LATROBE MAGNESIUM REACHES FINANCIAL CLOSE FOR DEMONSTRATION PLANT

Highlights:

- * LMG signs project loan documentation for \$23M with the initial drawing of \$10M scheduled for 11 June 2022 to fund the continued construction of LMG's demonstration plant.
- * Construction of the demonstration plant has commenced and remains on track to be in production in the first quarter of 2023.
- * Once the demonstration plant is operating in accordance with its design specifications, LMG intends to develop a commercial plant with a capacity of 10,000tpa, that is expected to generate in the order of \$110M in revenue and EBITDA of \$42M.
- * This commercial scale plant will be one of the magnesium industry's lowest CO₂ emitters in the world.
- * Project activities continue with design and engineering progressing to date beyond 36%.
- * Tenders have been received for key long lead time equipment and these are currently being evaluated with contracts expected to be awarded within the next two weeks.

Project Funding

On 16 May 2022, LMG signed the finance documents with RnD Funding Pty Ltd ("RnD Funding") for the provision of \$23M of project loan funding. Together with cash on hand and future funding from exercise of LMG options at \$0.04, LMG has sufficient funds available to complete the construction of its demonstration plant.

The loan facility will be available to be drawn in three tranches:

- (i) \$10,000,000 in full, around 11 June 2022.
- (ii) \$10,000,000 in full, around 1 September 2022; and
- (iii) standby line of \$3,000,000 available to be drawn between 1 January 2023 and 30 June 2023, if there are any cost overruns.

The term of the loan is five years from the date of the first drawdown and the interest rate chargeable is 12% pa to 31 October 2023. It is LMG's intention to repay the loan before 31 October 2023 from R&D refundable tax offsets (of circa \$15M) and refinancing of the residual amount of the facility. If not repaid, the interest rate may be reset to higher levels.

In addition, LMG will issue eighty million warrants to RnD Funding at different strike prices and dates, as follows:

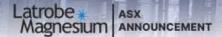
Expiry Date	Warrant Amount	Exercise Price
31/03/25	8,888,889	\$0.18
30/06/25	8,888,889	\$0.18
30/09/25	8,888,889	\$0.18
31/12/25	8,888,889	\$0.24
31/03/26	8,888,889	\$0.24
30/06/26	8,888,889	\$0.24
30/09/26	8,888,889	\$0.30
31/12/26	8,888,889	\$0.30
30/06/27	8,888,889	\$0.30

Construction Update

Detailed design and engineering is progressing on schedule, with progress moving beyond 36%. The Hazard and Operability Study (HAZOP) has been completed and regular risk reviews continue, ensuring ongoing development of mitigation plans and management of risks. 3D modelling is advancing with the 30% design review milestone held. The engineering phase has commenced the procurement stage with equipment procurement packages being developed.

LMG has in the last month received tenders for the long lead time equipment items, namely the spray roaster and reduction furnaces. The orders will be awarded to the winning tenderers in the next two weeks. These two equipment items represent 30% of the total equipment purchases. The project team will be issuing a further six equipment packages (briquetting plant, filtration, automation, thickeners, agitators, and non-metallic tanks) this week and is in the process of preparing and issuing an additional twenty equipment packages over the next month. Clarification meetings were held with the reduction furnace vendors, including visits to their fabrication premises, to ensure the successful implementation of LMG's furnace technology.

The construction execution plan is under development in accordance with the approved contracting strategy plan. Construction phase is underway with the award of civil works for car parking, and establishment of a security gatehouse to allow contractors to mobilise to site. The earthworks civil package is under development for tender to the market.



Development of LMG's stakeholder management and community engagement plan has commenced with a ramp up of communication with local stakeholders underway. LMG has increased its presence in the community in anticipation of mobilising to site with sponsorship support recently provided to the local Morwell East Football Netball Club. LMG is looking forward to continuing to engage with the Latrobe Valley community as we build a permanent presence in the region.

David Paterson

Chief Executive Officer

17 May 2022

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 resource from Yallourn brown coal power generation.

LMG has completed a feasibility study validating its combined hydrometallurgical / thermal reduction process that extracts the metal. Construction has commenced on its initial 1,000 tonne per annum magnesium plant with production targeted to commence from Q1 2023. A commercial plant will then be developed, with a capacity of 10,000 tonne per annum magnesium, shortly thereafter. Further plant capacity expansion will be considered once the 10,000 tonne per annum is operating successfully. 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 CO₂ emitter. LMG adopts the principles of an industrial ecology system.