

**LATROBE MAGNESIUM LIMITED
AND ITS CONTROLLED ENTITIES**

ABN 52 009 173 611

**HALF YEAR
FINANCIAL REPORT**

31 DECEMBER 2024

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COMPANY DIRECTORY

Directors

Jock Murray, Chairman

David Paterson

Philip Bruce

John Lee

Michelle Blackburn – resigned 24 October 2024

Peter Church – resigned 24 October 2024

Registered Office and Principal Place of Business

320 Tramway Road

Hazelwood North VIC 3840

Telephone: (03) 5101 0240

Auditors

Nexia Sydney Audit Pty Ltd

Level 22

2 Market Street

Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited

Level 3

60 Carrington Street

Sydney NSW 2000

Telephone: 1 300 850 505

www.latrobemagnesium.com

Chief Executive Officer

David Paterson

Secretary

John Lee

Bankers

National Australia Bank Limited

333 George Street

Sydney NSW 2000

Solicitors

Allens

Level 37

101 Collins Street

Melbourne VIC 3000

Stock Exchange

Australian Securities Exchange

20 Bridge Street

Sydney NSW 2000

ASX CODE: LMG

DIRECTORS' REPORT

The Directors submit the financial report of Latrobe Magnesium Limited ("the Company" or "LMG") and of the Group being the Company and its subsidiaries for the half-year ended 31 December 2024.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are:

J S Murray	Chairman
D O Paterson	CEO & Executive Director
P F Bruce	Non Executive Director
J R Lee	Non Executive Director
M L Blackburn	Non Executive Director (resigned 24 October 2024)
P C Church	Non Executive Director (resigned 24 October 2024)

REVIEW OF OPERATIONS

The consolidated loss of the Group for the half-year after providing for income tax was \$1,844,730 (2023: \$5,187,911 loss as restated).

The reduced loss was mainly due to reduction in income tax expense with an increase in other income.

During the half-year ended 31 December 2024, the Company has made significant progress with:

1. The project which continues to progress with no health, safety or environmental incidents to date.
2. All construction and early commissioning activities related to MgO production were successfully completed towards the end of Q3 2024, including all upgrades to improve plant operability that were identified from the initial commissioning.
3. All civil works, ball mill, briquette machine and other major equipment required for magnesium metal production was successfully received at the start of Q4 2024 including screw conveyors, hoppers, piping, guarding, ducting and electrical components required to complete installation.
4. Stage 2 project – continued revision of the GHD proposal for mine and rehabilitation work to be completed at the Yallourn landfill and the establishment of a JORC resource for the available fly ash to mine.
5. Stage 3 project - Continuing discussions with the Sarawak Government and completing certain requirements so that the Government will consider LMG's requirement for 250MW of hydropower at the next Power Planning and Coordination Committee (PPCC) meeting. No further work will be spent on this project until this decision is made.
6. Regional Development Grant Agreement with the State of Victoria was signed for the funding of \$1 million to support the demonstration plant. The first and second \$250,000 instalment were received in 2024. Owing to most milestones being achieved, the Government agreed to a third payment of \$240,000 which was received in January 2025.
7. In early January 2025, LMG received two infringement notices from the EPA. It is important to note that the fines issued were administrative in nature and do not reflect the high standards to which the plant has been designed and constructed. At no time was there any risk posed to the community and our site was, and is, in full compliance.
8. Over the last three months, LMG has been looking to complete a refinancing of its current facilities so that it raises sufficient funds to operate the MgO plant for at least three months and provide sufficient working capital for the next twelve months. LMG will be selling its surplus land at Tramway Road to achieve these objectives.

DIRECTORS' REPORT

LATROBE MAGNESIUM PROJECT

Stage 1 Demonstration Plant

Stage 1A – Magnesium Oxide (MgO) Production

All construction and early commissioning activities related to MgO production were successfully completed towards the end of Q3 2024, including all upgrades to improve plant operability that were identified from the initial commissioning.



Figure: Spray Roaster reactor vessel insulation works completed

DIRECTORS' REPORT



Figure: Hydromet piping modifications and installation new surplus capacity tanks completed

Stage 1B – Magnesium Metal Production

The civil works required to house critical equipment for briquetting production was completed ensuring Structural, Mechanical & Piping (SMP) and Electrical & Instrumentation activities can continue to progress once this phase is formally restarted. Major equipment including the Ball Mill, Briquette Machine and a few other mechanical items have already been set in position. All remaining major equipment for this area was successfully received at the start of Q4 2024 including screw conveyors, hoppers, piping, guarding, ducting and electrical components required to complete installation.

A project re-baseline is in development for the remaining Phase 1B works, incorporating a detailed schedule and updated capital cost estimate to ensure accurate funding allocation and a clear timeline for achieving key milestones.

DIRECTORS' REPORT



Figure: Spray Roaster reactor vessel insulation works completed

DIRECTORS' REPORT



Figure: Remaining major equipment received for Briquetting including hopper, ducting, and piping

DIRECTORS' REPORT

Operations

A financial review of operating costs during the commissioning trial revealed higher-than-forecast expenses, primarily driven by elevated labour costs. These costs were influenced by reliance on existing enterprise agreements from the power station industry.

LMG has since then been developing its own Employee Bargaining Agreement (EBA) which it hopes to bring into operations for its magnesium metal plant's operation.

A site agreement will be pursued in the first half of 2025 to facilitate recruitment for its magnesium metal plant restart. This agreement will underpin sustained operations, ensuring competitive labour rates, and secure local workforce engagement through Stage 2 and beyond.

Stage 2 10,000tpa Commercial Plant

LMG has continued to work closely with Bechtel Australia Pty Ltd (Bechtel) to finalise the cost and scope proposal for the Feasibility Study (FS) of the Stage 2, 10,000tpa Commercial Plant in Victoria's Latrobe Valley.

The proposal, developed in partnership with Bechtel and informed by the learnings from the Demonstration Plant project, optimises the balance between early-stage planning and study costs. This strategy aims to ensure a seamless progression toward the Final Investment Decision as well as compliance with Societe General's due diligence requirements.

Bechtel have completed a preliminary layout for Stage 2 as part of the early works of the FS.

A Location Assessment, undertaken by SMEC, concluded that the Tramway Road site, in its current configuration, was too small and unsuitable for the proposed 10,000 tpa plant. Accommodating the Commercial Plant at this site would require the removal of the Demonstration Plant, which conflicts with the strategy of maintaining operations to build knowledge and expertise within the team and utilise the Demonstration plant as a testbed for future different feed stocks.

The report also evaluated and identified other alternative sites for the Commercial Plant. These sites have been kept "Commercial in Confidence" at this time and will be communicated once properly evaluated and a decision made on preferred location.

DIRECTORS' REPORT

Stage 3 Magnesium Plant Project 100,000tpa

LMG's proposed 100,000 tpa plant in Samalaju, in the Sarawak state of Malaysia, is strategically located near the Samalaju Port, facilitating logistics as well as being close to ferrosilicon providers and essential resources.



Regional Development Grant

LMG is pleased to advise that in recognition of the completion of the MgO stage of the Demonstration Plant, the Victorian Government has agreed to a variation of its grant for \$1M. The grant was to be paid in three instalments of \$250,000, \$250,000, and \$500,000. The first two payments have been made, and the final payment has now been agreed to be split into two payments of \$240,000 and \$260,000.

The payment of the grant was conditional upon a certain amount of capital being spent on the plant and employing a specified number of people. Both of these conditions have been met. The final payment is due when the magnesium metal phase of the Demonstration plant becomes operational.

The grant variation documentation has been signed by the Regional Director of Gippsland for Regional Development Victoria on 20 December 2024 and the \$240,000 payment was received in January 2025.

Mincore Claim

LMG's counter claim against Mincore Pty Ltd (Mincore), for a breach of contract and negligence in performance of services, was lodged by its legal counsel on Wednesday 15th January 2025 in the Victorian Supreme Court. The amount of the claim being made by LMG is \$19.39M.

LMG is also disputing the amount of Mincore's initial claim of \$1.37M and is seeking this to be reduced to \$914,390 (refer to ASX announcement published 22 October 2024).

Mincore has until 14th March 2025 to lodge its defence in relation to LMG's counter claim.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

LMG is proposing to sell 4.3 hectares of surplus land at its Tramway Road site. Jones Lang La Salle has been appointed to manage the sale, with expressions of interest and financial commitments currently being sought. This is expected to generate approximately \$5M in additional funding to support MgO operations and working capital requirements. LMG is also looking at raising funding up to \$6M.

Apart from the above, there has not otherwise arisen in the interval between the end of the financial half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the consolidated entity to significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 12 for the half-year ended 31 December 2024 and forms part of this report.

This report is signed in accordance with a resolution of the Board of Directors.



J S Murray
Chairman

Sydney

14 March 2025



D O Paterson
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF LATROBE MAGNESIUM LIMITED

As lead audit director for the review of Latrobe Magnesium Limited and its controlled entities for the financial half-year ended 31 December 2024, I declare to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) No contraventions of any applicable code of professional conduct in relation to the review.



Nexia Sydney Audit Pty Ltd



Vishal Modi

Director

Sydney

Dated: 14 March 2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2024

	Note	Consolidated Entity	
		31-December 2024	31-December 2023 (As Restated)
		\$	\$
Revenue			
Finance income		23,070	14,880
Other income		832,787	905,660
	2	855,857	920,540
Expenses			
Administration expenses		(2,523,958)	(2,398,145)
Finance cost		(62,870)	(16,618)
Research and evaluation expenses	2	(42,362)	(275,080)
Total expenses		(2,629,190)	(2,689,843)
Loss before income tax expense		(1,773,333)	(1,769,303)
Income Tax Expense		(71,397)	(3,418,608)
Loss attributable to members of the parent entity		(1,844,730)	(5,187,911)
Other Comprehensive Income			
Other Comprehensive Income		-	-
Total Comprehensive Income		(1,844,730)	(5,187,911)

	No.	No.
Average weighted shares on issue	2,348,537,375	1,821,575,027
Losses per share (cents per share)	(0.08)	(0.28)
Diluted losses per share (cents per share)	(0.08)	(0.28)

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
For the half-year ended 31 December 2024

		Consolidated Entity	
	Note	31-December 2024	30-June 2024
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		1,185,167	565,150
Trade and other receivables	3	3,430,312	16,483,317
Total Current Assets		4,615,479	17,048,467
NON-CURRENT ASSETS			
Trade and other receivables	3	195,854	195,854
Office equipment		53,903	62,757
Demonstration plant	4	67,515,647	60,738,061
Right-of-use asset	5	4,606,469	7,232,766
Intangible assets	6	7,025,665	6,993,768
Land & Buildings	7	3,132,239	3,132,239
Total Non-Current Assets		82,529,777	78,355,445
TOTAL ASSETS		87,145,256	95,403,912
CURRENT LIABILITIES			
Trade and other payables	8	3,190,362	6,748,885
Provision for Income Tax		-	2,587,088
Borrowings	9	172,903	1,861,169
Lease liabilities	5	5,107,249	5,434,749
Share Subscription Fund	10	-	1,086,000
Total Current Liabilities		8,470,514	17,717,891
NON CURRENT LIABILITIES			
Lease liabilities	5	-	6,564,635
Deferred income	4	29,183,405	26,671,951
Deferred Tax Liability		2,821,802	2,821,802
Total Non Current Liabilities		32,005,207	36,058,388
TOTAL LIABILITIES		40,475,721	53,776,279
NET ASSETS		46,669,535	41,627,632
EQUITY			
Issued capital	11	83,312,941	77,428,757
Warrant and Option Reserves	14	5,371,864	4,369,415
Accumulated losses		(42,015,270)	(40,170,540)
TOTAL EQUITY		46,669,535	41,627,632

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2024

GROUP	Note	Issued Capital \$	Warrant and Option Reserves \$	Accumulated Losses (As Restated) \$	Total (As Restated) \$
Balance at 1 July 2023		54,149,170	7,586,088	(35,427,951)	26,307,307
Expiry of options	11	3,255,634	(3,255,634)	-	-
Option Reserve	14	(38,961)	38,961	-	-
Total comprehensive income – as restated		-	-	(5,187,911)	(5,187,911)
Shares issued during the period	11	6,621,914	-	-	6,621,914
Balance at 31 December 2023		63,987,757	4,369,415	(40,615,862)	27,741,310
Balance at 1 July 2024		77,428,757	4,369,415	(40,170,540)	41,627,632
Expiry of options	11	-	-	-	-
Option Reserve	14	(754,318)	1,002,449	-	248,131
Total comprehensive income		-	-	(1,844,730)	(1,844,730)
Shares issued during the period	11	6,638,502	-	-	6,638,502
Balance at 31 December 2024		83,312,941	5,371,864	(42,015,270)	46,669,535

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2024

	Consolidated Entity	
	31-December 2024	31-December 2023
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	13,204,282	1,537,877
Payments to suppliers and employees	(4,077,664)	(1,609,096)
Financing costs	-	(11,104)
Interest received	8,902	14,880
Net cash provided by / (used in) operating activities	9,135,520	(67,443)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment to acquire demonstration plant	(18,614,594)	(13,470,040)
Payment to acquire property	2,381	(42,354)
Payment for equipment, fixtures and fittings	(18,738)	(10,130)
Payment for international patent costs	(17,239)	(42,535)
Proceeds from sale of equipment	-	10,378,772
Net cash used in investing activities	(18,648,190)	(3,186,287)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	19,079,549	2,406,000
Transaction costs related to issue of shares	(790,120)	(180,000)
Proceeds from exercise of warrants and options	-	3,980,000
Proceeds from borrowings	3,000,000	2,000,000
Repayment of borrowings	(13,244,520)	(9,400,000)
Repayment of lease liabilities	222,328	(13,417)
Net cash used in financing activities	(8,267,236)	(1,207,417)
Net decrease in cash and cash equivalents held	(1,245,434)	(4,461,147)
Cash and cash equivalents at beginning of the financial year	2,430,586	6,891,733
Cash and cash equivalents at end of financial year	1,185,152	2,430,586

The financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 1 MATERIAL ACCOUNTING POLICIES

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Basis of preparation

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2024 and are not expected to have any significant impact for the full financial year ending 30 June 2025.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern

For the half year ended 31 December 2024 the consolidated entity recorded a net loss of \$1,844,730 (2023: \$5,187,911 loss as restated) and a net cash outflow of \$1,245,434 (2023: \$4,461,467).

Notwithstanding the loss for the half year, negative cash flow and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on cash on hand and the financial facilities available to the consolidated entity at balance date and post. The Company has prepared cash flow forecasts for the period up to 30 June 2026 and is satisfied that it will be able to continue to operate as a going concern on this basis.

LMG is proposing to sell 4.3 hectares of surplus land at its Tramway Road site. Jones Lang La Salle has been appointed to manage the sale, with expressions of interest and financial commitments currently being sought. This is expected to generate approximately \$5M in additional funding to support MgO operations and working capital requirements. LMG is also looking at raising funding up to \$6M.

LMG has commissioned its R&D advisors to provide an estimate of the 2025 rebate based on LMG's projected cashflows. Its advisors estimated a figure in the range between \$10M and up to \$12M was achievable for 2025 depending on which activities are undertaken by June year end. The tax rebate is \$3.1M for the half year to 31 December 2024.

The Group is able to pay its demonstration plant costs and trade creditors from its cash on hand, further drawings from its undrawn loans, proposed sale of surplus land and refinancing raisings. Once the demonstration plant is operating successfully the group will consider either an equity raise or other alternative sources of funding. LMG is exploring eligibility for the United States Department of Defence's (DoD) Critical Minerals Program. LMG also has a number of funding options from both the state and federal

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

governments, and potential strategic investors, as magnesium has critical mineral status and in relation to assisting with the development of its Stage 2 and Stage 3 projects.

The Company's ability to continue as a going concern is reliant on obtaining additional funding in line with the plans detailed above.

NOTE 2 LOSS FROM ORDINARY ACTIVITIES

The following revenue and expense items are relevant in explaining the financial performance for the interim period.

	Consolidated Entity	
	31 December 2024	31 December 2023 (As Restated)
	\$	\$
(i) <u>Revenue</u>		
Finance Income	23,070	14,880
Other Income: Gain on foreign exchange	752	9,439
R&D tax incentive 2023-24	-	896,221
R&D tax incentive 2024-25	798,285	-
Rental Income	33,750	
	<u>855,857</u>	<u>920,540</u>
(ii) <u>Expenses</u>		
Depreciation	21,525	24,890
Research and evaluation expenses	42,362	275,080
Directors' fees	400,315	404,000

NOTE 3 OTHER RECEIVABLES

	Consolidated Entity	
	31 December 2024	30 June 2024
	\$	\$
<u>Current</u>		
GST receivable	-	325,241
R&D tax incentive 2023-24	-	15,885,594
R&D tax incentive 2024-25	3,069,740	-
RDV Grant	264,000	-
Trade Debtor	1,050	1,068
Rent Bond	14,600	14,600
Prepayment – Insurance	-	227,018
Refundable prepayment	80,922	22,412
Share subscription receivable	-	7,654
	<u>3,430,312</u>	<u>16,483,317</u>
<u>Non-Current</u>		
Share Acquisition Plan	100,877	100,877
Rent and deposit bonds	94,977	94,977
	<u>195,854</u>	<u>195,854</u>

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 4 DEMONSTRATION PLANT

	Consolidated Entity	
	31 December 2024	30 June 2024
	\$	\$
Capitalised costs of the demonstration plant (i)	62,858,373	57,727,990
Crane equipment	2,881,000	2,881,000
Capitalised borrowing costs (ii)	12,155,046	10,507,843
Equipment Sale & Lease Back (iii)	(10,378,772)	(10,378,772)
	67,515,647	60,738,061

- (i) Construction costs work of the initial 1,000 tpa magnesium plant have been capitalised as demonstration plant asset of \$62,858,373. Amortisation charges on the right of use asset are included within this balance. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably.
- (ii) The construction loan facility of \$22 million was finalised on 16 May 2022 with an approximately five year loan term. The facility was increased by \$3 million to \$25 million on 21 April 2023. On 26 August 2024 the limit of the facility was further increased by \$3 million to \$28 million. The lender advanced \$3 million under the facility on 3 September 2024 and there remains a further \$3m of the facility available to be drawn in the second half of the FY25 financial year (subject to meeting certain conditions). The maturity date of the facility was also extended from 31 March 2027 to 31 December 2027. Also included within capitalised borrowing costs is interest on the sale and leaseback arrangement.
- (iii) As at 31 December 2024 there is an outstanding balance of \$5.1M, following receipt of the 2023 and 2024 R&D tax incentive rebates in calendar 2024. Both these rebates were fully paid to the financier (RnD Funding), reducing the outstanding balance to \$5.1M.
- (iv) The loan finance costs comprised of mandate fee and establishment fee of \$517,500 were paid by issue of LMG shares and other transaction costs of \$100,000 was paid in cash. Under the facility agreement, 80,000,001 unlisted warrants were issued with the value of \$3,913,358 calculated by the Black-Scholes method. The loan finance cost on the increased facility of \$3 million with no increase on loan interest was structured by issuing 15 million LMG shares at \$0.07 per share.

The finance costs and warrants fair value issued under the terms of the facility agreement are initially set-off against the loan facility proceeds as loan transaction costs but are eligible borrowing costs for capitalisation progressively to the demonstration plant asset (until its completion) as they are unwound to the loan carrying value over the loan term. The interest on the loan is also an eligible borrowing cost.

Capital Commitments

The Company has committed to \$0.5 million of future capital expenditure on the Demonstration Plant at 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

Deferred Income Liability

The deferred income from R&D incentive received or receivable for the demonstration plant design and construction in progress continues to be classified as a non-current liability. Once the plant is constructed the deferred income will be reclassified as an offset against the non-current plant asset.

	Consolidated Entity	
	31 December 2024	30 June 2024
	\$	\$
R&D tax incentive refund at beginning of the period	26,171,951	16,558,312
Plus: R&D claim for the period	2,271,454	9,613,639
Regional Development VIC Grant	740,000	500,000
	<u>29,183,405</u>	<u>26,671,951</u>

NOTE 5 LEASING COMMITMENTS

Right of Use Assets - the Company is committed on the leases summarised as below:

	Consolidated Entity	
	31 December 2024	30 June 2024
	\$	\$
Right of Use Asset	10,378,772	10,452,772
Accumulated Depreciation	(5,772,303)	(3,220,006)
	<u>4,606,469</u>	<u>7,232,766</u>
Lease Liability	10,452,772	10,452,772
Interest Expense for the period	2,659,101	1,614,464
Lease Payments during the period	(8,004,625)	(67,852)
Lease Liability at end of period	<u>5,107,249</u>	<u>11,999,384</u>
Current Lease Liability	5,107,249	5,434,749
Non Current Lease Liability	-	6,564,635
Total Lease Liability	<u>5,107,249</u>	<u>11,999,384</u>

Lease Commitments	Equipment	Total
	2023-25	
Right of use of assets		
Value of Lease	10,378,772	10,378,772
Accumulated Depreciation	(5,772,303)	(5,772,303)
	4,606,469	4,606,469
Lease Liability	10,378,772	10,378,772
Interest Expense	2,653,829	2,653,829
Lease Payment	(7,925,353)	(7,925,353)
	5,107,249	5,107,249
Current Liability	5,107,249	5,107,249
Non Current Liability	-	-
	5,107,249	5,107,249

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

- Equipment Lease – Operation Unit
 - Term: 21 November 2023 to 20 November 2025
 - Monthly rent \$532,444 as at 21 November 2023.
 - Rental increase N/A
 - Interest rate Implicit composite rate of 19.67% p.a. from 21 November 2023 to measure lease liability

The current lease liability of \$5,107,249 will be paid on receipt of the 2025 research and development tax rebate later in 2025.

NOTE 6 INTANGIBLE ASSETS

	Consolidated Entity	
	31 December 2024	30 June 2024
	\$	\$
Acquired in-process research and development, at cost	5,684,000	5,684,000
Acquired in 2017 with the Ecoengineers Pty Ltd acquisition	1,080,000	1,080,000
	6,764,000	6,764,000
International patent costs	261,665	229,768
Total	7,025,665	6,993,768

Since June 2023, the Company is in the process of applying Australian provisional patents for the processes of improved ferro-nickel slag leaching and pro-hydrolysis of calcium chloride.

Latrobe Magnesium Project is based in the Latrobe Valley in Victoria. As the project is not held ready for use, the Company is required to perform an annual impairment test. This impairment test involves the comparison of the recoverable amount calculated from a discounted cash flow value in use impairment model with the carrying value of the cash generating unit (CGU) at 31 December 2024. The CGU has been determined to comprise the demonstration plant under construction of \$67,515,647 set out in Note 4, the intangible assets of \$7,025,665 set out above and the land and property of \$3,132,239 set out in Note 11.

The key assumptions underlying this impairment test have been based on data provided in the Company's feasibility study and subsequent reports. The key assumptions are adjusted to incorporate risks with a particular segment, and are summarised as follows:

- budgeted cash flow period of 30 years, which approximates the project's life, based on current inputs.
- initial production of 1,000 tonnes per annum increasing to 10,000 tonnes.
- magnesium metal price of US\$7,165 per tonne is used which represents the price FOB China. The United States market is currently approximately double this price.
- market information for forward exchange rates.
- operating costs based upon third party consultant's estimates.
- capital costs based upon the management's estimates; and
- pre-tax discount rate of 10% used in both 1,000tpa and 10,000tpa models.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 7 LAND AND PROPERTY ASSETS

	Consolidated Entity	
	31 December 2024	30 June 2024
320 Tramway Road, Hazelwood North, VIC 3840	\$	\$
Land and property	2,119,000	2,119,000
Stamp duty	150,875	150,875
Administration building improvement	862,364	862,364
Total	3,132,239	3,132,239

As stated in Note 19, the Company is looking to sell a portion of the land at Tramway Road to help fund future activities.

NOTE 8 TRADE AND OTHER PAYABLES

	Consolidated Entity	
	31 December 2024	30 June 2024
	\$	\$
Trade creditors and accrued expenses	2,850,163	6,529,030
Employee Wages Accrued	74,471	-
Employee annual leave entitlements	132,706	91,409
Employee PAYG Withholding	58,937	50,382
Employee Superannuation	43,918	61,131
Employee Long Service Leave provision	30,167	16,933
Total	3,190,362	6,748,885

Trade creditors include an amount owing to our former EPCM contractor, which is in dispute. LMG has lodged a counter claim for a greater amount.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 9 BORROWINGS - SECURED

	Consolidated Entity	
	31 December 2024	30-June 2024
	\$	\$
Loan balance at 1 July	2,036,558	19,890,265
Loan Drawdown	3,000,000	2,000,000
Interest accrued	282,610	2,418,681
Loan repayment	(5,319,168)	(22,272,388)
Loan balance at 31 December / 30 June	0	2,036,558
Less transaction costs	(5,580,858)	(5,580,858)
Plus transaction costs amortisation	5,530,316	5,178,514
Less Sale of Equipment	(52,933)	(52,933)
GST Loan Balance	26,378	279,888
Directors Loan Facility (refer to Note 15)	250,000	-
Carrying value as at 31 December / 30 June	172,903	1,861,169
Borrowings	\$	\$
Current	172,903	1,861,169
Non-Current	-	0
Total	172,903	1,861,169

On 26 August 2024 the limit of the facility was further increased by \$3 million to \$28 million. The lender advanced \$3 million under the facility on 3 September 2024 and there remains a further \$3m of the facility available to be drawn in the second half of the FY25 financial year (subject to meeting certain conditions). The maturity date of the facility was also extended from 31 March 2027 to 31 December 2027.

The terms and conditions are as follows:

Lender	RnD Funding Pty Ltd
Loan Term	Four years and nine months expiring 31 March 2027. On 26 August 2024, the maturity date was extended to 31 December 2027.
Interest Rate	12% per annum up to 31 October 2023, 18% per annum from 1 November 2023 to 31 December 2024 and 24% per annum thereafter to maturity date.
Loan Drawdown	\$25 million has been drawn to 31 December 2024. A further \$3M was advanced on 3 September 2024. The amounts drawn have been repaid.
Financing Costs	Mandate fee 1.25% and establishment fee 1% totalling \$517,500 paid by issue of LMG shares. Transaction costs \$100,000 paid by cash. 80 million warrants issued to the lender at a fair value of \$3,913,358. The financing costs are subtracted from the loan proceeds and unwound over the loan term of 4 years and 9 months to 31 March 2027. 15 million LMG shares at \$0.07 were issued as financing costs of the \$3 million increase in the facility. Interest rate remains unchanged. Due to large early principal repayments of \$22.2 million made during FY24, unwinding of financing costs has been accelerated in tandem. 16,887,500 options issued to the lender at a fair value of \$248,131. The financing costs are subtracted from the loan proceeds and unwound over the loan term of 4 years and 9 months to 31 March 2027.
Loan Repayment	Loan principal and interest repayments were scheduled to start from 12 July 2024. These loan repayments have currently been deferred. All R&D grant refunds received subsequent to the loan commencement are required to be utilised as additional loan repayments.
Security	The facility is secured by a mortgage deed on the 320 Tramway Road, Hazelwood North property which has been valued at \$9.6 million owned by Latrobe Magnesium Limited as the mortgagor, and the lender, RnD Funding Pty Ltd as the mortgagee.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 10 SHARE SUBSCRIPTION FUNDS

	Consolidated Entity	
	31 December 2024	30 June 2024
	\$	\$
Directors share subscription	-	1,086,000

Under the ASX listing Rule 10.11, the shares allotted to Directors were approved at an extraordinary general meeting held on 7 August 2024.

NOTE 11 ISSUED CAPITAL

		Consolidated Entity	
		31 December 2024	30 June 2024
		\$	\$
(a) Ordinary Shares Issued and Fully Paid			
	Balance at beginning of reporting period	77,428,757	54,149,170
31-Jul-23	824,000 shares issued at \$0.04 - exercise of listed options		32,960
29-Aug-23	727,000 shares issued at \$0.04 - exercise of listed options		29,080
26-Sep-23	2,760,193 shares issued at \$0.04 - exercise of listed options		110,408
30-Oct-23	95,188,807 shares issued at \$0.04 - exercise of listed options		3,807,552
30-Oct-23	30,000,000 expired options issued at \$0.04 for capital raising costs transferred back from Reserve.		3,255,634
10-Nov-23	1,062,375 shares issued at \$0.04 for asset management services		42,495
10-Nov-23	1,000,000 shares issued at \$0.06 for corporate advisory services		60,000
22-Dec-23	54,388,378 shares issued at \$0.05 pursuant to a private placement		2,719,419
	Placement fees		(180,000)
	3,000,000 options issued @ \$0.10 expiring 22 Dec 2025 valued by Black- Scholes, for advisory services		(38,961)
26-Feb-24	17,020,000 shares issued at \$0.05 pursuant to a private placement		851,000
	Placement Fees		(45,000)
28-Mar-24	38,600,000 shares issued at \$0.05 pursuant to a share purchase plan		1,930,000
11-Jun-24	255,555,556 shares issued at \$0.045 pursuant to a private placement		11,500,000
	Placement fees		(795,000)
22-Jul-24	133,333,333 shares issued at \$0.045 pursuant to a private placement	6,000,002	
	Placement fees	(475,000)	
8-Aug-24	21,720,000 shares issued at \$0.05 for Directors shares approved at AGM	586,000	
8-Aug-24	11,111,111 shares issued at \$0.045 for Directors shares approved at AGM	500,000	
12-Aug-24	51,337,937 options issued @ \$0.079 expiring 12 Aug 2027 valued by Black- Scholes, for brokerage services	(754,318)	
4-Sep-24	550,000 shares issued at \$0.05 for corporate advisory	27,500	
		83,312,941	77,428,757

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

	Consolidated Entity	
	31 December 2024	30 June 2024
(b) Shares on Issue	No.	No.
Balance at beginning of reporting period	2,191,822,930	1,724,696,621
Share on Issues:		
• 31 July 2023		824,000
• 29 August 2023		727,000
• 26 September 2023		2,760,193
• 30 October 2023		95,188,807
• 10 November 2023		2,062,376
• 22 December 2023		54,388,378
• 26 February 2024		17,020,000
• 28 March 2024		38,600,000
• 11 June 2024		255,555,556
• 22 July 2024	133,333,333	
• 8 August 2024	22,831,112	
• 4 September 2024	550,000	
Balance at end of reporting period	<u>2,348,537,375</u>	<u>2,191,822,930</u>

Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called.

Options

There were no unissued shares under option.

Capital Management

The Group considers its capital to comprise its ordinary share capital and reserves. In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and the development of its Latrobe magnesium project.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

NOTE 12 UNLISTED WARRANTS

Under the 16 May 2022 funding agreement with RnD Funding Pty Ltd, LMG has issued 80,000,001 warrants at different strike prices and dates, as follows:

Warrant Amount	Expiry Date	Exercise Price
8,888,889	31/03/25	\$0.18
8,888,889	30/06/25	\$0.18
8,888,889	30/09/25	\$0.18
8,888,889	31/12/25	\$0.24
8,888,889	31/03/26	\$0.24
8,888,889	30/06/26	\$0.24
8,888,889	30/09/26	\$0.30
8,888,889	31/12/26	\$0.30
8,888,889	30/06/27	\$0.30

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

Unlisted Warrants	
Total warrants outstanding at beginning of the period	80,000,001
Granted in the period	-
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	80,000,001

Warrant Reserves		
Calculated by Black-Scholes	Warrants	Value
Issued under funding agreement May 2022	80,000,001	3,913,358

NOTE 13 LISTED OPTIONS

As at 31 December 2024, the Company has no outstanding Listed Options

NOTE 14 UNLISTED OPTIONS

On 12 August 2024, the Company issued 51,337,937 unlisted options at the exercise price of \$0.079 expiring 12 August 2027 to the promoters of the July 2024 private placement being part of the capital raising costs.

On 9 September 2024, the Company issued 16,887,500 unlisted options at the exercise price of \$0.079 expiring 12 August 2027 to the advisers of the 21 December 2023 private placement being part of the capital raising costs.

Unlisted Options	
Total options outstanding at beginning of the period	18,000,000
Granted in the period	68,225,437
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	86,225,437

Calculated by Black-Scholes	Options	Value
Capital raising costs on 12 July 2024	51,337,937	754,318
Capital raising costs on 9 September 2024	16,887,500	248,131

Reconciliation of Warrants and Options reserve:

Issued under funding agreement May 2022	3,913,358
Capital raising costs May 2023	417,096
Capital raising costs December 2023	38,961
Capital raising costs on 12 July 2024	754,318
Capital raising costs on 9 September 2024	248,131
Total warrants and options at the end of the period	5,371,864

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 15 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with and amounts receivable from and payable to Directors of related parties or their director related entities which:

- a. occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director related entities at arms length in the same circumstances;
- b. do not have the potential to adversely affect decisions about the allocations of scarce resources made by users of the financial report, or the discharge of accountability by the directors if disclosed in the financial report only by general description; and
- c. are trivial or domestic in nature;

must be excluded from the detailed disclosures required. Such transactions and amounts receivable or payable shall be disclosed in the financial report by general description.

		Consolidated Entity	
		31 December 2024	31 December 2023
Other related entities		\$	\$
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	42,500	40,000
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	37,500	35,000
(iii)	Director's fees were paid to Wandmaker Consultants Pty Ltd of which M F Wandmaker is a principal.	-	25,000

		Consolidated Entity	
		31 December 2024	30 June 2024

The following amounts are outstanding to directors (exc GST) as at 31 December 2024:

(i)	J S Murray Pty Ltd	22,500	-
(iii)	Stockholders Relation Pty Ltd	20,000	-

		Consolidated Entity	
		31 December 2024	30 June 2024
Director's Loan Facility		\$	\$
(i)	D O Paterson	100,000	-
(iii)	J S Murray	100,000	-
(iii)	P F Bruce	50,000	-
Total		250,000	-

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 16 PRIOR PERIOD ERROR

AASB 108 requires entities to disclose prior year errors that are material in nature.

Incorrect treatment of Interest and Depreciation on Sale and Leaseback of Equipment.

In November 2023, LMG entered into a Sale and Leaseback lease agreement of its Construction Plant & Equipment. At that time, the interest and depreciation were recorded on the profit and loss statement up to December 2023. During the 30 June 2024 audit, LMG were advised we should capitalise the interest and depreciation, to the Capital Borrowing Costs and Demonstration plant respectively, in accordance with AASB 138.66(a) and AASB 116.10.

As a result, of the change in accounting treatment, \$1,084,877 was transferred from Interest and Depreciation expenses and moved to the Demonstration Plant asset, as shown in the table below.

31 December 2023	Balance before correction	Effect of correction	Balance as presented
	\$	\$	\$
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Administration expenses	(3,483,022)	1,084,877	(2,398,145)
Total expenses	(3,774,720)	1,084,877	(2,689,843)
Loss before income tax expense	(2,854,180)	1,084,877	(1,769,303)
Total Comprehensive Income	(6,272,788)	1,084,877	(5,187,911)
Losses per share (cents per share)	(0.34)	0.06	(0.28)
Diluted losses per share (cents per share)	(0.34)	0.06	(0.28)
STATEMENT OF FINANCIAL POSITION			
Demonstration plant	38,770,997	1,084,877	39,855,874
Total Non-Current Assets	58,861,476	1,084,877	59,946,353
TOTAL ASSETS	80,571,252	1,084,877	81,656,129
NET ASSETS	26,656,433	1,084,877	27,741,310
STATEMENT OF CHANGES IN EQUITY			
Total Comprehensive Income	(6,272,788)	1,084,877	(5,187,911)
Accumulated losses	(41,700,739)	1,084,877	(40,615,862)
Total Equity	26,656,433	1,084,877	27,741,310

NOTE 17 SEGMENT INFORMATION

AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. The Group consists of one business segment being the development of its Latrobe Magnesium Project.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2024

NOTE 18 CONTINGENT LIABILITIES

Lease Extension

We have provided a lease extension to our financier from November 2025 to June 2027. As the financier has not accepted the extension terms it is a contingent commitment.

Mincore Claim

LMG's counter claim against Mincore Pty Ltd (Mincore), for a breach of contract and negligence in performance of services, was lodged by its legal counsel on Wednesday 15th January 2025 in the Victorian Supreme Court. The amount of the claim being made by LMG is \$19.39M.

LMG is also disputing the amount of Mincore's initial claim of \$1.37M and is seeking this to be reduced to \$914,390 (refer to ASX announcement published 22 October 2024).

Mincore has until 14th March 2025 to lodge its defence in relation to LMG's counter claim.

NOTE 19 EVENTS SUBSEQUENT TO BALANCE DATE

LMG is proposing to sell 4.3 hectares of surplus land at its Tramway Road site. Jones Lang La Salle has been appointed to manage the sale, with expressions of interest and financial commitments currently being sought. This is expected to generate approximately \$5M in additional funding to support MgO operations and working capital requirements. LMG is also looking at raising funding up to \$6M.

NOTE 20 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value calculations performed in determining recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of the intangible assets for the half-year ended 31 December 2024 because:

- the Company's internal valuation indicates that the recoverable amount of the assets is greater than the book value of the assets;
- the magnesium price supports the sale price estimate used in this valuation; and
- the Company is utilising a Hydromet Process and the proven Thermal Reduction Process in its process with estimates of its capital and operating costs which are based on its prefeasibility study.

DIRECTORS' DECLARATION
For the half-year ended 31 December 2024

In the Directors' opinion:

- a) the financial statements and notes set out on pages 13 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134: Interim Financial Reporting, the Corporation Regulations 2001 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



J S Murray
Chairman



D O Paterson
Chief Executive Officer

Sydney

14 March 2025

INDEPENDENT AUDITOR'S REVIEW REPORT

nexia.com.au

To the members of Latrobe Magnesium Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Latrobe Magnesium Limited and its controlled entities, which comprises the consolidated Statement of Financial Position as at 31 December 2024, the consolidated Statement of Profit or Loss and Other Comprehensive Income, consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising material accounting policy information and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Latrobe Magnesium Limited and its controlled entities does not comply with the *Corporations Act 2001* including:

- i) giving a true and fair view of the Latrobe Magnesium Limited consolidated financial position as at 31 December 2024 and of its consolidated performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty related to going concern

We draw attention to Note 1 (Going Concern) in the financial report, which indicates that the Group incurred a net loss of \$1,844,730 and had net cash outflow of \$1,245,434 during the half-year ended 31 December 2024. As stated in the Going Concern note, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's consolidated financial position as at 31 December 2024 and its consolidated performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Nexia Sydney Audit Pty Ltd****Vishal Modi**
DirectorSydney
Dated: 14 March 2025