
LATROBE MAGNESIUM MAKES STRONG PROGRESS ON FEASIBILITY STUDY

..Construction of 3,000 tonne pa magnesium plant in Latrobe Valley expected to begin May 2017

..50 direct jobs plus up to 75 construction jobs

..Expanded plant planned to produce 40,000 tonnes of magnesium pa

..300 new jobs plus up to 240 construction jobs

..Hazelwood fly ash dams sufficient for over 20 years' production of 40,000 tpa

31 January 2017, Sydney Australia: Latrobe Magnesium Limited (ASX:LMG) has successfully completed its Preliminary Feasibility Study and has entered further negotiations to access fly ash to supply its proposed magnesium plant. The study results are subject to equipment testing but are extremely positive showing lower costs and increasing the efficiency of the initial plant.

In November 2016 Hazelwood Power announced the closure of its power station by 31 March 2017. While LMG had previously negotiated terms for the supply of ash from the power station, LMG has entered into discussions for securing the rights to access Hazelwood ponded fly ash for its smaller 3,000 tonnes per annum plant. Hazelwood ash dams contain sufficient fly ash to feed a 40,000 tonne per annum magnesium plant for over 20 years.

In May 2016 Latrobe Magnesium Limited (ASX:LMG) announced that it had successfully completed the second stage of its feasibility study of a plant to produce 5,000 tonnes of magnesium a year from the brown coal fly ash at the Latrobe Valley's Hazelwood power station. This second stage estimated the capital cost of the initial 5,000 tonne per annum plant to be in the range of \$46 million-\$51 million.

The preliminary feasibility study was completed on 30 January 2017. In this study the engineers reviewed a number of options in relation to size of plant and capital and operating costs. The results of this evaluation determined that:

- a smaller 3,000 tpa plant is feasible;
- a new fast cycle reduction furnace would be superior to existing vertical retort designs; and
- this option enables a competitive advantage over other vertical retort designs.

The 3,000 tpa magnesium plant is estimated to break even or return a small profit and will provide the necessary information and confidence for LMG to proceed directly to a 40,000 tpa plant. The initial plant is estimated to employ up to 50 direct employees and contractors and the expanded plant estimate is approximately 300 people. Between 50 to 75 construction jobs will be needed with the initial plant and up to 240 with the expanded plant.

A forward work plan has been developed to schedule the design, build and testing of the equipment selected in the preliminary feasibility study and also additional ash pond test work. This plan details what is required to be completed so that construction can start on the Tramway Road site in May 2017.

The preliminary feasibility study estimates the capital cost to be in the order of \$37 million. This estimate includes contingencies of \$4.5 million. LMG has estimated that it will require a further \$3 million for working capital purposes. The total funding required will therefore be \$40 million.

On 9 August 2016 LMG received a certificate for Advance Finding under Section 28A of the Industry Research and Development Act 1986 (Act). Under the Act, LMG has been registered for the next three years (2016, 2017 and 2018) and it is entitled to receive a cash rebate for 43.5% of all eligible expenditure on 11 activities that comprise the initial plant and its operating costs for the first 12 months of operations. The total rebate is estimated to be in the order of \$16 million.

With the completion of this study, LMG is now in a position to approach the Victorian Government for formal consideration of LMG's grant request of up to \$12 million.

The balance of funds will be raised by a mixture of equity and debt from interested sophisticated investors and small cap financial institutions.

After completion of these funding arrangements, LMG expects to commence construction work on site in May 2017.



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 3,000 tonne per annum magnesium plant is due to start in the first quarter of 2018. 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 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.