and 'H'.

John Hayes
Company Secretary

EXPLANATORY MEMORANDUM

This Explanatory Memorandum accompanies and forms part of the notice of meeting and has been prepared to provide the Shareholders of Quay Magnesium Limited ABN 75 104 179 099 (the 'Company') with material information to enable them to make an informed decision on the business to be conducted at the forthcoming Annual General Meeting (**AGM**) of the Company to be held on Friday 26 November 2010 at 11:00am Australian Eastern Daylight Saving Time (AEDST).

At the AGM, the Company will seek the approval of its Shareholders by ordinary resolution of all the resolutions proposed, the details which are set out in this explanatory memorandum and form part of the notice of meeting.

The Directors recommend that you read the notice of meeting and this explanatory memorandum carefully and attend the AGM. If you are unable to attend but wish to vote, please complete the proxy form enclosed and ensure it is received by the Company's share registrar, Link Market Services Limited at the address or facsimile stated in the notice no later than 11:00am Australian Eastern Daylight Saving Time (AEDST) on Wednesday 24 November 2010.

THE RESOLUTIONS

Item 1: Receipt of Financial Report

The Corporations Act requires the annual financial report of the Company (which includes the financial statements of the Company and its controlled entities for the year ended 30 June 2010), together with the Directors' report and the auditor's report, to be laid before the meeting. A vote of members on the reports is not required by the Corporations Act or the Company's constitution. However members will be given the opportunity to raise questions or comments on the reports at the Meeting.

The Company's Annual Report is available on line at www.quaymagnesium.com/reports.htm. The financial report for consideration at the meeting will be the full financial report included in the Annual Report. Shareholders who have specifically requested a hard copy of the Annual Report will receive it in the mail.

Also, a reasonable opportunity will be given to members as a whole at the meeting to ask the Company's auditors questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Resolution 1: Remuneration Report

Section 249L of the Corporations Act 2001 requires the Remuneration Report of the Company for the financial year ended 30 June 2010 to be laid before the meeting.

The Remuneration Report is set out in the Directors' Report of the Annual Report to Shareholders for the year ended 30 June 2010.

Section 250R(2) of the Corporations Act requires the Company to propose a resolution that the remuneration report of the Company be adopted. The vote on this resolution is advisory only and does not bind the Directors or the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Resolution 2: Retirement by rotation and re-election of Mr Brendan Joyce

Mr Brendan Joyce retires in accordance with rule 7.1(e)(2)(A) of the Company's constitution and ASX Listing Rule 14.4 and offers himself for re-election. A director who retires in accordance with that rule of the constitution and ASX Listing Rule 14.4 is eligible for election or re-election, as the case may be, at the annual general meeting.

Brendan Joyce obtained an honours degree in civil engineering from the University of Western Australia in 1960. His initial specialisation and experience was in structural design. Following this he spent lengthy periods in both the construction and quarrying industries throughout Western Australia. He also worked in manufacturing in Asia for over 10 years.

Brendan Joyce was appointed to the Board on 25 March 2003.

The Board (with Mr Joyce abstaining) unanimously recommends that Shareholders vote in favour of the re-election of Mr Brendan Joyce.

Resolution 3 and 4: Approval of past issues of securities issued on 7 January 2010 and 27 January 2010

Listing Rule 7.1

Listing Rule 7.1 restricts the Company from issuing more than 15% of its issued capital in a 12 month period without Shareholder approval ('15% Limit').

Listing Rule 7.4

Listing Rule 7.4 allows the Company to ratify a prior issue of shares for the purposes of the 15% Limit, which effectively "refreshes" the Company's capacity to issue further capital over the next 12 months. If resolutions 3 and 4 are passed, the shares the subject of the relevant issues will not be counted towards the 15% Limit (on the basis that Shareholders will have approved the issues).

Prior approval of the issues of securities referred to below was not required under Listing Rule 7.1 at the time of the issue as the 15% limit was not exceeded by the issues.

(a) Resolution 3 seeks Shareholder approval for the purposes of Listing Rule 7.4 for the issue of 12,500,000 fully paid ordinary shares in the Company on 7 January 2010 at two cents per share to the following persons:

Name of Allottee	Shares Issued
Xueren MA	7,000,000
Ed GU	2,000,000
Robin MENG	2,000,000
Lily JUAN	1,500,000

(b) Resolution 4 seeks Shareholder approval for the purposes of Listing Rule 7.4 for the issue of 23,000,000 fully paid shares in the Company 27 January 2010 at two cent per share to Central Turbo Limited.

All shares issued rank equally with all other fully paid ordinary shares in the Company from the date of their issue.

The funds raised from each issue were used to supplement working capital of the Company and for due diligence and other expenses relating to the previously announced proposed acquisitions by the Company.

Shareholder approval of Resolutions 3 and 4 will provide the Company with added flexibility in raising funds because it:

(a) renews the Company's capacity to issue further shares and options (to a limited extent) without exceeding the 15% Limit; and
(b) allows the Company to issue further shares and options at short notice (without exceeding the 15% Limit) and without seeking prior Shareholder approval, where the resulting delay could compromise the Company's financial position or the success of a commercial transaction.

The Board unanimously recommends that Shareholders vote in favour of Resolutions 3 and 4.

Resolution 5: Approval of the proposed issue of securities

Listing Rule 7.1 of the Listing Rules prohibits a listed entity from issuing or agreeing to issue new securities in any 12 month rolling period, if in doing so it would have issued more than 15% of the total of the number of securities on issue at the date 12 months prior to the date of issue, unless the issue falls within specified exceptions or is approved by shareholders.

The Corporations Act prohibits a person from acquiring a relevant interest in voting shares in a listed company from 20% or below to more than 20%, unless the acquisition falls within a specified exemption.

Item 7 of section 611 of the Corporations Act exempts an acquisition approved by a resolution of the company in which the acquisition is made, if relevantly:

(a) no votes are cast in favour of the resolution by the person making the acquisition; and
(b) members of the company were given all the information know to the person proposing to make the acquisition or their associates, or known to the company, that was material on the decision on how to vote on the resolution.

Proposed security issue

The Company has entered into a Subscription Agreement with Clever Talent Group Limited (**Clever Talent**) an associate of Central Turbo Limited under which shares in the Company will be issued and options granted in return for Clever Talent paying the subscription amount.

The issue pursuant to the Subscription Agreement requires approval under Listing Rule 7.1 and also under item 7 of section 611 as the issue would:

(a) be in excess of the 15% limit set by Listing Rule 7.1; and
increase the relevant interest of Kai Fan from below 20% to above 20% and not fall within any of the other exemptions set out in section 611 of the Corporations Act.

The Subscription Agreement is conditional upon the resolution approving the share issue being passed at the AGM. If the resolution is not passed the shares will not be issued.

Under the terms of the Subscription Agreement the directors of the Company seek to issue a maximum of:

- (a) 125,000,000 fully paid ordinary shares at an issue price of 1.6 cents per share; and
- (b) 125,000,000 options at no cost with an exercise price of 3.0 cents.

The shares and options are to be issued to Clever Talent on the day which is 10 business days following shareholder approval of resolution 5. The new shares will be fully-paid ordinary shares and will rank equally with the fully paid ordinary shares in the Company from the date of issue. The Company will apply for quotation of the new shares on the ASX as soon as practicable after they are issued.

The options to be issued may be exercised at any time prior to 13 September 2013 (being 3 years after the date of the Subscription Agreement).

Each option will confer a normal right to receive bonus shares upon exercise if the Company has conducted a bonus issue prior to the date of exercise, but will not confer any right to participate in a rights issue by the Company before the options are exercised. The options are subject to the normal adjustments prescribed by the Listing Rules if the Company implements a reconstruction of capital.

The funds raised from the proposed issue will be used to supplement working capital requirements of the Company.

Clever Talent is a company incorporated in the British Virgin Islands and is 100% owned by Kai Fan. Central Turbo Limited is also a company incorporated in the British Virgin Islands and is [jointly 100%] owned by Mr Kai Fan and Ms Yan Wang. Prior to entry into the Subscription Agreement, Kai Fan had a relevant interest in 56,000,000 shares and voting power of 18.58% of the issued ordinary shares in the Company through the holding of Central Turbo Limited.

If shareholder approval is granted of resolution 5 and the shares under the Subscription Agreement are issued to Clever Talent, Kai Fan will increase his relevant interest to 181,000,000 shares and voting power of 42.45% of the issued ordinary shares in the Company.

In the event that the shares under the Subscription Agreement are issued to Clever Talent and Clever Talent also exercises all options granted to it under the Subscription Agreement, if no other shares are issued in the Company, Kai Fan will increase his relevant interest to 306,000,000 shares and voting power of 55.49% of the issued ordinary shares in the Company.

Under the terms of the Subscription Agreement Clever Talent has the power to appoint 3 nominees, reasonably acceptable to the board as directors of the Company. Clever Talent has advised that it is not yet decided who it will appoint as Directors. The Company expects that Kai Fan or associates will be appointed.

If shareholder approval is granted of resolution 5, Clever Talent has the following intentions with respect to the Company:

- (a) Discussions have been held about the vertical integration of the Company's business by buying a pure magnesium plant (or an interest in several pure magnesium plants), including the possibility of acquiring an interest in a plant owned by Kai Fan and his associates.
- (b) Clever Talent has no present intention to inject further capital into the Company, however the acquisition of a share in one or more pure magnesium plants would require much larger capital and/or debt injections.
- (c) No changes to the future employment of the present employees of the Company is proposed at this time.
- (d) Clever Talent has no present intention to redeploy the fixed assets of the Company.
- (e) Clever Talent has no present intention to change significantly the financial or dividend policies of the Company, noting however that should an acquisition of an interest in a pure magnesium plant occur, it is intended that such an acquisition would be funded through a mix of debt and equity.

The Board engaged WHK Horwath Corporate Finance (WHK) to provide an independent expert's report with respect to the proposal. WHK concluded that the proposed issue is **Fair and Reasonable**. A copy of the independent expert's report is attached to this explanatory memorandum as annexure A.

None of the Directors have an interest in resolution 5. The directors unanimously approved the proposal to enter into the Subscription Agreement and to put the resolution to shareholders.]

The Board unanimously recommends that Shareholders vote in favour of Resolution 5.

Glossary

ASX	means ASX Limited
Board	means the board of Directors of the Company
Clever Talent	means Clever Talent Group Limited
Company	means Quay Magnesium Limited (ABN 75 104 179 099)
Corporations Act	means the Corporations Act 2001 (Cth)
Corporations Regulation	means the Corporations Regulations 2001 (Cth)
Directors	means the Directors of the Company
Listing Rules	means the Listing Rules of the ASX
Shares	means fully paid ordinary shares in the capital of the Company

ANNEXURE A – Independent Expert’s Report