
QUARTERLY ACTIVITIES REPORT

30 September 2023

Highlights:

- * The Stage 1 project continues to progress with no health, safety, or environmental incidents to date.
- * Project strategy updated to focus on initial Magnesium Oxide production to bring revenue forward whilst allowing time for commissioning of furnace automation.
- * Engineering and Procurement practically complete with focus now on supporting construction.
- * Construction labour ramping up with 40 local trade workers engaged on Site.
- * LMG is actively engaged in discussions with a number of various international investors who have expressed interest in partnering in its Stage 3 project.

1. Stage 1 Demonstration Plant Progress Update

1.1 Engineering

As detailed in the latest monthly update, the project office was closed, and the remaining engineering team has been demobilised back to the EPCM contractors head office. Following the demobilisation plan, the core engineering team, consisting of 4 – 6 personnel, will continue in providing support the construction team and continue the completion of vendor closeout and commissioning handover documentation.

1.2 Procurement

With the completion of all major and minor equipment packages, the procurement buyer is supporting the construction phase by procurement of any necessary site consumables and mobile equipment.

1.3 Construction

Magnesium Oxide Strategy

As outlined in the previous monthly update, the project team is adjusting the execution strategy to focus on the delivery of the areas needed to produce Magnesium Oxide (MgO) as an initial product, prior to producing magnesium metal. LMG has a MoU with Rainstorm Dust Control Pty Ltd for the sale of MgO in the initial phase, as well as any excess MgO produced.

The project will focus on the delivery of the areas to produce MgO as soon as possible, which are the ash handling, leaching, spray roasting and magnesite areas.

The project team are making slight modifications to the flowsheet to install piping changes and installation of a bagging plant to produce one tonne bulk bags of MgO that can then be sold to customers.

The commissioning of the reduction furnace area, the furnace automation and vacuum system will then be the second phase of the plant to be fully commissioned. This strategy will allow operations personnel to familiarise themselves with the flowsheet whilst at the same time generating revenue.

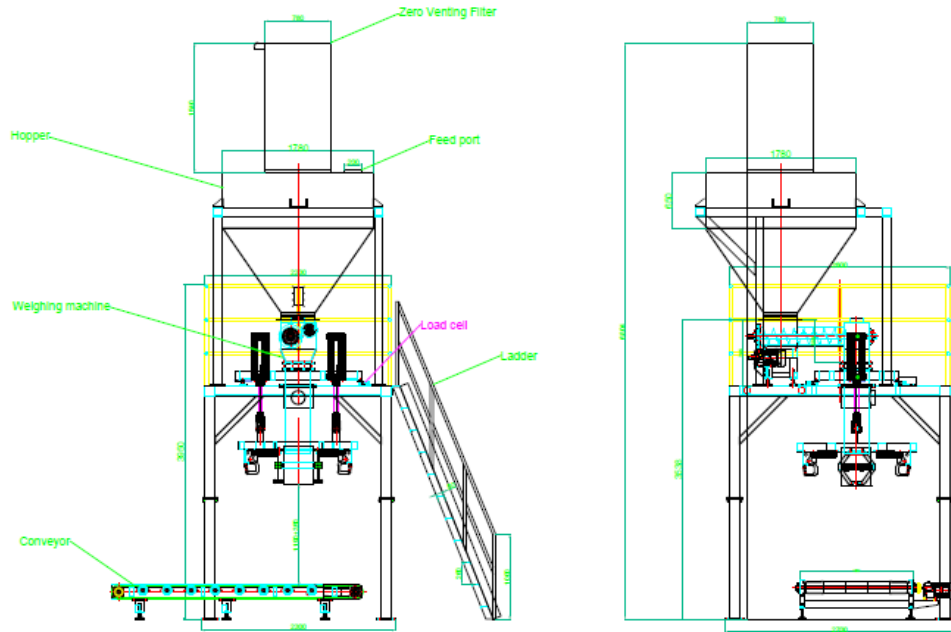


Figure: MgO Bagging Plant Purchased

The advantage of this strategy is that it allows LMG to prove its patented hydromet process sooner. LMG's primary intellectual property pertains to the extraction of magnesium from brown coal fly ash, as well as the subsequent precipitation of marketable, saleable byproducts, constituting the initial phases of our operational process leading to the production MgO. This strategy will demonstrate LMG's unique, world-first hydromet process can be operated successfully and prove to all stakeholders the true value of LMG's intellectual property.

Site

The site team has mobilised a workforce currently totalling 40 local trades comprising of fitters, welders, riggers, electricians, technicians, supervisors, completions workpack engineers and QA/QC inspectors.



Figure: Site Team Pre-Start



Figure: Site Construction Team

Civil

The filtration area concrete is now complete ready for loading the filtration equipment platforms. This completes the last major concrete works with the remainder of works limited to miscellaneous pedestals, pipe supports and utility areas.

The civil works have commenced for the LPG tank installation with excavation underway for the foundations. The tank has been delivered to site in preparation for installing on its foundations.



Figure: Excavation for LPG Tank (left) and LPG Tank (right)

The main civil contractor Stirloch has now demobilised from site.



Figure: Main Civil Contractor, Stirloch complete and demobilised in front of Filter Area.

Structural, Mechanical and Piping

The work is focused on the spray roaster steel erection which is on the project critical path. The excellent quality of the steelwork has minimised the need for cutting and refitting. However, the spray roaster facility is a complicated structure with numerous small components. The erection process is being sped up by preassembling platforms on the ground and lifting into place in larger segments. It's expected this process will save days in the installation of the spray roaster vessel.



Figure: Spray Roaster structural steelwork erection



Figure: *Spray Roaster steelwork installation progress*

Once the structural steelwork is complete the spray roaster vessel will then be lifted into place along with additional platforms on top of the vessel. The piping and electrical work can commence with the pipe and cable tray support installation before running of the pipe, finishing with termination at equipment. The mechanical equipment can also be installed at this time consisting of the tanks, pumps, blowers, absorber towers and stack.

Pipe fabrication has commenced ahead of installation in the leaching, iron removal, calcium removal and spray roaster areas.



Figure: Pipe fabrication in dedicated welding bays

The site team have multiple work fronts open and have started erection of the Ferrosilicon and Magnesite Hopper and Bag Breaker units.



Figure: Magnesite Hopper & Bag Breaker erection started

The agitators have been installed in the hydromet area tanks and pipe installation is commencing between the equipment e.g., tanks and pumps.



Figure: Agitator installation in tanks

Electrical and Instrumentation

The cable pulling is ongoing with all cables from the main switchboard to switchroom completed. The remaining cables between the switchrooms are being completed and focus will shift to local cable running within plant areas over the next month.

The main incomer cables to the switchrooms have been terminated, junction boxes are starting to be installed and instrumentation has arrived on site. Agreement has been reached with AusNet in the disconnection of the main transformer which will be isolated from the grid for two weeks to install the main switchboard. AusNet will take the opportunity to perform maintenance on the grid side before reestablishing power to site. During this period construction power will be provided by temporary gensets.

The first control panel has been installed in the first switchroom.



Figure: Termination of main incomers (left) and cabling between switchrooms (right)



Figure: Installation of instrument junction boxes (left) and control cabinets (right)

2. Operations

With the switch to focus on MgO production initially, the project team is initiating a recruitment campaign to bring the initial operations work force on board by the end of the year.

LMG are reaching out to recruitment firms, labour providers and government assistance agencies such as the Latrobe Valley Authority to make them aware of personnel requirements. The operations team will be looking to recruit:

- Process Operators
- Control Room Operators
- Shift Supervisors
- Maintenance Technicians
- Electricians

As well as management personnel such as Maintenance Engineering, Health & Safety, Process Engineering and Supply. LMG is looking forward to engaging with the community to bring jobs to the region in the face of the loss of industry and jobs over the coming years.

Coregas

Coregas, part of the Wesfarmers Group of companies, were the successful tenderer to supply LMG's requirements for Oxygen, Argon, and Carbon Dioxide. This product shall be supplied both in bulk (Oxygen and Carbon Dioxide) and in cylinder 'man-packs' (Argon). The asset management services for each of these products will be fully digitised, with the re-supply of product fully managed by Coregas on a 24/7 basis. It is currently working diligently with the EPCM contractor to complete the installation of the respective storage facilities.

Origin

LMG has partnered with Origin LPG for the supply of LPG to the Demonstration Plant. Origin LPG will commence work with the design and install of the new storage facility scheduled for completion Q4 2023 and will exclusively manage and supply all LMG's LPG requirements throughout the project.

Memorandum of Understanding (MoU) – Magnesium Oxide

To support early production of MgO, LMG has executed a MoU with Western Australia headquartered Rainstorm Dust Control Pty Ltd to utilise MgO in their operations on both the eastern and western seaboards. This will also apply to the extent that LMG cannot consume all the MgO that it produces. Under this agreement, LMG have offered preferential access to Rainstorm for the purchase of all MgO product at a mutually beneficial price as and when such material is available.

3. Project Funding

On 24 April 2023, LMG increased its project finance facility from \$23M to \$26M to provide funds for the increased demonstration plant costs. The drawdowns are more flexible and in line with LMG's capital requirements to fund the completion of the demonstration plant.

4. R&D Tax Incentive Rebate

The Company's Research and Development rebate has been calculated as being \$12.6M for the year ended 30 June 2023. The Company has its activities registered with AusIndustry and has lodged its 2023 income tax return with the ATO. The rebate will be used to reduce its funding from RnD Funding Pty Ltd, which as at the end of 30 June 2023 was some \$19.9M.

5. Regional Development Grant

The Regional Development Grant Agreement with the State of Victoria was signed for the provision of funding to support the demonstration plant. The grant of \$1 million payable in three instalments has been approved, the first instalment of \$250,000 was paid on 30 August 2023 and the second grant is now being processed and is expected to be received within the next month.

6. Stage 2, 10,000+tpa Australian Commercial Plant Update

LMG has finalised the terms and conditions with GHD for the mine planning work on the Yallourn landfill. This work will take up to 6 months.

LMG's offtake agreement with Metal Exchange Corporation, for the USA market, was increased by 2,000 tonnes per annum, which allows for funding of the +10,000tpa plant by government institutions. The floor price in this agreement is expected to ensure the repayment of funding over a 15-year period, given the critical nature of magnesium as a mineral in both Australia and the USA.

The projected timeline for operating the 10,000tpa plant is currently set for December 2025, contingent on timely approval processes from the Victorian Government.

7. Stage 3, 100,000tpa Plant Project Update

LMG is actively engaged in discussions with a number of international investors who have expressed interest in partnering with LMG in its Stage 3 project. LMG anticipates third party participation will amount to 45% equity in the project and will also provide significant magnesium offtake agreements, which will allow LMG to secure debt funding from government backed institutions. These negotiations have been in discussion for up to 12 months and have been reduced to writing. Non-binding Memorandum of Understandings (MoUs) with equity partners are expected to be signed by the end of December 2023, if not before.

These MoUs will detail the partners' commitment to contribute development funding required to progress the project over the next three years proportionate to their equity holdings in the project. The total development funding in this development phase is estimated to be in the order of \$6M.

In the last quarter LMG undertook the following activities:

- Bechtel undertook a power study to confirm the projects renewable power requirements
- LMG formed a Malaysian company, Latrobe Magnesium Sarawak Sdn Bhd (LMG Sarawak)
- Submission of a land application for the operating plant and the workforce accommodation site
- Commenced application process for a manufacturing licence with the Ministry for International Trade Industry and Investment (MIDA)
- Submission prepared for Sarawak Energy so they can allocate LMG's renewable power requirements.

Once the land application has progressed, the proposed plots will be surveyed to determine actual coordinates, contours etc. which will then provide the input to progress PFS-B.

The PFS-B study is projected to commence during the first quarter of 2024, following the execution of the MoU's noted above. The completion of PFS-B is expected to take approximately 6 months.

8. 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

23 October 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 resource from Yallourn brown coal power generation.

LMG has completed a feasibility study validating its combined hydrometallurgical / thermal reduction process that extracts the metal. Early construction has commenced on its Stage 1, initial 1,000 tonne per annum magnesium plant with commissioning targeted to commence end of Q1 2024.

A commercial plant will then be developed, with a capacity of +10,000 tonne per annum magnesium, shortly thereafter with completion targeted for December 2025. Further plant capacity expansion will be determined once Geotech works have been completed on the existing Yallourn landfill. 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 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")

30 September 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(13)	(13)
	(b) development		
	(c) production		
	(d) staff costs	(309)	(309)
	(e) administration and corporate costs	(326)	(326)
1.3	Dividends received (see note 3)		
1.4	Interest received	10	10
1.5	Interest and other costs of finance paid	(11)	(11)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	250	250
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(399)	(399)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(6,679)	(6,678)
	(d) exploration & evaluation		
	(e) Investment		
	(f) other non-current assets (patents)	(30)	(30)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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		
2.6	Net cash from / (used in) investing activities	(6,709)	(6,708)

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	172	172
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	1,000	1,000
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)	(4)
3.10	Net cash from / (used in) financing activities	1,168	1,168

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,892	6,892
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(399)	(399)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,709)	(6,708)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,168	1,168

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	952	952

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	27	22
5.2	Call deposits	925	6,870
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)	952	6,892

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	-
<i>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.</i>		

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	26,000	21,000
7.2	Credit standby arrangements	-	-
7.3	Other (GST refund)	407	-
7.4	Total financing facilities	26,407	21,000
7.5	Unused financing facilities available at quarter end		5,407

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	\$26,000,000 - 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)	(399)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(399)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	952
8.5	Unused finance facilities available at quarter end (Item 7.5)	5,407
8.6	Total available funding (Item 8.4 + Item 8.5)	6,359
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	15.94

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.

23 October 2023

Date:

Audit and Risk Committee

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

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

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.