

CHAIRMAN'S ADDRESS - 2010 AGM

Ladies and Gentlemen,

Thank you for attending our Annual General Meeting this morning.

The Chairman's Letter in this year's Annual Report has provided you with an update on the company. Also included in a mail out to all shareholders was an Independent Expert's Report on our company and the proposal for its future. I do not intend to elaborate too much on these other than to touch on developments after they were written.

Production at the Nanjing facility has slowed considerably over recent weeks. Partly this reflects poor market conditions and partly improvements that are being implemented on site. Alloy prices have been very weak recently and Quay has resolved to withdraw from any business that is not economic. We closed the plant in October for the Chinese holiday season and have taken advantage of this period to rebuild some of the factory walls that have been affected by corrosion and also to install a new crane. During this period we have also worked on modifications to our process which enable us to run off a much higher level of scrap – this will lower our cost base. The challenge has been to increase the usage of low grade scrap while not allowing it to have a detrimental impact on product quality. Our engineers are continuing with these process improvements.

Last month we received notification that our TS16949 certification had been renewed for a further period of two years to October 2013. It is this certification that allows us to sell into the automotive market. This is a positive achievement and the technical team in Nanjing deserve our congratulations given the conditions they have had to work under.

This meeting, our Eighth Annual General Meeting is an extremely important one for the company. As you would all be aware there is a resolution on the order of business to place 125 million shares and 125 million options to Clever Talent Group Limited. This company is associated with our largest shareholder, Central Turbo Limited. If passed this will take the two companies combined holdings to 181 million shares with options to acquire a further 125 million shares at 3 cents. In total up to AUD 5.750 million may be injected into the company over time.

I cannot stress enough how important it is for this resolution to be passed. Firstly this group is connected with two primary magnesium smelters in China. As you know we have been trying to vertically integrate Quay's business for a number of years now – without success. It is hoped that the passing of this resolution will enable this integration. It is also hoped that other opportunities may present themselves in the Chinese markets as a result of this new large shareholding. The other reason it is important for this resolution to be passed is that Quay is relying on the funds to be injected. The AUD 2.000 million is essential for Quay's ongoing operations and if this morning's resolution is rejected the company will be left in a parlous financial situation. It is also worth noting that the options that attach to this issue of new ordinary shares provide for the injection of up to a further AUD 3.750 million. It is in the company's best interests that all this morning's resolutions are passed – your Board recommends them and has voted for them.

Peter Stuntz
Chairman