LATROBE MAGNESIUM LIMITED
AND ITS CONTROLLED ENTITIES

ABN 52 009 173 611

HALF YEAR
FINANCIAL REPORT

31 DECEMBER 2020

TABLE OF CONTENTS

	Page
Company Directory	3
Directors' Report	4
Auditor's Independence Declaration	9
Statement of Profit or Loss and other Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Directors' Declaration	22
Independent Auditor's Review Report	23

COMPANY DIRECTORY

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David Paterson
Kevin Torpey
Philip Bruce
John Lee

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Chief Executive Officer
David Paterson

Secretary
John Lee

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20 Bridge Street
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ASX CODE: LMG

DIRECTORS' REPORT

The Directors submit the financial report of Latrobe Magnesium Limited ("the Company" or "LMG") and of the Group being the Company and its subsidiaries for the half-year ended 31 December 2020.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are:

J S Murray	Chairman
D O Paterson	CEO & Executive Director
K A Torpey	Non Executive Director
P F Bruce	Non Executive Director
J R Lee	Non Executive Director

REVIEW OF OPERATIONS

The consolidated loss of the Group for the half-year after providing for income tax was $1,503,931 (2019: $866,478). The loss was mainly due to the feasibility study on the Latrobe magnesium plant, design of the initial plant and its environmental impact, and further test work on Yallourn fly-ash.

During the half year ended 31 December 2020, the Company has made significant progress with:

i. updating feasibility study and completing value engineering exercise to reduce capital costs;
ii. securing Advance Finding under the Section 28A of the Industry Research and Development Act for its 3,000tpa magnesium plant.;
iii. achieving EPA approval to develop the project in the Latrobe valley;
iv. engaging GHD undertaking ongoing environmental and traffic assessment; and
v. commencing design and engineering, value engineering studies and the tender of the spray roaster – the long lead time item of equipment.

LATROBE MAGNESIUM PROJECT

1. Ash Supply Agreement

In October 2019, Latrobe Magnesium Limited signed an agreement with EnergyAustralia Yallourn Pty Ltd (Yallourn) to secure ash supply to LMG's initial 3,000 tonnes per annum magnesium plant for the next ten years.

The agreement requires certain approvals and conditions to be satisfied. It also deals with the principal issues in relation to Yallourn increasing its supply of ash to LMG's 40,000 tpa planned expanded magnesium plant. There are a number of conditions that need to be addressed before this expansion can occur.

DIRECTORS' REPORT

The ash supplied to LMG's initial plant represents only 12% of Yallourn's current annual production. LMG has identified other sources of feed stock for its 40,000 tpa plant should the power station be closed earlier for any reason.

2. Feasibility Study

In May 2020, LMG updated its feasibility study to its 3,000 tpa magnesium plant to incorporate the latest production flowsheet. The updated numbers estimated to generate EBITDA in the range between $4.0 million to $4.5 million per annum when it is operating at its name plate capacity.

The initial plant is estimated to still employ up to 54 on-going direct employees and contractors and 50 to 75 construction jobs.

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 completed a Value Engineering exercise and determined the capital cost can be reduced to $50 million. It has also identified annual energy savings of up to $1 million.

3. Community Briefings

In December 2019, LMG organised a community briefing to outline the project to all stakeholders in the Latrobe Valley so that they had the opportunity to be fully informed and understand the benefits of the project. The briefing was well attended and the presentation was well received by the participants.

Due to COVID-19 restrictions on public gatherings, LMG could not hold a second public meeting. LMG placed two advertisements in the Latrobe Valley Express notifying the public that project information in relation to the EPA reports was available and could be accessed on its website.

LMG has also agreed to hold annual briefings in the Valley to advise all stakeholders on the development of the project and report on the emissions and other matters that are interesting to the Community. LMG believes in having a social licence with the Community in which it operates.

4. Latrobe Council Planning Permit

On 5 June 2020, LMG.s application to the Latrobe City Council for planning approval to use and develop the site for its initial 3,000 tpa magnesium plant at 320 Tramway Road Hazelwood North was approved and a certificate issued.

LMG remains committed to progressing this project to safely re-process mining waste, generating jobs and developing a new industry in the Latrobe Valley.

5. EPA Planning Approval

On 16 September 2020, LMG's application to the Environmental Protection Authority (EPA) for its research, development and demonstration application for its initial 3,000 tpa magnesium plant at 320 Tramway Road Hazelwood North was approved and a certificate issued. The approval allows LMG to operate the plant for a period of 18 months post the commissioning stage.

DIRECTORS' REPORT

The EPA's approval comes with mainly standard conditions which need to be fulfilled before construction or commissioning of the plant.

6. The Magnesium Metal Production Facility

LMG plans to establish a "demonstration-scale" magnesium metal production facility using ash from the Yallourn W power station as raw material. Construction will commence on site in March 2021.

The chosen site, at 320 Tramway Road, Hazelwood North, is part of industrial zone, but still relatively-close to the Yallourn Power Station, in order to minimise transport of the ash. The plan is to re-purpose the existing buildings, bringing in new equipment and facilities. The bulk of the production facility is to be housed within the existing building located at the southern end of the site. Truck access will be from Second Avenue (not the main road) and loading/unloading will be on the west side of the existing building.

The intention is that the facility would then operate for about 12 months, in order to demonstrate the production process. Operations beyond that time are possible but LMG has made no decision and any plan to do so would also need further Council and EPA approval.

The extraction of magnesium from brown coal fly ash is a new industrial process. It will involve dissolving magnesium from the ash and its recovery as solid magnesium oxide. This can then be reduced to magnesium metal using the conventional high-temperature process. Because the magnesium is removed to a high degree, the material remaining should be able to be utilised as a cement substitute in the construction industry.

The process is anticipated to have 50 percent reduction in carbon emissions compared to the usual normal magnesium industry performance. This is due to the lower concentration of carbonates in the fly ash, compared with the normal dolomite ore feedstock. Also, the key chemical consumable, ferrosilicon, is manufactured using hydro-electricity.

7. Warrant Issue

Under the October 2018 funding agreement with RnD Funding Pty Ltd, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the drawdown dates.

Under the October 2019 funding agreement with RnD Funding Pty Ltd, LMG has issued 35,889,199 unlisted warrants. The warrants have an exercise price of $0.03 and are exercisable for a period up to 3 years post the drawdown date.

8. Company Funding

On 30 July 2020, LMG received an Advance Finding Certificate under Section 28A of the Industry Research and Development Act 1986 (Act) for its 3,000tpa magnesium plant using its new acid hydromet process. LMG will be entitled to receive a cash rebate for 43.5% of all eligible expenditure spent on its seven experimental activities. This rebate should be up to $24 million over the next three years. 2020 is the first of these three years and the Company received its tax rebate of $8.79 million in January 2021.

Following receipt of these funds, the Company was able to pay off all its debts and have some $5.2 million in its bank account which provides funding to continue its development of its initial plant.

DIRECTORS' REPORT

9. Project Funding

LMG intends to fund up to $50 million of its capital costs by raising the following finances:

Type of Finance	A$M's
Project Finance	30
Equity Placement	20
Total Funds	**50**

(i) Project Finance

The Company has received non-binding Term Sheets from two separate parties who have agreed to provide these funds. The Company is currently still in negotiations with these parties.

(ii) Equity Placement

The Company is in discussion with a number of potential cornerstone investors who are interested to invest $20 million in the Company.

EVENTS SUBSEQUENT TO REPORTING DATE

On 24 December 2020, the review of LMG's R&D Tax Rebate application was completed and LMG received a rebate of $8.79 million on 11 January 2021

On 9 January 2021, the review of GST refund was also completed and LMG received a refund of $1.9 million.

In the Annual General Meeting of 23 December 2020, shareholder approval was sought in accordance with ASX Listing Rule 10.11 to issue shares to related parties of the Company to convert outstanding Directors fees to equity. On 12 January 2021, 17,334,182 fully paid shares were issued to the five Directors and the Project Director at $0.022 amounting to $381,352. ASX and ASIC were notified of this issue of securities.

At the date of completion of the financial report, the Group is continuing to monitor and respond to the effects of COVID-19. The Group has implemented appropriate COVID-19 policies designed to minimise the risk of transmission of COVID-19 among its workforce and local communities while minimising the risk of disruption to its ongoing activities.

There has not otherwise arisen in the interval between the end of the financial half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the consolidated entity to significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 9 for the half-year ended 31 December 2020 and forms part of this report.

DIRECTORS' REPORT

This report is signed in accordance with a resolution of the Board of Directors.

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

16 March 2021

Nexia Australia

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF LATROBE MAGNESIUM LIMITED

As lead auditor for the review of Latrobe Magnesium Limited and its controlled entities for the financial half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

(a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) No contraventions of any applicable code of professional conduct in relation to the review.

Nexia

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Sydney
Dated 16/03/2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 31 December 2020

	Note	Consolidated Entity 31 December 2020 $	31 December 2019 $
Revenue			
Finance Income		200	2,074
Other Income			
- Government Grants		18,500	0
- Research and development tax rebate	2	305,695	233,210
		324,395	235,284
Research and evaluation expenses		(311,670)	(175,440)
Finance Costs		(859,115)	(374,424)
Administration expenses		(657,541)	(551,898)
Loss before income tax expense		(1,503,931)	(866,478)
Income tax expense		-	-
Loss attributable to members of the parent entity		(1,503,931)	(866,478)
Other Comprehensive Income			
Other comprehensive income		-	-
Total comprehensive income		(1,503,931)	(866,478)
		No.	**No.**
Average weighted shares on issue		1,296,503,069	1,296,503,069
Losses per share (cents per share)		(0.12)	(0.07)
Diluted losses per share (cents per share)		(0.12)	(0.07)

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
For the half year ended 31 December 2020

	Note	Consolidated Entity 31 December 2020 $	Consolidated Entity 30 June 2020 $
Current Assets			
Cash and cash equivalents		5,945	38,529
Trade and other receivables	3	11,011,600	8,856,461
Total Current Assets		11,017,545	8,894,990
Non-Current Assets			
Property plant & equipment		1,296	1,571
Intangible assets	4	6,905,851	6,897,535
Initial Plant	9	62,580	-
Trade and other receivables		19,287	19,287
Right-of-use Asset	8	58,784	80,455
Total Non-Current Assets		7,047,798	6,998,848
Total Assets		18,065,343	15,893,838
Current Liabilities			
Borrowing	5	4,824,803	3,655,688
Trade and other payables		2,909,822	386,018
Lease Liability	8	71,491	56,392
Total Current Liabilities		7,806,116	4,098,098
Non Current Liabilities			
Lease Liability		-	32,582
Deferred Income		8,104,695	8,104,695
Total Non Current Liabilities		8,104,695	8,137,277
Total Liabilities		15,910,811	12,235,375
Net Assets		2,154,532	3,658,463
Equity			
Issued capital	7	33,562,283	33,562,283
Warrant Reserves	6	382,240	382,240
Accumulated losses		(31,789,991)	(30,286,060)
Total Equity		2,154,532	3,658,463

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2020

	Note	Issued Capital $	Warrant Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2019		33,562,283	50,201	(28,205,889)	5,406,595
Warrants Issued	6	-	332,039	-	332,039
Total comprehensive income		-	-	(866,478)	(866,478)
Balance at 31 December 2019		33,562,283	382,240	(29,072,367)	4,872,156
Balance at 1 July 2020		33,562,283	382,240	(30,286,060)	3,658,463
Warrants Issued	6	-	-	-	-
Total comprehensive income		-	-	(1,503,931)	(1,503,931)
Balance at 31 December 2020		33,562,283	382,240	(31,789,991)	2,154,532

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2020

	Consolidated Entity	
	31 December 2020 $	31 December 2019 $
Cash Flows from Operating Activities		
Receipts from operations	18,500	705,430
Payments to suppliers and employees	(352,968)	(789,089)
Interest received	200	958
Interest and other cost of finance paid	-	(55,144)
Net Cash used in Operating Activities	(334,268)	(137,845)
Cash Flows from Investing Activities		
Purchase of Plant & Equipment	-	(117)
Payment for International Patent Costs	(8,316)	(5,122)
Net Cash used in Investing Activities	(8,316)	(5,239)
Cash Flows from Financing Activities		
Repayment of Borrowing	-	(640,000)
Loan Funding	310,000	850,000
Net Cash provided by Financing Activities	310,000	210,000
Net Increase in Cash and Cash Equivalents	(32,584)	66,916
Cash and Cash Equivalents at Beginning of Period	38,529	401,750
Cash and Cash Equivalents at End of Period	5,945	468,666

The financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2020

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Basis of preparation

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2020 and are not expected to have any significant impact for the full financial year ending 30 June 2021.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern Basis of Accounting

For the half year ended 31 December 2020 the consolidated entity recorded a net loss of $1,503,931 (2019: $866,478) and a net cash outflow from operating activities of $334,268 (2019: $137,845).

Notwithstanding the loss for the half year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on cash on hand and the financial facilities available to the consolidated entity at balance date, and the collection of trade and other receivables after the end of the financial period.

The Company has prepared cash flow forecasts for the above described base case scenario for the period up to September 2022. The base case models the continuation of the current level of operations without the construction of the pilot plant, as the Company is able to delay that project if funding is constrained.

Payment of R&D tax rebate and GST refund totalling $10.6 million was made to the Company in early January 2021. The Company is therefore satisfied that it will be able to continue to operate as a going concern on this basis. The Company nevertheless intends to raise the funding to complete the construction of the pilot plant by June 2022.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2020

NOTE 2 LOSS FROM ORDINARY ACTIVITIES

The following revenue and expense items are relevant in explaining the financial performance of the interim period.

		Note	Consolidated Entity 31 December 2020 $	31 December 2019 $
(i)	Revenue			
	Finance Income		200	2,074
	Other Income - Government Grants		18,500	-
	- Research & development tax rebate		305,695	233,210
			324,395	235,284
(ii)	Expenses			
	- Depreciation		39,675	398
	- Research and Evaluation Expenses		311,670	175,440
	- Directors Fees		218,514	218,514

NOTE 3 TRADE DEBTORS

	Note	Consolidated Entity 31 December 2020 $	30 June 2020 $
GST Refund		1,909,146	42,202
R&D Tax Rebate 2019-20		8,793,842	8,793,842
Prepayment		2,917	20,417
R&D Tax Rebate 2020-21		305,695	-
		11,011,600	8,856,461

In January 2021, the Company received the GST refund and the R&D tax rebate for 2020. From the $10,683,982 received, the Company was able to repay its debt financing and trade creditors and have some $5.15 million in its bank account as at 15 January to assist with the development of its initial plant.

NOTE 4 INTANGIBLE ASSETS

	Consolidated Entity 31 December 2020 $	30 June 2020 $
Research and Development in Progress	5,684,000	5,684,000
Ecoengineers Pty Ltd acquisition	1,080,000	1,080,000
	6,764,000	6,764,000
International Patent Costs	141,851	133,535
	6,905,851	6,897,535

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2020

NOTE 5 BORROWING

	Consolidated Entity	
	31 December 2020 $	30 June 2020 $
Current		
R&D Loan Facility	510,868	458,134
Warrant Loan Facility	3,741,304	2,965,099
Directors' Loan Facilities	572,631	232,455
Total	4,824,803	3,655,688

All these facilities were repaid in full in January 2021.

i. R&D loan facility

Interest Rate:	0.9375% per month
Maturity Date	31 October 2020
Repayment	Cash in full from R&D tax rebate
Balance as at 30-Jun-20	458,134
Finance fee capitalised	5,500
Accrued Interest	47,234
Loan as at 31 December 2020	**$510,868**

ii. Warrant Loan Facility

Interest Rate:	1.25% per month
Maturity Date:	31 October 2020
Repayment:	Cash in full or refinancing into a project finance facility
Balance as at 30 June 2020	$2,965,099
Finance fees capitalised	64,617
Interest accrued	506,726
Warrant Costs	204,862
Loan as at 31 December 2020	**$3,741,304**

iii. Directors' Loans

Interest Rate:	1% per month
Maturity Date:	31 December 2021
Repayment:	Cash in full or by Issue of LMG shares
Balance as at 30-Jun-20	$232,455
Additional Loan at 26-Oct-20	300,000
Additional Loan at 16-Dec-20	10,000
Finance fees capitalised	9,000
Interest accrued	21,176
Loan as at 31 December 2019	**$572,631**

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2020

NOTE 6 UNLISTED WARRANTS

Under the term of the warrant loan facility of $1.5 million, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the draw down dates which were 10 October 2018, 14 December 2018 and 29 March 2019. The value of the warrants using Black-Scholes Option Value method is $50,201.

Under the term of the increased warrant loan facility of $2.7 million, LMG issued 35,889,199 unlisted warrants. The warrants have an exercise price of $0.03 and are exercisable for a period up to 3 years post the draw down date which was 21 October 2019. The value of the warrant using Black-Scholes Option Value method is $332,039.

Unlisted Warrants	
Total warrants outstanding at beginning of the period	12,495.000
Granted in the period	35,889,199
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	48,384,199

NOTE 7 ISSUED CAPITAL

	Consolidated Entity	
	31 December 2020	**30 June 2020**
	$	**$**
(a) Ordinary Shares Issued and Fully Paid		
Movements in ordinary shares on issue:		
Balance at beginning of reporting period	33,562,283	33,562,283
Balance at end of reporting period	33,562,283	33,562,283
(b) Shares on Issue	**No.**	**No.**
Balance at beginning of reporting period	1,296,503,069	1,296,503,069
Share Issues:	-	-
Balance at end of reporting period	1,296,503,069	1,296,503,069

NOTE 8: LEASING COMMITMENTS

Right of Use Assets

The Company's office lease commenced on 1 December 2018 and is expiring on 30 November 2021. This lease was finally executed in January 2020 due to change of building management. Rental increase is 4% per annum in December 2020. The monthly rent, outgoings and cleaning totalling $6,300 is payable monthly in advance.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2020

On initial application of AASB 16, the Group elected to record right-of-use assets based on the corresponding lease liability in the statement of financial position as at 1 July 2019. Using the simplified approach, right-of-use assets of $137,247 and the lease obligations of $137,247 were recognised, which included elements of the Government COVID-19 rental waiver scheme from April to October 2020 adopted by the Landlord, Sydney City Council. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019, being 5.04%.

In December 2020, the building manager advised that the Company was only entitled to 29% of the rental reduction after assessment. The Right of Use Asset is therefore increased to $154,976; and depreciation and interest have been adjusted accordingly.

	Consolidated Entity	
	31 December 2020 **$**	**30 June 2020** **$**
Right of Use Asset	154,976	137,247
Accumulated Depreciation	(96,192)	(56,792)
	58,784	80,455
Lease Liability	154,976	137,247
Interest Expense July 2019 to December 2020	8,301	5,261
Lease Payments July 2019 to December 2020	(91,786)	(53,534)
Lease Liability at end of year	71,491	88,974
Current Lease Liability	71,491	56,392
Non Current Lease Liability	-	32.582
Total Lease Liability	71,491	88,974

The Company extended its option agreement to lease a property at 320 Tramway Road, Morwell, Victoria to 31 March 2021. This option agreement has been signed and it is intended to exercise the option in March 2021. This site is intended for the installation of the future magnesium plant and associated facilities.

NOTE 9: INITIAL PLANT

Preparation work is being carried out for the construction of the initial 3000 tpa magnesium plant. Engineering studies and design work has started, construction contracts have been prepared and the tendering of the spray roaster has been completed and is waiting for the contract to be awarded. These costs have been capitalised in these accounts.

The plant is expected to be completed in June 2022.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2020

NOTE 10: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with and amounts receivable from and payable to Directors of related parties or their director related entities which:

a. occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is resonable to expect the entity would have adopted if dealing with the director or director related entities at arms length in the same circumstances;

b. do not have the potential to adversely affect decisions about the allocations of scarce resources made by users of the financial report, or the discharge of accountability by the directors if disclosed in the financial report only by general description; and

c. are trivial or domestic in nature must be excluded from the detailed disclosures required. Such transactions and amounts receivable or payable shall be disclosed in the financial report by general description.

Other related entities		**Consolidated Entity 31 December 2020 $**	**Consolidated Entity 31 December 2019 $**
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	22,500	22,500
(ii)	Director's fees were paid to Famallon Pty Ltd of which K A Torpey is a principal.	13,404	13,404
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	13,404	13,404
(iv)	Director's loan provided by D O Paterson, principal loan plus interest	175,156	61,133
(v)	Director's loan provided by Famallon Pty Ltd of which K A Torpey is a principal, principal loan plus interest.	165,020	59,990

NOTE 11 SEGMENT INFORMATION

AASB 8 requires a management approach under which segment information is presented on the same bases as that used for internal reporting purposes. The Group consists of one business segment being the development of its Latrobe Magnesium Project.

NOTE 12 CONTINGENT LIABILITIES

There are no contingent liabilities and there has been no change in contingent liabilities since the last annual reporting date.

NOTE 13 EVENTS SUBSEQUENT TO BALANCE DATE

On 24 December 2020, the review of LMG's R&D Tax Rebate application was completed LMG received a rebate of $8.8 million on 11 January 2021

On 9 January 2021, the review of GST refund was also completed LMG received a refund of $1.9 million.

In the Annual General Meeting of 23 December 2020, shareholder approval was sought in accordance with ASX Listing Rule 10.11 to issue shares to related parties of the Company to convert outstanding Directors' fees to equity. On 12 January 2021, 17,334,182 fully paid shares were issued to the five Directors and the Project Director at $0.022 amounting to $381,352. ASX and ASIC were notified of this issue of securities.

At the date of completion of the financial report, the Group is continuing to monitor and respond to the effects of COVID-19. The Group has implemented appropriate COVID-19 policies designed to minimise the risk of transmission of COVID-19 among its workforce and local communities while minimising the risk of disruption to its ongoing business activities.

There has not otherwise arisen in the interval between the end of the financial half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the consolidated entity to significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

NOTE 14 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value calculations performed in recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of the intangible assets for the half year ended 31 December 2020 because:

- the Company's internal valuation indicates that the recoverable amount of the asset is greater than the book value of the assets;
- the magnesium price supports the sale price estimate used in this valuation;
- the Company is utilising a Hydromet Process and the proven Thermal Reduction Process in its process with estimates of its capital and operating costs which are based on its prefeasibility study; and
- the current market capitalisation of the Company as at 12 March 2021 is in the order of $27.6 million for this single project company.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2020

NOTE 15 CAPITAL COMMITMENT

On 19 June 2020, the Company committed to Mincore to provide design, engineering, procurement and management services for LMG's initial plant. Mincore issued an invoice for these services to be performed by them over the next 12 months for an amount of $18,632,000 from 26 June 2020.

The research and development tax rebate calculated at the rate of 43.5% payable from these services is $8,793,842, of which $8,104,695 is treated as a deferred income liability until such time as the plant is completed and depreciation commences.

As the plant is expected to be completed by 30 June 2022, this is treated as a non-current liability. Once the plant is constructed the deferred income will be reclassified as an offset against the non-current plant asset.

As at 31 December 2020, $62,580 has been committed in the initial plant.

DIRECTORS' DECLARATION
For the half-year ended 31 December 2020

In the Directors' opinion:

a) the financial statements and notes set out on pages 10 to 21 are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

    (ii) complying with Australian Accounting Standards AASB 134: Interim Financial Reporting, the Corporation Regulations 2001 and other mandatory professional reporting requirements; and

b) there are reasonable grounds to believe that the Company, with the continued support of its Directors, will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

D. Paterson

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

16 March 2021

Nexia Australia

INDEPENDENT AUDITOR'S REVIEW REPORT OF LATROBE MAGNESIUM LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Latrobe Magnesium Limited and its controlled entities, which comprises the consolidated Statement of Financial Position as at 31 December 2020, the consolidated Statement of Profit or Loss and other Comprehensive Income, consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Latrobe Magnesium Limited and its controlled entities does not comply with the *Corporations Act 2001* including:

i) giving a true and fair view of the Latrobe Magnesium Limited consolidated financial position as at 31 December 2020 and of its consolidated performance for the half-year ended on that date; and

iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Sydney
Dated: 16/03/2021