

20 August 2019

Australian Stock Exchange  
20 Bridge Street  
Sydney NSW 2000

Attention: Melissa Lim

Dear Ms Lim,

We refer to your correspondence dated 19 August 2019 concerning Latrobe Magnesium Limited's (LMG) availability of cash to continue funding its operation. LMG maintains that it has sufficient funding available to fund its operation into the second quarter of this year and it will be putting in place the necessary funding to continue its operation in that second quarter.

We respond to your questions raised as follows:

**Question 1. Does LMG expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

LMG will continue to have negative operating cash flows until it commissions its first magnesium plant which is projected to start operations in December 2020.

**Question 2. Has LMG taken steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

LMG has funded its operations to date from capital raisings and receiving research and development tax rebates for the money invested in its project. LMG's funders of its tax rebates are interested in supporting the company with additional funds.

LMG is also finalising its feasibility study on the development of its initial magnesium plant in the Latrobe Valley. The funding requirements of LMG will be decided once this study has been completed. The completion of this study is scheduled for the end of this month.

LMG are in the process of determining its project funding requirements for next year and are having these discussions with its potential funders.

LMG has had initial discussions with both project and equity providers concerning the Company's funding requirements and all parties have been supportive of the project. These parties are waiting on the results of the feasibility study before finally committing to a particular funding structure. Indicative results and discussions have been positive.

**Question 3. Does LMG expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

As per the answer in Question 2, LMG will continue to fund its existing operations as it always has. LMG has the ability to reduce both its administration and evaluation costs following completion of its feasibility study which concludes in the current quarter. LMG has shown this ability in the past and with the support of its directors have provided loans which have later been converted in equity.

As mentioned in the answer to Question 2, it also has the support of its traditional research & development funders.

**Question 4. Please confirm that LMG is complying with Listing Rule 3.1 and there is no information about its financial condition that should be given to ASX in accordance with that rule that has not been already released to the market?**

LMG confirms that it believes it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

**Question 5. Please confirm that LMG's responses to the questions above have been authorized and approved under its published continuous disclosure policy or otherwise by its board or an officer of LMG with delegated authority from the board to respond to ASX on disclosure matters?**

LMG's responses to these questions are in agreement with LMG's published continuous disclosure policy which states that "the company secretary in consultation with the CEO and directors is responsible for communications with the ASX".

Should you require any additional information, please do not hesitate to contact me or our CEO, David Paterson.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Lee', is written over a light grey rectangular background.

**John Lee**  
**Company Secretary**



19 August 2019

Reference: ODIN04869

Mr David Paterson  
Chief Executive Officer  
Latrobe Magnesium Limited  
Suite 307, Level 3 20 Barrack St  
Sydney NSW 2000

By email

Dear Mr Paterson

**Latrobe Magnesium Limited ('LMG'): Appendix 5B Query**

ASX refers to LMG's Appendix 5B quarterly report for the period ended 30 June 2019 lodged with ASX Market Announcements Platform on 18 July 2019 (the 'Appendix 5B').

ASX notes that LMG has reported:

- negative net operating cash flows for the quarter of \$649,000;
- cash at the end of the quarter of \$402,000; and
- estimated cash outflows for the next quarter of \$360,000.

It is possible to conclude, based on the information in the Appendix 5B that if LMG were to continue to expend cash at the rate indicated by the Appendix 5B, LMG may not have sufficient cash to continue funding its operations.

In view of that, ASX asks LMG to respond separately to each of the following questions and requests for information:

1. Does LMG expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has LMG taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does LMG expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that LMG is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that LMG's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of LMG with delegated authority from the board to respond to ASX on disclosure matters.

**When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AEST Thursday, 22 August 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in LMG's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under

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Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, LMG's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [ListingsComplianceSydney@asx.com.au](mailto:ListingsComplianceSydney@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1 and Listing Rule 3.1A**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to LMG's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that LMG's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in LMG's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Enquiries**

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

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**Melissa Lim**  
Adviser, Listings Compliance (Sydney)