

QUARTERLY ACTIVITIES REPORT

31 March 2019

LATROBE MAGNESIUM PROJECT

1. Bankable Feasibility Study

On 28 November 2018, Latrobe Magnesium Limited's (ASX:LMG) Board announced that it will finalise a bankable feasibility study for its 3,000 tonnes per annum magnesium plant in the Latrobe Valley based upon Yallourn feed stock and an automated horizontal retort smelter.

In this quarter, LMG has been completing a prefeasibility study using the knowledge gained from the previous studies conducted on horizontal retort technology, an automation concept study completed using robots in the smelter operations and the current laboratory test work being conducted to test various production flowsheets.

With the increase in the magnesium price and the use of Yallourn fly ash, the current estimates of the prefeasibility study show that the estimated capital cost to build and commission the 3,000 tpa plant will be in the order of \$37 million and the EBITDA for the plant is estimated to generate up to \$3 million per annum.

Further work is required to verify these estimates and it is expected that this work will be completed by the end of April.

At this time the flowsheet will be frozen and the Yallourn bankable feasibility study using Yallourn fly ash will commence so that the study can be completed by the end of June 2019.

LMG proposes to finalise its funding arrangements and approvals in the third quarter once the bankable feasibility study has been completed. The planned commencement of construction on site is scheduled in the Latrobe Valley for December 2019.

2. CRC-P Round 7

LMG has been trialling its fast cycle retort (FCR) furnace for the past two years. Latest test work did not provide results necessary to complete a bankable study using FCR. As the potential benefits of the FCR are substantial, the Board has decided to continue to investigate the use of the FCR and vertical retorts.

To this end, LMG, CSIRO and Mincore have applied for a \$900,000 CRC grant under Round 7 of the Advanced Manufacturer's CRC program. The application was submitted on 28 March 2019 and it will be awarded by June. If successful, the work will commence in July 2019. LMG has to provide \$250,000 to the project.

3. Hambach Project (Germany)

In the next quarter, LMG will produce a large sample of supplementary cementitious material from its beneficiated RWE fly ash so that the Verein Deutscher Zementwerke e.V. in Düsseldorf may analyse the product to ensure it meets EU Standards. This confirmatory work will take about 3 months to complete.

LMG and RWE Power will then be in a position to proceed to enter into a collaboration agreement to develop the project.

4. Funding

In May 2018, two Directors of the Company provided an unsecured lending facility to the Company of up to \$200,000. To date some \$100,000 of these facilities have been drawn.

In September 2018, the Company executed agreements with RnD Funding to provide up to \$2.15 million to assist with financing its 2019 activities. To date some \$1.75 million of these facilities have been drawn down.

The Company has \$665,000 cash at bank as at 31 March 2019 and undrawn facilities totalling \$500,000.



David Paterson
Chief Executive Officer

17 April 2019

About Latrobe Magnesium

Latrobe Magnesium is developing a magnesium production plant in Victoria's Latrobe Valley and another plant near Cologne in Germany 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 preliminary feasibility study validating its combined hydromet / thermal reduction process that extracts the metal. Construction is estimated to start on its initial 3,000 tonne per annum magnesium plant in the fourth quarter of 2019 year with production commencing 12 months later. The plant will then be expanded to 40,000 tonne per annum magnesium 18 months later. 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 Australian and overseas 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.