

## QUARTERLY ACTIVITIES REPORT To 30 June 2014

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### LATROBE MAGNESIUM PROJECT

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#### **1. Project Update**

Latrobe Magnesium Limited (ASX:LMG) provides the following update on the events that have taken place since the last quarter, being:

- production of the large China sample;
- presentation of the RWE Power Concept Study; and
- raising of additional capital through a Share Purchase Plan.

#### **2. China Sample**

In June 2014, LMG produced a large sample of beneficiated fly ash ("BFA"), using its unique hydromet patented process, for full scale commercial smelter processing in China. This sample allows the processing of up to 1,000 kg of material through the smelter.

The chemistry of the BFA sample for China is in line with LMG's normal operating specifications, used in its prefeasibility and adjustment studies, which were developed over the last four years. Confirmatory tests have been carried out on this sample which determined that the results were in line with expectations. The individual components of this sample are now being calcined, ground and mixed in ready for shipment to China in August.

LMG has an agreement with BTE Engineering Co Ltd to use an existing magnesium producer to demonstrate the large scale production of magnesium metal from its BFA. This work replaces pilot plant tests that might otherwise have been required and will address directly any risks with the use of BFA as a feed stock in a commercial operation.

Processing the BFA in China and receiving the assays is expected to take a month. Results are expected to be delivered to LMG in September.

Smelting residue will be returned to Australia for further cement testing. The large amount of material generated will enable large-scale cement tests to be completed. Previous test work will be replicated to confirm earlier results, together with a full suite of cement tests to determine the specific properties and advantages of this cementitious material. This work will take several months to complete, although 80% of data is expected to be available within 28 days. Initial results should be received in October.

### **3. RWE Power Concept Study**

In March 2014, LMG completed the RWE Concept Study which concluded the German project to be economically viable and worthy of further development. The project was defined in the study as a magnesium plant producing 40,000 tonnes of magnesium per annum and some 320,000 tonnes of cementitious material. Currently Europe imports some 130,000 tonnes of magnesium from China annually.

In June 2014, the Company presented the results of the Concept Study to the management of RWE Power in Cologne and discussed how to develop the project. The parties agreed to defer the discussion on how to proceed with the project until after the results of the processing of the large sample in China are available.

RWE Power AG is part of the RWE Group in Germany. The RWE Group is a top 30 company listed on the German Stock Exchange (DAX). RWE Power uses a broad energy mix of brown coal, hydro and nuclear power stations and is also a driver of innovation for coal fired power stations and CO<sub>2</sub>-avoidance. The RWE Group employs more than 65,000 people and expects to generate an operating profit in 2014 in the order of €4 billion.

### **4. Capital Raising**

In April 2014, the Directors of LMG announced a Share Purchase Plan ("SPP") to raise \$400,000. In May 2014, LMG was pleased to announce that it closed its SPP oversubscribed. The SPP raised \$453,000 which represented an oversubscription of by some 13%.



David Paterson  
Chairman

25 July 2014

### **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 its cementitious material from industrial fly ash, which is currently a waste stream from brown coal power generation.

LMG has completed a pre-feasibility and an adjustment study validating its combined hydromet / thermal reduction process that extracts the metal. Construction of the production plant is due to start in June 2015 with production to begin a year later. The plant will be in the heart of Victoria's coal power generation precinct at its site located at Tramway Road in Morwell, providing immediate access to feedstock, infrastructure and a workforce.

LMG plans to sell the refined magnesium under long-term contracts to Australian and American users. Currently, Australia imports 100% of the 10,000 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 being a low CO<sub>2</sub> emitter.