

QUARTERLY ACTIVITIES REPORT

30 June 2024

Highlights:

- * Latrobe Magnesium's (LMG) Demonstration Plant Project (Demonstration Plant) continues to have no reportable Health, Safety, or Environmental (HSE) incidents to date.
- * During the commissioning trial, Demonstration Plant successfully produced Magnesium Oxide (MgO), meeting the required quality specification.
- * Following the successful commissioning trial, the Demonstration Plant will now progress towards continuous operation of MgO production in September/October, with revenue from sales expected in the near term.
- * LMG maintains a strong balance sheet position following the completion of the \$12M placement (before costs) and additional \$6M (before costs) from a fully underwritten rights issue. LMG paid down a significant \$12.9m of existing debt following receipt of its ATO R&D rebate in May 2024.
- * Site Location Assessment planning is being undertaken to determine the optimal site for the Stage 2, 10,000tpa Commercial Plant focusing on proximity to resource, utilities, and rail freight network to minimise local community impacts.
- * An application for a federal Manufacturing Licence has been formally lodged with MIDA (Malaysian Investment Development Authority) for the Stage 3, 100tpa International Mega-Plant.
- * LMG has been formally granted access to a 113 Acre / 45.73 Hectare plot of Land by the BDA (Bintulu Development Authority) for the Stage 3, 100,000tpa International Mega-Plant within the Samalaju Industrial Park in Sarawak, Malaysia.

1. Stage 1 Demonstration Plant Project Update

1.1 Engineering & Procurement

As outlined in the previous monthly progress report, engineering efforts are focused on vendor performance warranty claims and supporting minor upgrades to the process plant to enhance operability and efficiency.

1.2 Construction & Commissioning

Stage 1A – Magnesium Oxide (MgO) Production

The MgO plant construction is nearing **practical completion**, with the successful completion of the ore commissioning trial in May. The next step is an official handover to operations personnel to transition into continuous operations, targeting a production capacity of 1,000tpa of magnesium oxide.

A dedicated construction/commissioning team have been focused on completing the 180 identified construction and commissioning punch list items since the completion of the commissioning trial, with 164 punch list items already completed in the quarter. These tasks included modifications to minor equipment and piping, installation of additional instrumentation, completion of access structures, dismantling of scaffolding, and other post-trial equipment replacements.

The team will continue to work through the remaining approximately 16 punch list items over the next few weeks.

The remaining punch list item closeout consists of outstanding construction items, warranty issues and improvements to the process plant identified during the trial. These tasks include:

- Spray Roaster insulation works
- Final Spray Roaster epoxy painting and coating
- Agitator replacement and optimisation
- Installation of new recycle and bypass piping to optimise process efficiency
- Reconfiguration of piping to reduce the risk of blockages
- Labelling of valves, instrumentation, and piping
- Installation of additional instrumentation such as flowmeters and control valves to enhance operability.



Figure: Spray Roaster scaffold completed ready for insulation works

The minor modifications being made to the process plant will enable more stable operation, rectifying challenges that plagued the commissioning trial.

The target completion, and transition into continuous operation of MgO production, is mid-September to October and is being driven by a warranty issue with the leach circuit agitator's, requiring replacement. New replacement agitators are being fabricated and delivery targeted for late August.

The MgO produced during the ore commissioning trial was over 80% pure MgO. This is a positive result and in-line with expectations, particularly given that the Spray Roaster was processing an understrength magnesium solution. This gives the project team significant confidence that the Spray Roaster will be able to achieve even higher quality MgO in its continuous operational phase.

This marked a significant milestone in pioneering a sustainable magnesium extraction method at an industrial scale using our patented, world-first hydromet process.



Figure: Environmentally sustainable Magnesium Oxide (MgO) produced using Fly Ash.

Stage 1B – Magnesium Metal Production

Construction of the remaining plant to produce magnesium metal has been temporarily paused to allow the project team to update and finalise the strategy, schedule, and budget for the remaining works, ensuring optimal resource allocation and project efficiency as well as focus on the remaining Stage 1A works to bring the plant back into operation as soon as possible.

Despite this pause, work has progressed during the completion of the commissioning and construction punch lists to ensure the construction workforce remained productive.

The following items have been completed:

- Installation and Commissioning of the Plant Standby Generator
- Erection of the SCM Silo & Dust Collector
- Earthworks and placement of Quicklime Isotainers
- Erection of the Ferrosilicon Bag Breaker
- Civil Works for the Briquetting Ball Mill and installation



Figure: Emergency Standby Generator installed & commissioned (top) and Quicklime Isotainers civil works completed and installed (bottom)



Figure: SCM silo with telescopic chute & platform access erection (top) and Briquetting Ball Mill Civil Works & Installation

1.3 Operations

Once the commissioning punch list works for the MgO production phase are completed, the project will transition into continuous operations, producing MgO equivalent to 1,000 tpa of magnesium metal production.

LMG's mining contractor RTL is developing a longer-term crushed and screened stockpile of ash at Yallourn to provide consistent feedstock to the process plant.

To engage the local community, two employment forums will be held in the Latrobe Valley to outline opportunities for local workers to join LMG, the type of culture we aim to build, and the roles for which the company will be hiring. Additionally, LMG is proceeding with the recruitment of management personnel to ensure systems and processes are in place before the restart.

With the timeline for the restart now clear these works will ramp up significantly over the next month to ensure the team are in place, trained and ready to start.

2. Project Funding

On the 30th May 2024, LMG completed a Share Placement of approximately 267 million shares at 4.5 cents per share, raising \$12 million (before costs). Additionally, on the 5th July 2024, a fully underwritten entitlement offer of \$6 million (before costs) was closed with approximately 133 million shares issued. These shares were issued within the company's existing capacity under ASX listing rule 7.1. This total funding of \$18 million will be used for the following:

- Capital costs of the Demonstration Plant for Magnesium Oxide production
- Research and Development (R&D)
- Operating costs and corporate costs
- Costs of Placement and Offer
- Working capital.

3. R&D Tax Incentive Rebate

LMG's 2023 tax rebate was approved by the Australian Tax Office (ATO) in May 2024 for \$12.9M. Given that the ATO now better understands LMG's Demonstration Plant process, the Company expects the 2024 tax rebate to be approved in a shorter timeframe, with receipt estimated before the end of the calendar year. LMG estimates that its 2024 tax rebate will exceed \$16M, considering the projected capital costs of the Demonstration Plant as of 30 June 2024.

4. Stage 2, 10,000tpa Commercial Plant Project Update

4.1 Project Site

LMG is currently investigating locations for the Stage 2, 10,000tpa Commercial Plant site. Given the requirement for an industrial planning zone, the following three locations have been identified as suitable for initial screening:

- The existing Demonstration Plant site at 320 Tramway Rd, Hazelwood North.
- Opal's Australian Paper site in Maryvale
- Yallourn Power Station site

LMG is evaluating these initial sites on their merits with respect to required area, planning requirements, location in relation to community, logistics requirements and access to utilities and services. Additionally, other possible sites are being considered as part of a location assessment that is currently underway.

LMG is currently engaging a consultant to perform a Multi-Criteria Analysis (MCA) Site Location Assessment to better determine the options, process, and timing involved in securing the optimal location whilst discussions with stakeholders (for the initial screened sites) Energy Australia and Opal are ongoing.

Site selection is crucial before LMG can commence its Stage 2 Commercial Plant Feasibility Study to ensure CAPEX, timing and planning is well defined.

4.2 Mine Plan

As previously outlined, work has been planned with GHD to develop the following:

- **Geotechnical:** Undertaking a geotechnical assessment, including any geotechnical drilling, or testing, to develop a geotechnical domain model, including design parameters and input to mining.
- **Hydrogeology:** Gather hydrogeological and hydrogeochemical data, creating a flow model and assessing the hydrogeological/hydrogeochemical environmental impact and protection requirements.
- **Mine Planning:** Developing a mine design, for incorporation into a detailed mine schedule, along with equipment and cost study.
- **Rehabilitation:** Developing a detailed rehabilitation and mine closure study.

Discussions are progressing to finalise the resource determination component, with the aim of commencing work in the next quarter.

This work will support the commencement and planning activities for the Stage 2 project, supported by operational data e.g. air emissions that will be obtained from the operation of the Demonstration Plant to produce MgO.

4.3 Feasibility Study

The Feasibility Study (FS) for the Stage 2, 10,000tpa Commercial Plant is expected to commence following Bechtel's successful delivery of the Pre-Feasibility Study Phase A (PFS-A) for LMG's Stage 3, 100,000tpa International Mega-Plant in Malaysia.

LMG has approached Bechtel Australia Pty Ltd (Bechtel) regarding their potential engagement to support the delivery of the FS for the Stage 2, 10,000tpa Commercial Plant in Victoria's Latrobe Valley.

This engagement would build upon the existing relationship established during the PFS-A in which Bechtel, alongside other consultants, provided inputs into LMG's delivery of the PFS.

A scope of work is currently being finalised, with Bechtel's support, to ensure the right balance between front end loading and study cost to enable the project to gate to the Final Investment Decision (FID).

Applying lessons learned from the Demonstration Plant project including a quantitative risk-based approach are key to ensuring the project is setup for success moving into the execution phase after FID.

4.4 Vertical Furnace Technology

LMG is advancing its own vertical retort design for the Demonstration Plant. The base design is nearing completion through test work at CSIRO, with a final mechanical design set to be developed and presented to furnace vendors for engineering during the upcoming Feasibility Study.

The design aims to:

- Enhance the production capacity of the retort
- Reduce energy consumption, thereby lowering operational costs and CO₂ emissions
- Minimise the footprint of the furnaces, leading to reduced capital expenditure
- Lower maintenance costs by utilising improved materials and ensuring uniform heat distribution.

Initial test results have shown strong performance from the vertical retorts. This work will now move into the design phase in preparation for the upcoming FS.

4.5 Funding

LMG is exploring the potential for both a partial sale of site land and a sale and leaseback arrangement for the site where the Demonstration Plant is located. The funds obtained would be utilised to finance Stage 2 mine planning work, the feasibility study, additional test work, and funding costs for the Commercial Plant.

LMG intends to target debt funding from a variety of sources including government and commercial lenders, with the majority expected to come from the Federal Government initiative for funding critical minerals. This funding is further supported by the 10,000tpa offtake agreement secured from Metal Exchange Corporation (MEC) in the United States of America.

Additionally, LMG has appointed and is working with Societe Generale, a multi-national corporate and investment bank, as Sole Coordinator, Structuring Bank and Mandated Lead Arranger in respect to the financing of the Commercial Plant in the Latrobe Valley in Victoria.

4.6 Strategic Supplier Program (SPP)

In April, LMG preselected a range of strategic suppliers across categories such as equipment, technology, construction, freight, and automation to enhance project efficiency, optimise plant design and improve CAPEX accuracy for the forthcoming completion of the Stage 2 FS.

By removing the competitive tension of a tender process, LMG anticipates greater transparency from SSP suppliers regarding technological and financial matters. This expectation is already being realised through commercial-in-confidence discussions with SSP vendors about innovative technology access, the initiation of long-lead R&D activities in support of Stage 2 equipment demands, and future opportunities for strategic co-location of facilities with SSP partners.

The SSP participants (with their initial SSP scope noted in parenthesis) are:

- **Coregas Australia Pty Ltd** – a Wesfarmers company (Industrial Gas)
- **Customs Agency Services Pty Ltd** (Logistics & Freight Forwarding)
- **Fast Automation Pty Ltd** (Furnace Automation)
- **Mechanical Maintenance Solutions (Australia) Pty Ltd** (SMP services)
- **O&M Pty Ltd** (Electrical and Instrumentation services)
- **Rockwell Australia Pty Ltd** (Plant Automation)
- **Steuler-KCH Australia Pty Ltd** (Refractory Installation)
- **Stirloch Constructions Pty Ltd** (Civil services)
- **Tenova** (Spray Roasting Equipment)

5. Stage 3, 100,000tpa International Plant Project Update

LMG is actively engaged in discussions with several international investors who have expressed interest in partnering with LMG in its Stage 3 project via an equity investment in LMG's Malaysian subsidiary Latrobe Magnesium Sarawak Sdn Bhd, which will be the corporate vehicle for the Stage 3 project.

LMG anticipates third party participation will amount to 45% of the equity in the project as well as magnesium offtake agreements of 50,000 tonnes per annum, at arm's length terms with the respective investors. The planned plant capacity remains at 100,000 tpa. These secure long term offtake agreements will allow LMG to secure debt funding from commercial or government backed institutions on more secure terms.

These negotiations and associated due diligence discussions with third party investors have been under way for more than 15 months. Non-binding MoU's with equity partners are now expected to be signed by the end of the second quarter of 2024, paving the way for a formal equity relationship in the medium term.

During June 2024, Latrobe Magnesium Sarawak was offered, and subsequently accepted, terms with the Bintulu Development Authority (BDA) for, the alienation of 113 Acres (45.73 Hectares) of industrial land in the Samalaju Industrial Park. The allocated plot of land has excellent proximity to the bulk shipping terminal at the Samalaju Port. The Samalaju Industrial Park itself is an outstanding location for heavy industry given its access to hydro power, natural gas and, as noted, port facilities.

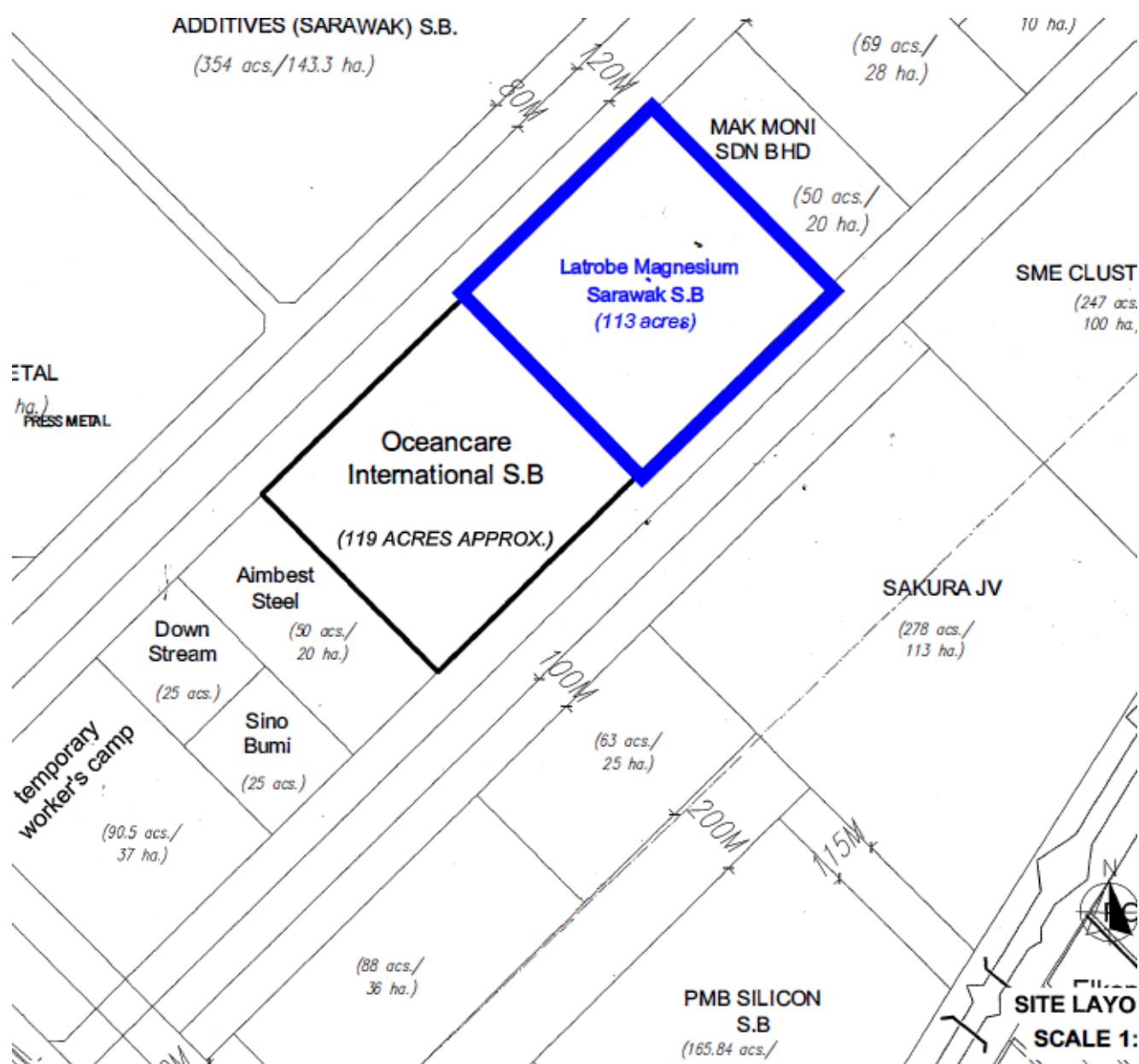


Figure: Stage 3 International Mega Plant Location Confirmed

More recently, Latrobe Magnesium Sarawak lodged a federal application for a Manufacturing Licence with the Malaysian Investment Development Authority (MIDA), which will be processed in parallel with the equivalent state-based application which has been lodged with the Ministry of International Trade, Industry and Investment (MINTRED), the relevant state authority in the Malaysian state of Sarawak.

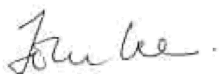
An important next step for the Stage 3 project is the allocation of electrical power by the relevant local authority, the Sarawak PPCC (Power Planning and Coordination Committee). Certainty on the key terms of a Power Purchase Agreement ensure that LMG has clarity on one of the key technical and commercial parameters for the project for the next phase of work. LMG is well placed to obtain its power requirements for the project and is awaiting confirmation of the date on which the PPCC is due to convene.

LMG will continue to engage actively with a wide range of state and federal stakeholders and move the project forward.

6. 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 that no cash payments were 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 John Lee on his mobile 0419 407 191.



John Lee

Director and Chairman of the Audit Committee

29 July 2024

About Latrobe Magnesium

Latrobe Magnesium (**LMG**) is developing a magnesium metal Demonstration 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 brown coal power generation.

LMG has completed a feasibility study validating its combined hydrometallurgical / thermal reduction process that extracts the metal. The Demonstration Plant has now produced magnesium oxide with the full plant being commissioned in the second half of calendar year 2024.

A Commercial Plant will also be developed by LMG, with a capacity of 10,000 tonne per annum of magnesium metal, with completion targeted for the first half of calendar year 2026. The plant will be in the heart of Victoria's coal power generation precinct, providing access to feedstock, infrastructure, and labour.

LMG will sell the 10,000 tonne per annum of refined magnesium metal under long-term contracts to LMG's US-based distributors.

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.

LMG's projects are at the forefront of ESG best-practice by recycling power plant waste, avoiding landfill, encouraging a circular economy, and by being a low CO₂ emitter.

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 June 2024

| 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 | (26) | (51) |
| | (b) development | | |
| | (c) production | | |
| | (d) staff costs | (756) | (1,578) |
| | (e) administration and corporate costs | 501 | (1,284) |
| 1.3 | Dividends received (see note 3) | | |
| 1.4 | Interest received | 1 | 18 |
| 1.5 | Interest and other costs of finance paid | 0 | (11) |
| 1.6 | Income taxes paid | | |
| 1.7 | Government grants and tax incentives | 0 | 500 |
| 1.8 | Other (provide details if material) | | |
| 1.9 | Net cash from / (used in) operating activities | (280) | (2,406) |

| | | | |
|-----------|---|---------|----------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | 100 | 0 |
| | (b) tenements | | |
| | (c) property, plant and equipment | (9,486) | (27,313) |
| | (d) exploration & evaluation | | |
| | (e) Investment | | |
| | (f) other non-current assets (patents) | 0 | (43) |

| 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 | 0 | 11,417 |
| | (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 | (9,386) | (15,938) |

| | | | |
|-------------|---|---------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 10,798 | 16,289 |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | 0 | 3,980 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (594) | (824) |
| 3.5 | Proceeds from borrowings | 0 | 2,000 |
| 3.6 | Repayment of borrowings | 0 | (9,400) |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (payment of lease liabilities) | (5) | (27) |
| 3.10 | Net cash from / (used in) financing activities | 10,199 | 12,018 |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 32 | 6,892 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (280) | (2,406) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (9,386) | (15,939) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 10,199 | 12,018 |

| 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 | 565 | 565 |

| 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 | 161 | 31 |
| 5.2 | Call deposits | 404 | 1 |
| 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) | 565 | 32 |

| 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 | 0 |
| 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 | 25,000 | 22,000 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other | - | - |
| 7.4 | Total financing facilities | 25,000 | 22,000 |
| 7.5 | Unused financing facilities available at quarter end | | 3,000 |

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 | \$25,000,000 – 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) | (280) |
| 8.2 | Capitalised exploration & evaluation (Item 2.1(d)) | - |
| 8.3 | Total relevant outgoings (Item 8.1 + Item 8.2) | (280) |
| 8.4 | Cash and cash equivalents at quarter end (Item 4.6) | 565 |
| 8.5 | Unused finance facilities available at quarter end (Item 7.5) | 3,000 |
| 8.6 | Total available funding (Item 8.4 + Item 8.5) | 3,565 |
| 8.7 | Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 12.73 |

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.

30 June 2024

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.