
LMG AMENDS USA DISTRIBUTION AGREEMENT FOR SALE OF ALL ITS LATROBE VALLEY MAGNESIUM TO USA MARKET

Highlights

- LMG will now produce all its magnesium from its 1,000 tpa demonstration plant and its 10,000 tpa commercial plant for the USA market.
- MEC's offtake of magnesium will increase by 20% from both of its plants.
- LMG estimates that this amendment will increase revenue of its demonstration plant by \$1M.
- LMG estimates an incremental A\$10 million in sales revenue as a result of the revised agreement which in turn should increase EBITDA for the 10,000tpa plant to over \$50M. and
- Japanese exports will now commence with LMG's Stage 3 plant from Sarawak Malaysia.

12 September 2023, Sydney Australia: Latrobe Magnesium Limited (ASX:LMG) has signed an amendment to its exclusive distribution agreement with Metal Exchange Corporation (MEC) for the distribution of magnesium into North, Central and South America and the Caribbean markets.

Under the amended contract LMG will deliver all its production from its 1,000 tpa demonstration plant and its 10,000tpa from its Stage 2 commercial. The demonstration plant will therefore send an extra 200 tpa to the USA market. LMG's commercial plant will sell an additional 2,000 tonnes per annum of magnesium. Consequentially, LMG will receive additional revenue of A\$1M for its demonstration plant and A\$10m for its commercial plant. LMG made the decision to sell all its production into the USA market owing to the higher market pricing for magnesium in the US market, which is a consequence of the US anti-dumping duty payable on magnesium imports from China.

All other features of the agreement with MEC remain as previously disclosed, which include a minimum initial term with a rolling annual renewal and a minimum floor price for the purchase of the magnesium.

Owing to the 6 months delay in the demonstration plant becoming fully operational, the timing schedule for the delivery of the 10,000+ tpa plant has also been pushed back to December 2025.

The additional 200 tpa and 2,000 tpa volume secured by MEC was previously allocated to the Japanese market. Japan remains an important strategic market for LMG, for which exports will now be deferred until the commissioning of LMG's 100,000 tpa Stage 3 project in Sarawak, Malaysia.

Metal Exchange Corporation 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, Metal Exchange Corporation 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, the majority of magnesium is imported.

With exports from China banned for a period in September 2021, USA magnesium users have been searching for alternative magnesium suppliers. Some have moved away from primary high grade magnesium and turned to lower grade magnesium and recycling.

The US anti-dumping duty on imported China magnesium has been in existence since 1954 and was recently extended for another 5 years until 2026. The duty means that the USA magnesium price is more than twice the FOB China magnesium price, due to the anti-dumping duty placed on most imports from China of 141.49%.

Under the US-Australia free trade agreement, magnesium produced in Australia is exempt from any import duty.



David Paterson
Chief Executive Officer

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 commissioning targeted to commence end of Q4 2023. A commercial plant will then be developed, with a capacity of +10,000 tonne per annum magnesium, shortly thereafter. 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.