
QUARTERLY ACTIVITIES REPORT

31 March 2023

Highlights:

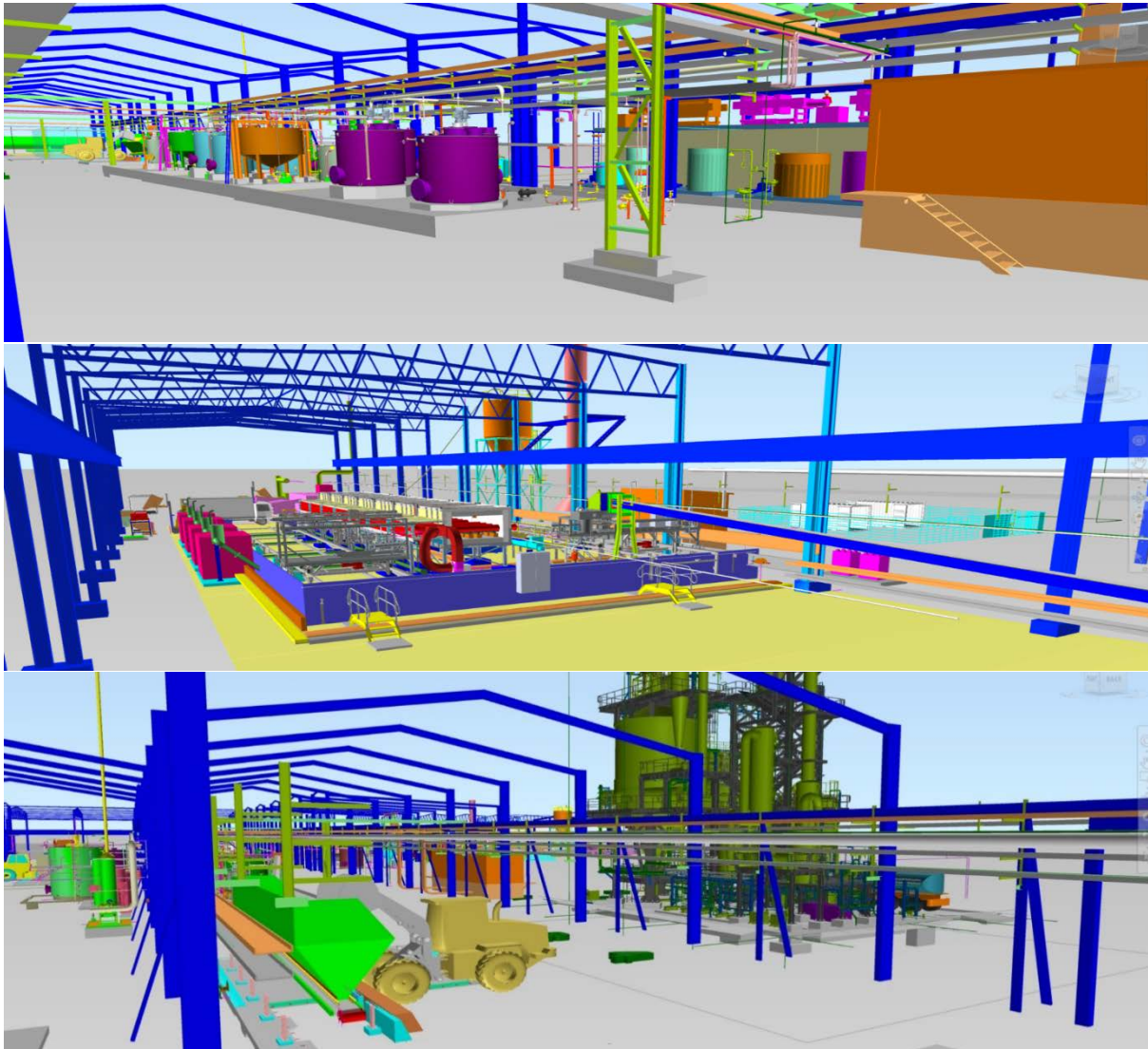
- * The project continues to progress with no health, safety, or environmental incidents to date.
- * Fabrication has progressed on over 12 separate equipment packages with some equipment deliveries already receipted on site, including components related to critical long lead equipment, the Spray Roaster and Reduction Furnace, which remain on schedule.
- * Project activities remain on budget with engineering at the 80% complete, and 83% of the equipment packages awarded.
- * Construction of main Civil Works Package, consisting 70% of the civil works for the entire project is nearing completion by end of April.
- * Latrobe Magnesium Board approved Samalaju, in the state of Sarawak in Malaysia, for the location of its Stage 3, 100,000 tpa plant project.
- * Latrobe Magnesium updates its offtake agreement with Metal Exchange Corporation for a minimum of 8,000 tpa of magnesium and the inclusion of floor prices.
- * State and Federal Government announce the Critical Minerals Program and open applications for grants. Supportive conversations with the Federal Government for Stage 2 are continuing.

1. Stage 1 Demonstration Plant Progress Update

Engineering

The project is currently 30% complete overall with engineering nearing 80% completion. Engineering's full efforts are on managing and supporting vendors during detailed design engineering and fabrication of equipment purchased.

Process engineering continues to technically support critical vendor documentation reviews as tender documentation nears completion for the remaining minor equipment packages. Process flow diagrams and Piping & Instrumentation diagrams have incorporated the majority of the Value Engineering (VE) changes, with final reviews and approvals required to finalise for construction. Consequential HAZOPs for process critical vendor packages have been successfully completed with vendors participation where necessary, with only HAZOP closeout remaining. Continued support has assisted in the finalisation of procurement of instrumentation and collaboration with the process control system integrator to implement the process control philosophy into the process control system.



Mechanical engineering is 77% complete, 17% increase in post VE opportunities investigated, returning to implement changes, manage vendors during supplier engineering, documentation reviews & fabrication, and finalise remaining tender packages to recommend awards.

The mechanical and piping design team remain focused on completing the piping and equipment modelling within the 3D model incorporating the VE changes and vendor models. Many of the design activities are complete with fabrication of subcomponents progressing. The 3D model snapshots above illustrate some the vendor equipment detailed.

Civil and Structural engineering are 70% complete, 20% increase in post VE work, with 70% of the civil works in the first construction package nearing completion – refer to Construction section for further updates. The remaining civil work areas are localised areas to be issued for construction next month.

Electrical and Instrumentation engineering is currently 50% completed, an increase of 22% post VE work, with most of the focus completing instrumentation packages already tendered to the market. Electrical engineering is continuing to support vendors with design interfaces of awarded packaged equipment and manage detailed engineering & fabrication for the Motor Control Centres' (MCC's), Switch rooms, PCS (Process Control Software) Hardware and Master Switch Board (MSB) packages.

The project team remains focused on delivering the project on budget and identifying cost reduction opportunities throughout the remainder of engineering to combat the unprecedented cost pressures that COVID impacts on supply chains and global inflation have caused.

Procurement

A total of 25 purchase orders have been issued for the Project, representing over 80% of the total equipment packages, with the following five (5) recommendations for award for the following equipment to be completed in the coming weeks:

- Condenser equipment & accessories
- Crown handling
- Compressed air system
- Instrumentation
- Manual valves.

The only package that remains to be tendered to the market is for Control and Actuated Valves which has undergone further value engineering analysis and will be issued to the market shortly.

The status of procurement is shown below.

	Number of Equipment Packages
Project Preparation	1
Tendered to Market & Under Evaluation	5
Awarded	25
Total	31

As procurement was suspended momentarily for equipment related to scope that was undergoing optimisation in the VE study, the project team have re-focused and completed the retendering, technical and commercial evaluations, and recommendations for award for all the major equipment.

Equipment purchase orders were issued to low-cost countries where additional value add was found with equipment packaged together and modularised off-site.

The Site Construction team have already started receiving equipment on site with the Safety Showers, Process Pumps and shipments for fabrication and purchased supplier sub-components related to critical long lead equipment, the Spray Roaster and Reduction Furnace package successfully receipted – refer to the images below.





In the coming weeks, the expectation is to continue to receive packages slated for delivery towards the end of April and early May, including but not limited to the following seen below:

- Vacuum Pumps
- Cooling Tower
- Retort Tubes (first batch)
- Steam Boiler
- First and second Reduction Furnace modules





Construction

The EPCM contractor's construction team continues to grow to support the upcoming Structural, Mechanical, Piping and Electrical and Instrumentation (SMPEI) construction work packages with a Health Safety and Environment (HSE) Manager mobilised full-time to support the Construction Manager on site, including the recommendation of two (2) field engineers to provide support onsite with comprehensive understanding of the equipment packages procured. Recruitment for future construction positions (i.e. SMP and E&I supervisor) continues to remain a priority with multiple candidates shortlisted.

The civil and concrete works have progressed well with the ash handling, leaching, impurity removal, brine and reduction furnace areas completed with concrete slab bunker with plinths, seen below.



The vacuum pump slabs and pipe support footings have commenced with excavation and blinding completed and concrete slab pour planned in the coming weeks. The Spray Roaster has continued its progress with footing excavation and concrete works for slab and pedestals now complete. The civil works package remains on schedule to be completed by the end of April 2023.



The development of the SMPEI construction packages are continuing to progress.

2. Project Funding

On 24 April 2023, LMG increased its project finance facility from \$23M to \$26M to provide funds for operational working capital purposes to be used once the demonstration plant becomes operational after 30 September 2023.

The drawdowns are more flexible and more in line with LMG's capital requirements to fund the completion of the demonstration plant and also fund its working capital requirements in 2024.

The Lender advanced \$10M of the project facility on 24 June 2022. The remaining \$16M of the facility will be completed by:

- (i) drawing \$7M in full, on or before 26 April 2023,
- (ii) drawing \$3M in full, between 15 May 2023 and 30 June 2023,
- (iii) drawing \$3M in full, between 23 June 2023 and 30 June 2023, and
- (iv) drawing \$3M in full between 15 July 2023 and 31 August 2023.

Initially the second \$10M advance of this facility was due to be drawn by 1 September 2022. The interest saved by delaying this drawdown for 7.5 months is in the order of \$750,000.

LMG has been approved to claim the capital and certain operating costs of all eligible demonstration plant costs for Research and Development rebate purposes. LMG estimate that the rebates claimed for the 2023 year and the 2024 year will be in the order of \$17M and \$5M respectively. These funds will be used to repay the principal of this \$26M facility. In 2022, some \$1.5M in rebates were used to repay the existing facility.

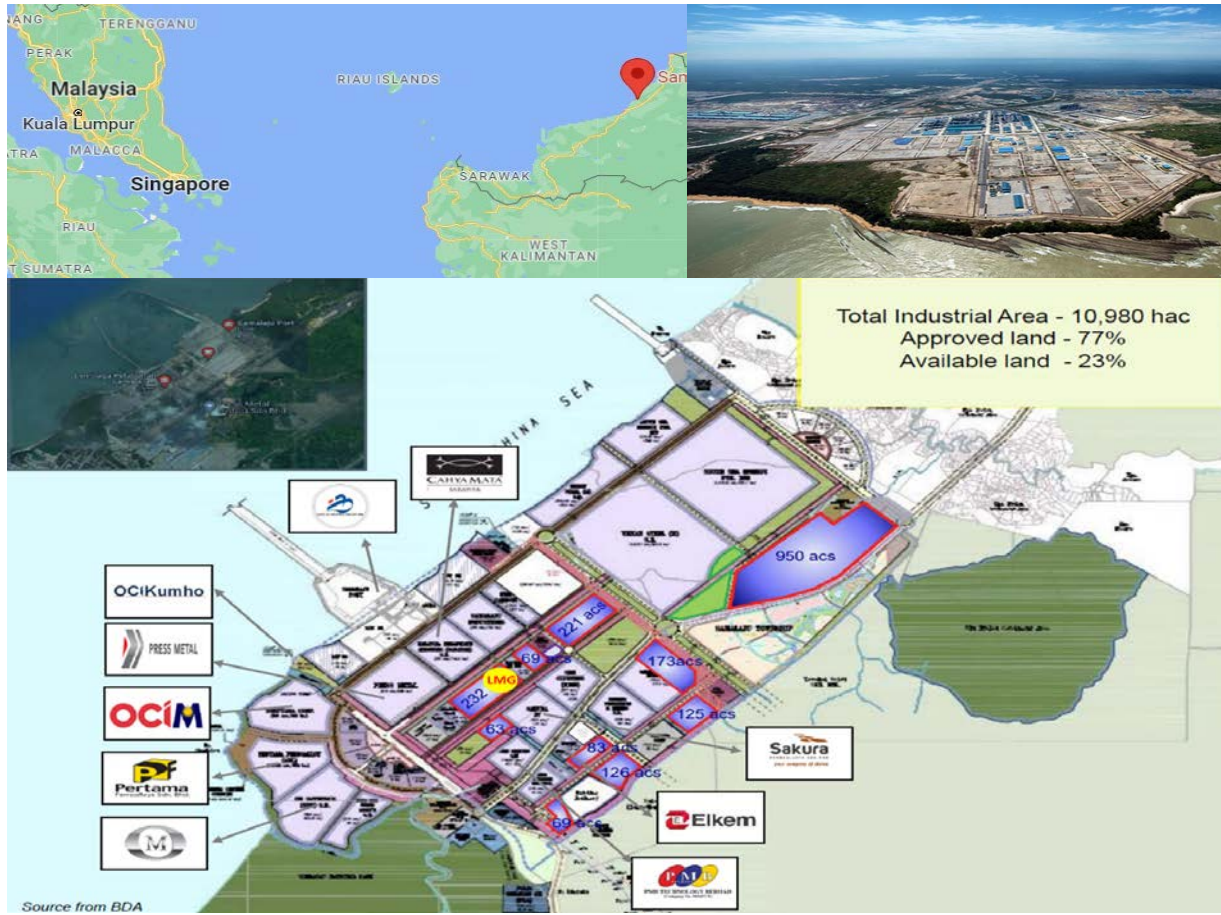
LMG has agreed to issue 15M LMG ordinary shares for:

- increasing in the project facility limit;
- providing no further interest rate rise on the facility even though there have been 8 interest rate rises since the facility was entered into;
- allowing more flexible terms in relation to the timing of drawdown, allowing LMG to save interest; and
- taking LMG shares for payment of all fees and freezing old interest rates.

3. Stage 3, 100,000tpa Plant Project: PFS – A Study

On 27 March 2023, LMG selected the Samalaju Industrial Park in Sarawak, Malaysia, as the preferred location for its Stage 3, 100,000tpa plant project. The Samalaju location was selected over Ras Al Khair, Saudi Arabia, and Duqm, Oman, due to the following notable strengths:

- **Availability of hydroelectric power generation** – operating 100% renewable power, with the process plant achieving net zero emissions immediately after commissioning.
- **Local production of ferrosilicon** – presence of the major ferrosilicon producers, one of the largest reagent requirements.
- **Substantial modern bulk handling port** to cater for both imports and export of LMG products – the port can move 7 Mtpa of bulk products and is planned to expand to 18 Mtpa.
- **Large workforce capability** – substantial industrial employment base in Samalaju Industrial Park and nearby areas.
- **Supporting services** – significant supporting industries located nearby in Bintulu, population of 300,000, that not only supports Samalaju but the Petronas LNG complex, one of the largest in the world.



Sarawak, Malaysia, was a clear leader in the majority of the five (5) category evaluation criteria, including technical, financial, CAPEX, risk, and investment scenario.

Discussions with Ministry officials and authorities in the Sarawak Government are sufficiently advanced to agree on a 40-hectare site location. LMG will immediately commence the land application process to secure the land and has received favourable reactions in discussions with financiers in relation to funding the project in Sarawak.

The selected location offers Latrobe Magnesium the opportunity to deliver a project that will offer significant returns to shareholders and position the company to be the world's cleanest and largest magnesium producer, by volume.

The PFS-B study later this year will provide estimates of the financial return of the 100,000tpa plant based upon the revenues and costs for this location.

4. MEC Offtake Agreement

On 16 January 2023, LMG signed an upgraded exclusive distribution agreement with Metal Exchange Corporation (MEC) to sell the majority of its Australian magnesium production into North, Central and South America and the Caribbean markets. The contract will deliver excellent prices to LMG due to a US anti-dumping duty payable on magnesium imports from China.

This 2019 initial agreement between the parties has been upgraded due to LMG's current timing and expansion plans to its demonstration plant and expanded capacity of its +10,000 tpa commercial plant.

The agreement now includes:

- Updated dates.
- A minimum firm commitment of 8,000 tpa of magnesium.
- A minimum initial term with a rolling annual renewal.
- A minimum floor price for the purchase of the magnesium.

MEC is headquartered in St Louis, Missouri. Founded in 1974, MEC has grown from a regional aluminium scrap company to a global corporation with international offices in Switzerland and China. Additionally, MEC has six manufacturing plants in the US, employs over 900 people and supplies aluminium and magnesium under short- and long-term agreements.

North and Central America consume 160,000+ tonnes of magnesium per annum and this is projected to increase with greater use of magnesium by the motor vehicle industry. There is only one magnesium producer in the USA, which is currently undergoing a capital refurbishment and has been mostly out of commission since 2021. Consequently, most of the magnesium is imported.

5. State Government Support

LMG believes that the Victorian Government will announce their Critical Minerals grant program on 9 May 2023. LMG understands that some of its projects will be eligible for this program.

LMG has also applied for financial support from Breakthrough Victoria \$2bn fund, to assist with financing its next stage of development to progress the 10,000 tpa plant.

6. Federal Government Support

On 21 October 2022, the Hon Madeleine King MP, Minister for Resources, confirmed an unwavering commitment to the Australian resources industry's global leadership in the critical minerals sector by announcing:

"A further \$50 million will be allocated over three years to the Critical Minerals Development Program for competitive grants to support early and mid-stage critical minerals projects. This is in addition to the \$50 million already committed to six projects across Australia and will assist accelerating the development of emerging projects across the nation."

On 20 February 2023, LMG applied for \$7M of funding for several projects including future funding for its Stage 2, 10,000+ tpa plant bankable feasibility study. It is believed that the grants will be awarded in April / May.

LMG's project has been promoted by the Victorian Government as a priority project to the National Reconstruction Fund. LMG has prepared a position paper and is awaiting a response. The National Reconstruction Fund has \$10bn of Government funding. It was only set up last month and is scheduled to start operations by 1 July 2023.

7. Listing Rule 5.3.5

ASX Listing Rule 5.3.5 requires quarterly activity reports to describe any payments made to related parties or their associates as disclosed in Appendix 5B for the same quarter. LMG advises the amount of \$192,500 (rounded up \$193k in Appendix 5B at Item 6.1) being payments made to Directors or companies associated with Directors for their services as Directors' fees.

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



David Paterson
Chief Executive Officer

27 April 2023

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 has started on site on its initial 1,000 tonne per annum magnesium plant and production is expected by 30 September 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 CO₂ 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 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(59)	(768)
(b) development		
(c) production		
(d) staff costs	(345)	(970)
(e) administration and corporate costs	(679)	(3,712)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	20
1.5 Interest and other costs of finance paid		(46)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		3,153
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,079)	(2,323)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(3,515)	(9,465)
(d) exploration & evaluation		
(e) Investment (rent bond)	(30)	(30)
(f) other non-current assets (patents)	(3)	(14)

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
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	(3,548)	(9,509)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	73	423
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		(1,464)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (payment of lease liabilities)	(13)	(38)
3.9	Other (repayment of short term loan)		517
3.10	Net cash from / (used in) financing activities	60	(562)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,420	15,247
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,079)	(2,323)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,548)	(9,509)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	60	(562)

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	-	-
4.6	Cash and cash equivalents at end of period	2,853	2,853

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	18	28
5.2	Call deposits	2,835	7,392
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)	2,853	7,420

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	193
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	23,000	10,000
7.2	Credit standby arrangements	-	-
7.3	Other (GST refund)	254	-
7.4	Total financing facilities	23,254	10,000
7.5	Unused financing facilities available at quarter end		13,254

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

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)	(1,079)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,079)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	2,853
8.5	Unused finance facilities available at quarter end (Item 7.5)	13,254
8.6	Total available funding (Item 8.4 + Item 8.5)	16,107
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	14.93

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

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

27 April 2023

Date:

Audit and Risk Committee

Authorised by:
(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.