

## LMG MOU WITH MAJOR JAPAN-BASED COMPANY FOR LATROBE VALLEY MAGNESIUM OFFTAKE

**15 March 2016, Sydney Australia:** Latrobe Magnesium Limited (ASX:LMG) has signed a Memorandum of Understanding with a Japan-based company committing to purchase up to 4,000 tonnes of magnesium per annum from the LMG planned production facility in Morwell Victoria.

The offtake company is Advanced Material Corporation of Japan (AMCJ), the largest titanium and magnesium trading house in Tokyo. AMCJ has also agreed to consider providing LMG with a deposit against its sales contract to assist with costs of acquiring, installing and commissioning LMG's expanded plant. AMCJ will also assist LMG to obtain financial assistance from the Japanese government owned banks for the funding of its initial and expanded plants.

In September 2015 LMG and AMCJ met with the three largest users of magnesium in Japan and they all indicated willingness to buy LMG magnesium. These three users consumed in the order of 17,000 tonnes per annum of magnesium. The customers were interested in the low carbon emissions from the LMG plant – LMG's plant emits approximately 60% less emissions than the Chinese plants.

CEO David Paterson said, "This is the first of four offtake agreements that will see all our magnesium and cementitious material sold. The offtake agreements form the basis for funding the new plant."

"We are in the contract drafting stage with our USA distributor and expect to finalise that contract within two months. We are also in discussions with a prospective German customer. We expect that LMG will pre-sell most of its 40,000 tonnes per annum planned magnesium production."

The commitment is subject to LMG completing a satisfactory feasibility study and securing financial close for the plant's construction. In addition LMG's magnesium has to pass some standard magnesium industry specifications. As there are very few impurities in LMG's beneficiated fly ash, it currently produces 99.7% pure magnesium before the refinery stage. Normal dolomite production is in the order of 95%.

Japan currently uses 40,000 tonnes of magnesium per annum and this is projected to increase with greater use of magnesium by the motor vehicle industry. Currently most of this magnesium is imported from China. The Japanese Magnesium Association has a stated objective to diversify their magnesium supply chain.



**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 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. Production from its initial 5,000 tonne per annum magnesium plant is due to start at the end of 2017. The plant will be in the heart of Victoria's coal power generation precinct, providing immediate access to feedstock.

LMG plans to sell the refined magnesium under long-term contracts to Australian and overseas 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 is a low CO<sub>2</sub> emitter.