QUARTERLY ACTIVITIES REPORT
30 June 2022

Highlights:

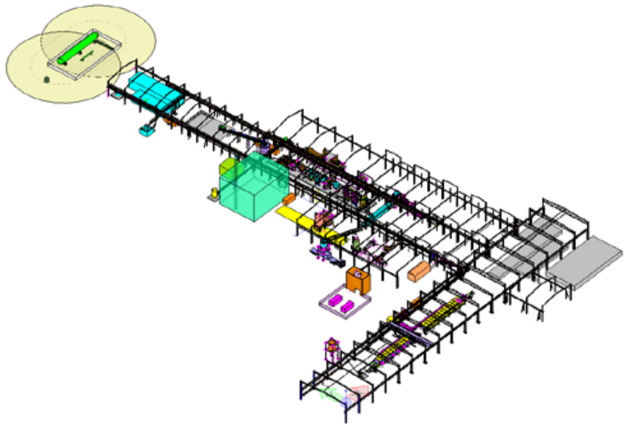
- **LMG concludes its $23M project financing facility and draws first $10M advance enabling the company to enter into agreements for its long lead capital items and continued funding for its Demonstration Plant.**
- **Project has awarded and commenced with engineering for the Spray Roaster and Reduction Furnaces packages.**
- **Project activities remain on schedule with over 50% of total engineering completed, and half of the equipment packages tendered to the market.**
- **Construction works continue with activities to allow mobilisation of contractors. The civil works package is due for tender to the market.**
- **Once the demonstration plant is operating successfully, a commercial plant will be developed to a capacity of 10,000tpa, which is expected to generate in order of $110M in revenue and EBITDA of $42M.**
- **Latrobe Magnesium has awarded a Pre-Feasibility Study (PFS) for its 100,000 tpa magnesium plant to Bechtel, a global engineering, construction, and project management company.**

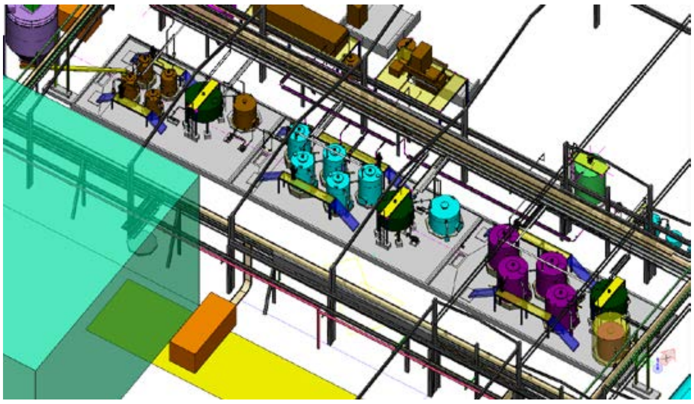
1. Engineering Update

Overall engineering progress has reached 50% and is progressing on schedule. Process engineering is 75% complete with deliverables such as the Piping and Instrumentation Diagrams (P&IDs) being continually revised to incorporate vendor information as it arrives. Mechanical engineering is focused on the development of equipment packages and managing the timely arrival of vendor engineering deliverables. Piping engineering is progressing the piping design in the 3D model ready for the upcoming 60% milestone model reviews. Civil engineering is finalising the earthworks and concrete drawings as part of the scope of work for the civil works package, due to go to tender. Electrical and Instrumentation engineering is now underway with the development of the overall electrical network and preparation of electrical equipment packages for switch rooms and control system hardware. The team is continuing to find further value engineering cost efficiencies / opportunities such as the removal of the Evaporation circuit and Calciner.

The team is focused on developing procurement packages with eighteen (18) major equipment packages issued to the market and a further seven (7) packages under development, representing 66% of the equipment packages planned to be tendered.

Suite 504, 80 Clarence St, Sydney NSW 2000 | Postal Address: GPO Box 4729, Sydney NSW 2001 | (02) 9279 2033 | lmg@latrobemagnesium.com |
Latrobe Magnesium Limited | ABN 52 009 173 611 | www.latrobemagnesium.com





The project is facing the same challenges that industry as a whole are facing, namely supply chains that are heavily disrupted by COVID, shortage of personnel, increasing costs as a result of inflation and instability in Europe affecting the markets. The project is counteracting this by moving fabrication to regions where resources are more readily available.

Fabrication of the Spray Roaster package is being shifted from Europe to Vietnam, to recover schedule and mitigate inflationary cost pressure. The fabrication of the second Reduction Furnace is being shifted to Malaysia to also recover schedule. Additional supervision and inspection will be put in place in new fabrication locations to ensure quality is maintained. The project team will continue to react to market conditions to keep the project on track and on budget with regards to procurement of equipment.

The project has awarded engineering for the Spray Roaster and Reduction furnaces to ensure the suppliers can deliver on schedule and that commitments for fabrication materials can be made. Final commercial terms are being finalised for the full award of the packages and this is anticipated early next month.

The civil works package is ready for tender to market with civil drawings completing final checks and reviews. Construction for the car parking is nearing completion with most works completed except for final asphalt paving due for completion later this month. Construction Management, Environmental & Safety Plans are being finalised ready to support contractors mobilising to site.

The project team is also preparing the necessary documentation to provide to regulators as part of the commitments in its permit conditions, as part of its progression through the project. The project is also continuing to prepare the construction industry for the upcoming arrival of construction packages.

2. Project Funding

On 24 June 2022, LMG drew down their first $10M advance of its $23M project finance facility. The second $10M advance is due to be drawn by 1 September 2022.

This drawdown allows LMG to enter into agreements for the supply of its long lead time capital items, being the Spray Roaster and the Reduction furnaces. These two items represent approximately one third of the direct equipment purchases for the demonstration plant.

Once the tender packages currently in the market have been fully awarded, LMG will be in the position to update the market on its budget cost and construction timing schedule. At this time, the schedule is on track to complete construction by May 2023 and commissioned by 30 June 2023.

3. PFS awarded to Bechtel

On 7 July 2022, LMG announced the commencement of a Pre-Feasibility Study (PFS) for its 100,000tpa magnesium plant using ferronickel slag as its feedstock.

LMG has finalised discussions with a ferro-nickel producer for the supply of 12 million tonnes of ferronickel slag over 20 years to feed this plant. LMG expects to sign a binding MoU with this supplier within the next month. The major terms and conditions have already been agreed between the parties and is now awaiting Board approval.

The study has been awarded to Bechtel, a noted global engineering, construction, and project management company, who will support a two-part study to firstly evaluate strategic investment options to maximise value and then secondly to further define the selected option to assist LMG in developing a business case and forward work plan for the Feasibility Study (FS) phase.

LMG has appointed Jasper Consult DMMC, an international consulting firm based in London and Dubai, to identify and assist LMG in making the approach to appropriate potential partners. A number of introductions have been made and enthusiastic responses been received. LMG personnel will be attending the International Magnesium Association Conference in Barcelona at the end of August. They will return to Australia via the Middle East and Malaysia where they intend to hold meetings with potential partners who have expressed an interest in participating in LMG’s 100.000tpa project.

The PFS - A phase is expected to be completed by the end of August and will be presented to potential partners. The full PFS (PFS-B phase) will be completed by the end of the year.

Bechtel is a global engineering, construction, and project management company with over 70 years of mining, metals, and minerals processing experience, which encompasses over 160 major projects and 1,300 studies covering all aspects of the ferrous, nonferrous, precious metals, and energy minerals industries. In the past ten years alone, Bechtel’s Mining & Metals global business unit has completed over 60 PFS/ FS studies and over 30 EPC/ EPCM projects globally.

Bechtel’s worldwide project delivery expertise will bring tangible benefits to the PFS to support the decision-making process for the strategic options. Bechtel’s wealth of experience in delivering projects around the globe has allowed the development of long-standing relationships within the supply chain and industry synergies supporting this study and LMG.

4. China Magnesium Market

In the second quarter of 2022, the Chinese Magnesium market reduced from US$ 6,500 per tonne at the beginning of the term and has stabilised around US$ 4,000 at the end of June. Advisors believe that the structural changes caused by the Chinese Dual control Policy (high energy users and high CO_2 emitters) coupled with the introduction of a Chinese Energy Trading System will lead to higher operating costs when compared to 2021. 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.

Should you have any queries in relation to this announcement please do not hesitate to contact the CEO on his mobile 0421 234 688.

D. Paterson

David Paterson
Chief Executive Officer

29 July 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 materialfrom 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 has started on site on its initial 1,000 tonne per annum magnesium plant and production is expected by 30 June 2023. The plant will then be expanded to 10,000 tonne per annum magnesium shortly thereafter with production expected 12 months later. 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_2 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	**Quarter ended ("current quarter")**
55 009 173 611	30 June 2022

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(275)	(829)
	(b) development		
	(c) production		
	(d) staff costs	(278)	(1,185)
	(e) administration and corporate costs	(194)	(2,555)
1.3	Dividends received (see note 3)		
1.4	Interest received	4	16
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)		
1.9	**Net cash from / (used in) operating activities**	**(743)**	**(3,739)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(52)	(5,665)
	(d) exploration & evaluation		
	(e) Investment (rent bond)		(16)
	(f) other non-current assets (patents)		(11)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 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)		
2.6	**Net cash from / (used in) investing activities**	**(52)**	**(5,692)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	288	14,788
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	-	622
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(870)
3.5	Proceeds from borrowings	10,000	10,000
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(100)	(100)
3.8	Dividends paid		
3.9	Other (payment of lease liabilities)	(20)	(198)
3.9	Other (short term lending)	(517)	(517)
3.10	**Net cash from / (used in) financing activities**	**9,650**	**23,724**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,392	954
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(743)	(3,739)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(52)	(5,692)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,650	23,724

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**15,247**	**15,247**

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	50	46
5.2	Call deposits	15,197	6,346
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**15,247**	**6,392**

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 Payments for directors' services	179
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** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	23,000	10,000
7.2	Credit standby arrangements	-	-
7.3	Other (GST & grant receivable)	1,576	-
7.4	**Total financing facilities**	24,576	10,000

7.5	**Unused financing facilities available at quarter end**	14,576

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.

Facility	$23,000,000 - Secured
Lender	RnD Funding Pty Ltd
Interest Rate	12% pa. to 31 October 2023, and 14% pa. the remaining of the term
Maturity Date	30 June 2027

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(743)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(743)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	15,247
8.5	Unused finance facilities available at quarter end (Item 7.5)	14,576
8.6	Total available funding (Item 8.4 + Item 8.5)	29,823
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	40.1

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?

Yes

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?

No

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?

Yes. On the basis of cash available.

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.

Date: 29 July 2022

Authorised by: Audit and Risk Committee
(Name of body or officer authorising release – see note 4)

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.