
LATROBE MAGNESIUM INCREASES PROJECT FINANCE FACILITY BY \$3M FOR WORKING CAPITAL

Highlights:

- ✦ LMG has successfully negotiated an increase in the facility limit of its project finance facility ("Facility") by \$3M to \$26M. The additional funding will provide operational working capital for the first year of operations of its demonstration plant.
- ✦ LMG also negotiated a more flexible drawdown profile under the Facility to match projected cashflow requirements. The increased flexibility is expected to result in significant interest savings under the Facility.
- ✦ LMG will issue shares under the Facility as consideration for the lender agreeing to hold the interest rate under the Facility constant (despite a number of increases in the Official Rate) and agreeing not to charge commitment fees on the undrawn amount of the Facility.
- ✦ LMG's estimate for its total Research and Development rebate for the demonstration plant to be received to the end of 2024 is in the order of \$22M.
- ✦ Progress continues satisfactorily with 83% of equipment for the Demonstration Plant being awarded with a further 16% already tendered and under evaluation.
- ✦ All equipment to be on site by 30 June 2023 and the plant dry commissioned.

Project Funding

On 24 April 2023, LMG increased the limit of the Facility from \$23M to \$26M to provide funds for operational working capital purposes to be used once the demonstration plant becomes operational.

Drawdowns under the Facility will now be more flexible and in line with LMG's capital requirements to fund the completion of the demonstration plant.

The Lender advanced \$10M of the project facility on 24 June 2022. The remaining \$16M of the Facility is anticipated to be drawn as follows:

- (i) \$7M, on or before 26 April 2023,
- (ii) \$3M, between 15 May 2023 and 30 June 2023,
- (iii) \$3M, between 23 June 2023 and 30 June 2023, and
- (iv) \$3M, between 15 July 2023 and 31 August 2023.

Initially, \$10M was due to be drawn by 1 September 2022 but by deferring that drawdown to match project expenditure, LMG has currently saved interest in the order of \$750,000.

LMG claims the capital and certain operating costs of all eligible Demonstration Plant costs for Research and Development rebate purposes. LMG estimates that the rebates to be claimed for the 2023 year and the 2024 year will be in the order of \$17M and \$5M respectively. These funds will be used to repay the principal of this \$26M facility. Similarly, in 2022, some \$1.5M in rebates were used to repay the existing facility.

LMG has agreed to issue 15M LMG ordinary shares under the Facility as consideration for the:

- increase the project facility limit from \$23M to \$26M;
- the lender agreeing to hold the interest rate on the Facility constant, despite eight Reserve Bank interest rate rises since the Facility was entered into;
- more flexible terms in relation to the timing of drawdowns to match project spend; and
- the lender agreeing not to charge any commitment fees on the undrawn amount of the Facility.

Construction Update

The project is currently 30% complete overall with engineering nearing 80% completion. Engineering's full efforts are on managing and supporting vendors during detailed design engineering and fabrication of equipment purchased.

A total of 25 purchase orders have been issued for the Project, representing over 80% of the total equipment packages, with the following five (5) recommendations for award for the following equipment to be completed in the coming weeks:

- Condenser equipment & accessories
- Magnesium crown handling
- Compressed air system
- Instrumentation
- Manual valves.

The only package that remains to be tendered to the market is Control and Actuated Valves which has undergone further value engineering analysis and will be issued to the market immanently.

The status of procurement is shown below:

	Number of Equipment Packages
Project Preparation	1
Tendered to Market & Under Evaluation	5
Awarded	25
Total	31

Equipment purchase orders were issued for preferred manufacture in low-cost countries where additional value add was found with equipment packaged together and modularised off-site.

The Site Construction team are receiving equipment on site, including Safety Showers, Process Pumps, partial shipments for fabrication and purchased supplier sub-components related to critical long lead equipment: the Spray Roaster and Reduction Furnace package.

These items have already arrived onsite, as shown in the following photos:

- First and second Reduction Furnace modules
- Steam Boiler
- Retort Tubes (first batch)
- Vacuum Pumps
- Cooling Tower (part)

Ongoing deliveries will continue to increase towards full equipment onsite by 30 June 2023.



First Reduction Furnace module



Second Reduction Furnace module



Steam Boiler



Retort tubes (first batch)



Vacuum pumps

David Paterson
David Paterson
Chief Executive Officer

26 April 2023

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 resource from Yallourn brown coal power generation.

LMG has completed a feasibility study validating its combined hydrometallurgical / thermal reduction process that extracts the metal. Construction has commenced on its initial 1,000 tonne per annum magnesium plant with production targeted to commence from Q3 2023. A commercial plant will then be developed, with a capacity of +10,000 tonne per annum magnesium, shortly thereafter. 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.