

QUARTERLY ACTIVITIES REPORT To March 2015

LATROBE MAGNESIUM PROJECT

1. China Bulk Sample

In November, the Company successfully processed its bulk sample of beneficiated fly ash (BFA) to produce magnesium metal and cementitious material in its first full scale commercial smelter tests in China. The BFA was prepared using LMG's unique hydromet patented process.

The test work involved smelting three charges of some 150kg each through a commercial retort at the Wu Long's magnesium plant in Shanxi province. This work was managed and supervised by LMG's Chinese construction partner, BTE Engineering Co. Ltd.

Based on initial data, magnesium recoveries are in the range between 80% and 90%. At the lower end of the range, the magnesium recoveries are already 5% higher than the average magnesium recovery levels of Chinese plants that process dolomite. These higher recoveries reflect an advantage of LMG's unique BFA feedstock.

This work replaces pilot plant tests that might otherwise have been required and has addressed directly any scale-up risks using BFA as a feedstock in a full scale commercial operation.

At the end of December 2014, the magnesium crowns and the cementitious material from each test was returned to LMG in Australia for further chemical and mineralogical analyses.

The first of its large-scale concrete trials on the cementitious material from its recently processed China sample started on 16 February 2015. The tests involved assessing a 40 MPa nominal grade shotcrete against a 70%:30% mix of shotcrete and black coal fly ash and shotcrete and LMG's run of plant cementitious material.

The Unconfined Compressive Strength (UCS) results from these tests at various set times are listed in the Table below:

Age (days)	Pure GP cement mix	Black Coal Fly Ash mix	LMG Material Mix
7	43.5 MPa	34.5 MPa	35.0 MPa
14	48.2 MPa	43.2 MPa	47.0 MPa
28	52.5 MPa	50.7 MPa	52.7 MPa

The LMG cementitious material appears to behave like a conventional pozzolan, lagging the pure GP cement mix over the first 7 days, but by 14 days age has essentially caught up in compressive strength and has surpassed the conventional fly ash mix in strength development. Then at 28 days the LMG cementitious material has also surpassed the pure GP cement mix.

Previous test work showed that the LMG cementitious material mix and the pure GP cement mix reacted in the same manner in the initial 7 day period. TSE and BG&E are investigating why this material has behaved differently from the earlier test work.

2. Iron Removal Test Work

The Company is completing further test work to optimise the removal of additional iron in the BFA. The removal of iron has the capacity to reduce the operating costs of the smelter activities and improve the quality of the cementitious material.

3. Capital Raising

On 15 April 2015, the Company announced the placement of 90 million shares at \$0.01 to raise \$900,000. On the same day, the Company announced a share purchase plan to raise an additional \$500,000 at the same price as the placement.

These moneys will be used to provide working capital and to assist with the financing of its bankable feasibility study.



David Paterson
Chairman

16 April 2015

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 at the end of 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 CO₂ emitter.