
LATROBE MAGNESIUM FINALISES TERM SHEET FOR \$23M OF PROJECT FUNDING

Highlights:

- * LMG has signed a binding term sheet for \$23M in project funding plus capitalized interest, with \$20M to be drawn in FY22 and a \$3M standby line available in FY23, as a contingency to fund any construction cost over-run.
- * The project funding means LMG is now fully funded to complete the construction of its \$39M plant, designed to demonstrate the use of LMG's Hydromet technology to extract high grade magnesium and other valuable by-products from both fly ash and ferro nickel slag feedstocks.
- * The project funding allows LMG to conduct a pre-feasibility study during 2022 on a potential 100,000 tpa magnesium plant, using ferro nickel slag as a feedstock.
- * The project funding is a critical step in LMG's strategy to become a globally significant ESG credentialled clean metals producer via a staged expansion pathway that uses its Hydromet technology to produce high grade magnesium and other valuable by-products, at relatively low net operating cost.

On 13 December 2021, LMG signed a binding term sheet with RnD Funding Pty Ltd ("RnD Funding") for the provision of \$23M of loan funding. RnD Funding's commitment is backed by a letter of comfort from an Australian investment fund, with credit related funds under management of circa \$300M.

The loan facility will be available to be drawn in three tranches:

- \$10,000,000 in full, on before 28 February 2022;
- \$10,000,000 in full, on or before 30 June 2022; and
- standby line of \$3,000,000 available to be drawn between 1 January 2023 and 30 June 2023.

The term of the loan is five years from the date of the first drawdown and the interest rate chargeable is 14% pa to 31 October 2023. Thereafter, the interest rate may be reset to a capped rate of 16% to 31 December 2024 and a capped rate of 24% from 1 January 2025 for the remaining term of the facility.

Loan repayments are budgeted to be sourced from a combination of R&D tax refunds (arising under LMG's R&D Tax Incentive entitlements) and LMG's offtake agreements.

The establishment fee for the facility is 1% and it will be paid in LMG shares.

The facility is subject to formal documentation being executed and LMG having capacity under ASX Listing Rule 7.1 to issue 80 million warrants to RnD Funding at different strike prices and dates, as follows:

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

Should you have any queries in relation to this announcement please do not hesitate to contact the CEO on his mobile 0421234688.



David Paterson
Chief Executive Officer

14 December 2021

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 the Yallourn brown coal power generation.

LMG has completed a feasibility study validating its combined hydromet / thermal reduction process that extracts the metal. Construction is estimated to start on site on its initial 1,000 tonne per annum magnesium plant in first quarter of 2022 with production commencing up to 12 months later in fourth quarter of 2022. The plant will then be expanded to 10,000 tonne per annum magnesium shortly thereafter. Further plant capacity expansion will be considered once the 10,000 tonne per annum is operating successfully. The plant will be in the heart of Victoria's coal power generation precinct, providing immediate access to feedstock, infrastructure, and labour.

LMG plans to sell the refined magnesium under long-term contracts to USA and Japanese customers. Currently, Australia imports 100% of the 8,000 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 CO₂ emitter. LMG adopts the principles of an industrial ecology system.