

## QUARTERLY ACTIVITIES REPORT

### 31 March 2022

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#### Highlights:

- \* **Site remediated and now ready for major construction.**
- \* **Project activities continue with the achievement of 40% engineering, completion of the early works program, and the tendering of key long lead time equipment.**
- \* **Longest lead items the Spray Roaster and Reduction Furnace have been issued for tender, with award targeted for beginning of May.**
- \* **Construction activities started with Security Gatehouse, Administration Building and carpark tendered for construction to allow mobilisation for major construction contractors.**
- \* **Suppliers' Town Hall held on 18 February 2022 at the Morwell Innovation Centre to qualify local suppliers and contractors to participate in upcoming tenders for equipment and services.**

#### 1. Engineering Update

Early works for the demonstration plant have been completed and have been successful in allowing for the remediation and preparation of the site for major construction. This will allow LMG to focus on activities necessary for the construction of the plant.

The longest lead time item, the Spray Roaster, has been issued for tender along with the Reduction Furnace with award targeted for beginning of May. Whilst continuing to tender the remaining plant equipment for the demonstration plant, LMG's coming focus will be on the preparation of the major construction packages for tendering.

Several design and engineering process milestones are complete including 40% design review and critical HAZOP workshops given the process, piping and instrumentation diagrams have been finalised and the plant layout frozen. Mincore's Mechanical, Structural and Electrical & Instrumentation engineering disciplines are continuing to complete the engineering deliverables necessary for procurement and construction.

Mincore will continue to progress procurement bid evaluations for recently tendered equipment, including the Multi-Effect Evaporator, Briquetting, Filtration, whilst continuing to progress equipment specifications and datasheets for the remaining equipment plant required in preparation for tenders.

Mincore have been on-site to evaluate the completed early works and the layout of the site and to begin preparation for the construction of the plant. LMG have tendered the upgrade of the administration building and mobilisation with the recommended local contractor is underway. Once completed, the LMG and Mincore team will mobilise to site to oversee the remaining construction of the demonstration plant.



Minor construction has been undertaken with major construction of the demonstration plant set to begin in Q2 this year. Issues such as impacts of COVID-19 and supply chain challenges have the potential to delay the project. However, the mitigation plans being actioned by the Project team has reduced this risk. Critical long lead items have been tendered on schedule and mitigate the risk of the demonstration plants scheduled completion which is still March next year.

LMG hosted a Suppliers' Town Hall on 18 of February 2022 to meet several potential contractors and suppliers for the major construction and equipment packages that will need to be issued. The Town Hall included many local suppliers and contractors, in line with LMG's goal to prioritise local suppliers within the Latrobe Valley.



LMG would like to thank the many suppliers who attended the Town Hall and are looking forward to working with several of them to complete the construction of the Demonstration Plant by 2023.

## **2. Project Funding**

LMG continues to finalise its project finance with RnD Funding for its \$23 million facility. The signing of the agreement should take place within the next two weeks with the first \$10 million drawdown schedule for May.

## **3. China Magnesium Market**

In the first quarter of 2022, the Chinese Magnesium market reduced from US\$ 7,800 per tonne at the beginning of the term and has stabilised around US\$6,500 at the end of March. Advisors believe that the structural changes caused by the Chinese Dual control Policy (high energy users and high CO2 emitters) coupled with the introduction of a Chinese Energy Trading System will lead to higher operating costs. Already there has been a US\$400 per tonne increase to operating costs and this is expected to increase further.

Owing to more semi-coking gas producer shutdowns in China, there may be more magnesium supply chain interruptions in the short term, but most advisors believe that the long-term price of magnesium will trade within the range between US\$3,000 and US\$4,000 per tonne.

## **4. Directors Appointment**

(i) Kevin Torpey

On 8 February 2022, Non-Executive Director Kevin Torpey passed away. A founding director of LMG since April 2002, Kevin was a Chartered Professional Engineer and a graduate from Sydney University. He was a highly respected member of the mining and development industry.

(ii) Michael Wandmaker

LMG was pleased to announce the appointment of Michael Wandmaker as a Non-Executive Director effective 1 April 2022. Most recently the Managing Director of Melbourne Water for more than seven years, Michael has been an Executive General Manager at both Sydney Water for three years and two years at Transfield Services and more than two and half years at UGL, during which time he spent time as the COO and Acting CEO. Michael is an experienced senior executive with a strong track record of success in building and implementing corporate strategies to deliver operational excellence and profitable growth in large, complex asset intensive organisations.

Graduating from Monash University with a Bachelor of Engineering, Mechanical and Computing, Michael has worked both internationally and in Australia on managing large scale engineering projects and companies. He is Fellow of the Institute of Engineers and has qualified as a GAICD. Michael provides a depth of engineering expertise to complement LMG's skill-based Board.

Should you have any queries in relation to this announcement please do not hesitate to contact the CEO on his mobile 0421234688.



**David Paterson**  
Chief Executive Officer

29 April 2020

## 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 fly ash, which is currently a waste stream from the Yallourn brown coal power generation.

LMG has completed a feasibility study validating its combined hydromet / thermal reduction process that extracts the metal. Construction is estimated to start on site on its initial 1,000 tonne per annum magnesium plant in second quarter of 2022 with production commencing up to 12 months later. The plant will then be expanded to 10,000 tonne per annum magnesium shortly thereafter. Further plant capacity expansion will be determined once a body of Geotech works has been carried out this year. The plant will be in the heart of Victoria's coal power generation precinct, providing immediate access to feedstock, infrastructure, and labour.

LMG plans to sell the refined magnesium under long-term contracts to USA and Japanese customers. 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 CO<sub>2</sub> emitter. LMG adopts the principles of an industrial ecology system.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Latrobe Magnesium Limited

ABN

55 009 173 611

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(116)	(554)
(b) development		
(c) production		
(d) staff costs	(454)	(907)
(e) administration and corporate costs	(1,078)	(2,361)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	12
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		814
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,641)</b>	<b>(2,996)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(1,818)	(5,613)
(d) exploration & evaluation		
(e) rent & deposit bonds		(16)
(f) other non-current assets		(11)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1,818)</b>	<b>(5,640)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		14,963
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	120	159
3.4 Transaction costs related to issues of equity securities or convertible debt securities		(870)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (payment of lease liabilities)	(4)	(178)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>116</b>	<b>14,074</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	9,735	954
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,641)	(2,996)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,818)	(5,640)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	116	14,074

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,392</b>	<b>6,392</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	46	37
5.2	Call deposits	6,346	9,698
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,392</b>	<b>9,735</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (GST receivable)	553	-
7.4	<b>Total financing facilities</b>	<b>553</b>	<b>-</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>553</b>
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,641)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,641)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	6,392
8.5 Unused finance facilities available at quarter end (Item 7.5)	553
8.6 Total available funding (Item 8.4 + Item 8.5)	6,945
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>4.2</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

8.8.2 Has the entity 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?

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

29 April 2022

Date: .....

Audit and Risk Committee

Authorised by: .....  
(Name of body or officer authorising release – see note 4)



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**Mining exploration entity or oil and gas exploration entity quarterly cash flow report**

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**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.