
LATROBE MAGNESIUM COMPLETES FEASIBILITY STUDY

- ***Construction of an initial \$54m 3,000 tonne pa magnesium plant in Latrobe Valley expected to begin December 2019***
- ***54 direct jobs plus up to 75 construction jobs***
- ***Expanded plant to produce 40,000 tonnes of magnesium pa with 370 new jobs plus up to 240 construction jobs***
- ***Yallourn ash from its ash landfill sufficient for over 10 years' production of 40,000 tpa***

2 September 2019, Sydney Australia: Latrobe Magnesium Limited (ASX:LMG) has successfully completed its Feasibility Study and is presently negotiating access to ash to supply its proposed magnesium plant. The study results are subject to further experimental and equipment testing but are extremely positive showing a higher potential EBITDA owing to increases in the magnesium price over the past two years.

In two years, the demand for magnesium has increased to approximately 1 million tonnes per annum largely due to increasing use of magnesium alloys in cars that reduce weight with reduced energy consumption and emissions.

On 16 January 2018 LMG entered into a Memorandum of Understanding with EnergyAustralia Yallourn Pty Ltd to supply its ash to LMG's proposed 3,000 tonnes per annum magnesium plant. The project was divided into four stages. It has now completed two of those stages and is moving into stage 3 "the construction of a 3,000 tpa plant". Subject to agreeing terms of ash supply with EnergyAustralia and other conditions, LMG expects to make a final investment decision and commence construction of stage 3 by December 2019. The fourth stage involves the expansion to a 40,000 tpa plant.

The 3,000 tpa magnesium plant is estimated to make an EBITDA of up to \$5.6 million per annum when it is operating at its name plate capacity and will provide the necessary information and confidence for LMG to proceed to a 40,000 tpa plant. The initial plant is estimated to employ up to 54 on-going direct employees and contractors and the expanded plant is estimated to employ approximately 370 people during operations. Between 50-75 construction jobs will be needed with the initial plant and up to 240 to construct the expanded plant.

A forward work plan has been developed to schedule the design, build and testing of the equipment selected in the feasibility study. This plan details what is required to be completed so that construction can start on the Tramway Road site in December 2019.

LMG will need to submit a research, development and demonstration approval with the EPA and will hold a community briefing within the next month.

The feasibility study estimates the capital cost to be in the order of \$54 million. This estimate includes design growth and contingencies of \$6 million. LMG has estimated that it will require a further \$2 million for working capital. The total funding required will therefore be \$56 million.

On 9 August 2016 LMG received a certificate for Advance Finding under Section 28A of the Industry Research and Development Act 1986 (Act). Under the Act, LMG was registered for the three years (2016, 2017 and 2018) and it was entitled to receive a cash rebate for 43.5% of all eligible expenditure at that time of the proposed plant and its operating costs for the first 12 months of operations. The initial plant activities are similar if not the same as these activities that were approved by AusIndustry previously. LMG will be submitting a new advanced finding application in the next month to cover the initial plant and its activities. LMG believes that up to \$28 million of project funding could be available if these activities are approved.

With the completion of this study LMG is now in a position to approach the Commonwealth and Victorian governments for formal consideration of LMG's grant request of up to \$12 million.

The balance of funds, some \$16 million, will be raised by a mix of exclusivity payments and equity from LMG's currently interested sophisticated investors and supplementary cementitious material partners.

After completion of these funding arrangements, LMG expects to commence construction work on site in December 2019.



David Paterson
Chief Executive Officer

About Latrobe Magnesium

Latrobe Magnesium is developing a magnesium production plant in Victoria's Latrobe Valley using its world-first patented extraction process. LMG intends to extract and sell magnesium metal and cementitious material from industrial ash, which is currently a waste stream from brown coal power generation.

LMG has completed a feasibility study validating its combined hydromet / thermal reduction process that extracts the metal. Production from its initial 3,000 tonne per annum magnesium plant is due to start in 2021. The plant will be in the heart of Victoria's coal power generation precinct, providing immediate access to feedstock.

LMG plans to sell the refined magnesium under long-term contracts to Australian and overseas users. Currently, Australia imports 100% of the 8,000 tonnes annually consumed.

Magnesium has the best strength-to-weight ratio of all common structural metals and is increasingly used in the manufacture of car parts, laptop computers, mobile phones and power tools.

The LMG project is at the forefront of environmental benefit – by recycling power plant waste, avoiding landfill and is a low CO₂ emitter.