2007 Annual Report

Latrobe Magnesium

Latrobe Magnesium Limited and its Controlled Entities

ABN 52 009 173 611

INDEX

COMPANY DIRECTORY

Directors
David Paterson, Chairman
Philip Bruce
Kevin Torpey
Rodney Foster

Registered Office and Principle Place of Business
Level 7
151 Macquarie Street
Sydney NSW 2000
Telephone: (02) 9251 0400
Facsimile: (02) 9251 0244

Auditors
Grant Thornton NSW
Level 17
383 Kent Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

www.latrobemagnesium.com

Secretary
David Hughes

Bankers
National Australia Bank Limited
255 George Street
Sydney NSW 2000

Solicitors
Minter Ellison
Level 19
88 Philip Street
Sydney NSW 2000

Home Stock Exchange
Australian Securities Exchange
2 The Esplanade
Perth WA 6000

ASX CODE: LMG

REVIEW OF OPERATIONS

Latrobe Magnesium Project

The following project developments occurred during the period under review:

(a) Ash Supply Agreement

The Company signed an Ash Supply Agreement with Hazelwood Power which extends its previous Agreement by three years. The Agreement provides for Hazelwood Power to deal exclusively with the Company and not directly or indirectly carry on any business involving the extraction, production and exploitation of magnesium at any time before the earlier of:

- the date on which the Company ceases to have any direct or indirect ownership interest in the project; and
- 31 December 2009

(b) Independent Technical Review

Process Essentials completed their technical review report, the scope of which included:

- review of proposed flowsheets
- review of calcium removal options
- identify operating costs for the calcium removal options; and
- provide comment on their technical and economic assessment of the project

The report confirmed previous test work undertaken by Worley Parsons in relation to the removal of calcium oxide and concluded that the adoption of proven Russian technology was technically and commercially appropriate.

Given the state of the magnesium market, work on the bankable feasibility study was deferred with project development work focused on refining project capital and operating costs through investigating the following matters:

- further refinement of the calcium removal process
- negotiations with Hazelwood Power to pay for ash removal; and
- further assessment of alternative proven technologies

(c) Recent Developments

The magnesium metal price of US$1.70 per pound (United States spot price) is at its highest level for the last seven years. It is anticipated that the Magnesium price will remain at these levels following the closure of the largest western producer, Becancour, in March 2007.

The closure of the Canadian producer has removed 54,000 tonnes from the market, causing market uncertainty in relation to supply and has been a main contributor to the increase in price. As a result of the recent price increases and market outlook generally the Company has commenced a review of the economics associated with a stage I plant at the Latrobe Valley Magnesium Project site.

A preliminary study also assessed thermal reduction as an alternative to electrolysis. The capital cost of a thermal reduction plant would be less than 50% of the equivalent electrolytic plant, although operating costs could be higher.

The Stage 1 processing would be sized to meet the annual magnesium requirements of Australia and near trading partners, particularly in the aluminium industry, and is estimated to be in the order of 5-10,000 tonnes per year.

(d) Dotars Grant

As previously reported the Dotars grant lapsed during the year.

Mineral Exploration

Bangemall exploration area, Western Australia (E09/1293)

In June 2006 the Company executed an agreement to acquire a 100% equity interest in exploration licence application E09/1293. The exploration licence comprising 154 blocks of the 200 applied for was granted by the Western Australian Department of Industry and Resources on 31 January 2007.

An exploration programme has been developed, following a detailed assessment of past exploration data. The field programme was initiated in May 2007 with the mobilisation of a field crew.

REVIEW OF OPERATIONS (CONT'D)

A scintillometer survey and surface rock sampling programme was utilised as an initial, on ground, exploration method on the eastern section of the Bangemall tenement. This area was identified through anomalous uranium channel results as interpreted from aerial radiometrics data.

Scintillometer readings were taken along 14 traverses. Background values were generally around 100 cycles. Mildly anomalous readings of 200 cycles were encountered on most lines with peak readings of approximately 500 cycles.

Twenty six rock samples have been collected from the Bangemall tenement from areas of the higher readings. Lithologies were commonly fine grained sediments and calcareous surface cover rather than conglomerates and coarse grits that are evident along strike to the northwest at the Centipede Range uranium prospect. Final laboratory analysis is awaited.

Further geological mapping and interpretation are required to locate the basal sediments that may host unconformity style uranium mineralisation. Additional reconnaissance scintillometer surveying and exploration is planned for other prospective areas on the Bangemall tenement.

Northern Territory Uranium Projects

In April 2007, the Company executed an agreement to acquire two uranium projects in the Northern Territory, exploration licence applications 25875 and 25906.

The exploration tenements cover an area of over 325 square kilometers, these areas include exploration targets prospective for high grade vein and pegmatitic type mineralisation in granitoids and for secondary calcrete uranium deposits.

An exploration programme is being developed for implementation on granting of the licence applications.

The Northern Territory Department of Primary Industry Fisheries and Mines recently issued notice of its intention to grant exploration licence 25875.

The granting of exploration licence 25906 is expected to be finalised by December 2007.

Future Investment Opportunities

In addition to the interests in exploration projects referred to above, the board continues to actively pursue resource based investment opportunities to spread shareholder risk and enhance shareholder value, with projects in the oil and gas sectors currently under investigation.

CORPORATE GOVERNANCE STATEMENT

Latrobe Magnesium Limited and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance.

The Board supports and aims to comply with the principles of good corporate governance and best practice recommendations set by the ASX Corporate Governance Council.

The Board continues to review its corporate governance framework in light of these principles to ensure they meet the interests of shareholders.

The Board recognises that given the current size of the Company and its level of operations it is not always appropriate or practical to fully comply with these principles and recommendations.

A description of the Company's main corporate governance practices is set out below. Unless otherwise stated, all of these practices were in place at year end.

The Board of Directors

The Board of Directors' (the Board) primary role is the protection and enhancement of long-term shareholder value. In fulfilling this role, the Board is responsible for the overall corporate governance of the Company and its controlled entities ensuring the consolidated entity is run in a proper manner.

Responsibilities and Functions of the Board

The Board operates in accordance with the broad principles set out in its Charter and Terms of Reference. The Charter details the Board's composition and responsibilities.

The responsibilities of the Board include:

- reporting to shareholders and the market;
- ensuring adequate risk management processes exist and are complied with;
- reviewing internal controls and internal and external audit reports;
- ensuring regulatory compliance;
- monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company's auditors;
- reviewing the performance of senior management;
- monitoring the Board composition, director selection and Board processes and performance;
- validating and approving corporate strategy;
- reviewing the assumptions and rationale underlying the annual plans and approving such plans; and
- authorising and monitoring major investment and strategic commitments.

The Board met 6 times during the year and directors' attendance is disclosed on page 5.

Term in Office

The term in office of each Director of the Company at the date of this report is as follows:

Name of Director	Term in Office
D O Paterson	5 Years, 1 Month
P F Bruce	4 Years, 1 Month
K A Torpey	5 Years, 5 Month
R D Foster	1 Year, 5 Months

Director Education

The Company provides a formal induction process for all new employees and directors to educate them on the nature of the business and its operations.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Chairman

The Chairman is responsible for leading the Board, ensuring that the Board activities are organised and efficiently conducted and for ensuring the directors are properly briefed for meetings. The Board's Charter and Terms of Reference specify that these are separate roles to be undertaken by separate people and that there should at all times be a clear division between the responsibilities of the Board and management.

Audit Committee

The members of the audit committee during the year were:

- Mr D O Paterson – (Chairman) Non-Independent
- Mr P F Bruce – Independent Non-Executive

The committee met twice during the year.

The responsibilities of the audit committee include:

- reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring corporate risk management practices;
- review and approval of the Group's accounting policies and procedures;
- reviewing the external and internal audit plans, and co-ordination between the internal and external auditors;
- reviewing the nomination, performance and independence of the external auditors; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

Nominations Committee

The Board has not yet formed a separate nominations committee and all matters that would normally be the responsibility of a nomination committee are dealt with by the full Board of Directors. In the event of a vacancy the Board seeks replacements with the appropriate skills and experience. Where necessary advice is sought from independent consultants.

Remuneration Committee

No remuneration committee exists as all matters that would normally be the responsibility of a remuneration committee are dealt with by the full Board of Directors. These responsibilities include:

- review and approval of the Group's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy;
- consider and make recommendations to the Board on the remuneration of executive directors (including base salary, incentive payments, equity awards and service contracts);
- to review and approve the design of all equity based plans;
- to review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive directors.

Further information on directors and executive officers remuneration is set out in Note 16 of the Financial Statements.

Board Members

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Directors Report under the heading "Information on Directors".

At the date of this report, the Board comprises four Non-Executive Directors, two of whom are deemed independent under the principles set out below.

This matter is part of a continual review process and as the Company develops, consideration will be given at the appropriate time to appoint a majority of independent Directors.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Director Independence

The Board has adopted specific principles in relation to Director independence. These state that to be deemed independent, a Director must be a Non-Executive and:

- not be a substantial shareholder of the company or an officer of or otherwise associated directly with a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a Director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the company or any other group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the company or a controlled entity other than as a director of the group;
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interests of the company;
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or group or 5% of the individual Directors net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Directors performance.

The Board considers that the current position of two of the four Directors being independent is appropriate and cost effective given the current stage of development of the Company.

Due Diligence Committee

The Board will from time to time form a due diligence committee to monitor any projects that require a due process of enquiry and substantiation.

External Auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement and the scope and quality of the audit. In fulfilling its responsibilities the Board receives regular reports from management and the external auditors at least twice a year, and more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

The current auditors, Grant Thornton NSW, were appointed on 13 November 1992.. The Australian accounting bodies' statement on professional independence and the Corporations Act 2001 requires mandatory rotation of audit partners for listed companies every five years. Grant Thornton confirm that they conform with these requirements.

Grant Thornton are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors Report.

Risk Assessment and Internal Control Procedures

The Board oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The Secretary has stated in writing to the Board that:

The Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operating results and are in accordance with relevant accounting standards.

The integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Risk Assessment and Internal Control Procedures (continued)

The Company's risk management and internal compliance and control system is operating efficiently in all material respects.

The Board requires this declaration to be made bi-annually.

Policy on Dealing in Company Securities

The Company has a policy on how and when the directors and employees may deal in the Company's securities. The purpose of this policy is to ensure that the directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information.

This policy requires all directors and employees to seek approval from the Chairman and Company Secretary prior to dealing in the Company's securities.

Continuous Disclosure

The Company Secretary is responsible for communications with the ASX. The Company Secretary is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

Communication with Shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company follows a communications strategy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company achieves this through the following avenues:

i) The Company's website **www.latrobemagnesium.com**.
The website provides detailed information about all aspects of the Company's operations.

ii) Regular mailings
The Company provides shareholders with the option of receiving copies of all announcements made to the ASX by mail or via an electronic link to our website, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year or they can elect to receive an electronic link to the website via e-mail.

iii) General meetings
All shareholders are invited to attend the Annual General Meetings which are held in Sydney. The full Board and senior executives are present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

The Company endeavours to ensure that all shareholder queries are dealt with promptly and courteously.

Ethical Standards

The Company has a Code of Conduct applicable to all employees and directors. The requirement to comply with the Code is mandatory and is communicated to all employees. The Code sets out standards of conduct, behaviour and professionalism.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Access to Independent Professional Advice

Each director has the right of access to all relevant Company information and to the Company's executives. The directors also have access to external resources as required to fully discharge their obligations as directors of the Company. The use of these resources is co-ordinated through the Chairman of the Board. No such advice has been sought during the year.

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity (The Group) consisting of Latrobe Magnesium Limited and the Consolidated Entities it controlled for the financial year ended 30 June 2007.

DIRECTORS

The following persons were Directors of Latrobe Magnesium Limited during the financial year and up to the date of this report.

D O Paterson (Chairman)
P F Bruce
K A Torpey
R D Foster

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the consolidated entity consisted of:

- Advancement of the Latrobe Magnesium Project with the evaluation of alternative proven technologies used for the production of magnesium metal and the various processes for the removal of calcium oxide.
- Identification and evaluation of other resource based investment opportunities to enhance shareholder value.

REVIEW OF OPERATIONS

The consolidated net loss of the Consolidated Entity after providing for income tax and eliminating outside equity interests amounted to $240,775 compared to a net loss of $211,288 for the previous corresponding period.

Dividends

There have been no dividends paid or declared since the start of the financial year. The directors have not recommended the payment of a final dividend.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

a) An increase in the contributed equity of $117,600 from $23,591,650 to $23,709,250 as a result of:

	2007 $
- Issue of 5,000,000 fully paid ordinary shares at $0.012 as part consideration for the acquisition of mining tenement E09/1293 in August 2006	60,000
- Issue of 5,000,000 fully paid shares at $0.012 as the balance of consideration for the acquisition of mining tenement E09/1293 in January 2007	60,000
	120,000
LESS transaction costs arising on share issues	(2,400)
Net increase in share capital	117,600

b) Expansion of Asset Base

Directors propose to continue to expand the consolidated entity's investment base to enhance shareholder value by identifying and evaluating for acquisition suitable resource based investment opportunities. Subsequent to the acquisition of 100% of the Bangemall Project (E09/1293) the consolidated entity has executed an agreement to acquire two uranium projects in the Northern Territory (ELA 25875 and ELA 25906) covering an area of over 325 km^2. These areas include exploration targets prospective for high grade vein and pegmatitic type mineralisation in granitoids and secondary calcrete uranium deposits.

An exploration programme is being developed for implementation on granting of the licence applications.

DIRECTORS' REPORT (CONT'D)

MATTERS SUBSEQUENT TO BALANCE DATE

There is no matter or circumstance that has arisen since 30 June 2007 that has significantly affected or may significantly affect:

a the operations, in financial years subsequent to 30 June 2007, of the Consolidated Entity;
b the results of those operations; or
c the state of affairs, in financial years subsequent to 30 June 2007, of the Consolidated Entity.

LIKELY DEVELOPMENTS

Except for information disclosed on certain developments and the expected results of those developments included in this report under review of operation, further information on likely developments in the operations of the consolidated entity and the expected results of those operations have not been disclosed in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are subject to normal State and Federal Environmental Regulations. There were no breaches of these regulations during the year or to the date of this report.

INFORMATION ON DIRECTORS

David Oliver Paterson – Non Executive Director **Age 52**

Experience and Expertise
Mr Paterson is a qualified non-practising Chartered Accountant and a graduate from the University of Queensland. He was a founding partner of Europacific and has held an Investment Dealers Licence since 1990. Prior to forming Europacific in 1990, he was a Group Manager of the Corporate Services Division of Tricontinental Corporation Limited responsible for NSW and Queensland. He also worked for Coopers & Lybrand in Brisbane and Sydney in their Corporate Services Division. He has been involved in a wide range of corporate advisory assignments and underwritings of both debt and equity for a number of public and private companies.

Mr Paterson has experience in the property and mining industries, in relation to:

- Project financing;
- Financial analysis;
- Valuations; and
- The raising of debt and equity.

Other Current Public Company Directorships
Medcare Holdings Pty Ltd, Country Pipelines Pty Ltd, Central Ranges Pipeline Pty Ltd and Zentrum Schulzendorf Verwaltung GMBH.
Appointed as a Director on 23 August 2002

Former Public Company Directorships In Last 3 Years
None

Special Responsibilities
Chairman of the Board of Directors
Member of Audit Committee

Interests in Securities
35,933,333 ordinary shares in Latrobe Magnesium Limited. Of these shares 17,607,333 ordinary shares are held by Rimotran Pty Limited, as trustee for the David Paterson Super Fund Account, and 18,326,000 fully paid ordinary shares held in trust by Emesco Agents Pty Limited for and on behalf of Rimotran Pty Limited. Rimotran Pty Limited is a company controlled by D O Paterson.

Philip Francis Bruce – Non Executive Director **Age 54**

Experience and Expertise
Mr Bruce is a director of P F Bruce & Associates, which provides corporate and project management services. Mr Bruce is a mining engineer with over thirty years resource industry experience in Australia, South Africa and Indonesia in operations, project development and corporate management. He was the CEO of PT BHP Indonesia, Managing Director of Triako Resources Limited and was the General Manager – Development for Plutonic Resources Limited,

DIRECTORS' REPORT (CONT'D)

where he was technically responsible for acquisition and development of resource projects during the company's period of growth from $35 million to over $1 billion in market capitalisation.

Appointed as a Director on 4 September 2003

Other Current Public Company Directorships
Managing Director of Hill End Gold Limited

Former Public Company Directorships In Last 3 Years
None

Special Responsibilities
Member of Audit Committee

Interests in Securities
3,441,490 ordinary shares in Latrobe Magnesium Limited. These shares are registered in the name of Diazill Pty Limited of which Mr Bruce is a Director.

Kevin Anthony Torpey – Non Executive Director **Age 67**

Experience and Expertise
Mr Torpey is a Chartered Professional Engineer and a graduate from Sydney University. Over the last 40 years he has been involved in the development of many diverse major projects involving oil, iron ore, aluminium, nickel, lead/zinc, uranium, magnesite, coal and gold, located locally and in Ireland and Indonesia. Generally these projects have been associated with major companies such as Consolidated Goldfields, EZ Industries, Alcan, International Nickel, Tara Minerals Limited (Ireland), Noranda, Denison Mines (Canada), Toyota, Mitsubishi and Iwatani.

For the last 20 years his association has mainly been as a corporate officer initially as Managing Director of Denison Mines (Australia) and then Managing Director of Devex Limited. Over the last few years he has acted as a consultant to a number of companies involved in mining projects and new technologies. He until recently was a Director of Camberwell Coal Pty Ltd.

Appointed a Director on 11 April 2002

Other Current Public Company Current Directorships
Imperial Corporation Ltd.

Former Public Company Directorships In Last 3 Years
None

Special Responsibilities
None

Interests in Securities
65,333,334 ordinary shares in Latrobe Magnesium Limited. Of these shares, 32,013,334 shares are held by Famallon Pty Ltd (Famallon No.2 Super Fund). Mr Torpey is a principal of Famallon Pty Ltd and a beneficiary of the fund and 33,320,000 ordinary shares are held in trust by Emesco Agents Pty Limited for and on behalf of K A Torpey.

Rodney David Foster – Non Executive Director **Age 45**

Experience and Expertise
Mr Foster is a geologist with over 20 years experience in the gold exploration and mining industry in Western Australia and Victoria.

Mr Foster's experience covers commodities including gold base metals and energy. He previously worked for Pancontinental Mining at Paddington, Samantha Exploration, CSR's Gold Resources Pty Ltd and North Kalgurli Mines on the Golden Mile, Money Mining NL and he was founding Managing Director of Goldminco NL, a Victorian based exploration company.

Appointed a Director on 21 April 2006 (prior appointment on Board from the period of 15 January 1998 to 14 November 2002)

DIRECTORS' REPORT (CONT'D)

Other Current Public Company Directorships
Pacrim Energy Limited

Former Public Company Directorships in Last 3 Years
None

Special Responsibilities
None

Interests in Securities
6,000,000 ordinary shares in Latrobe Magnesium Limited, Of these shares 500,000 are held as a direct interest and 5,500,000 shares are held by Rodney Foster and Debra Foster as trustees for the Foster Family Super Fund.

COMPANY SECRETARY

The Company Secretary is Mr David Hughes. Mr Hughes was appointed to the position of Company Secretary on 14 August 2002. Before joining Latrobe Magnesium Limited he has held similar positions with other listed companies for over 20 years. He is currently acting as Company Secretary of the following other listed public companies:

Imperial Corporation Limited, Hudson Investment Group Limited, Hudson Resources Limited and International Concert Attractions Limited.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2007, and the number of meetings attended by each Director were:

	Directors' Meetings		Audit Committee Meetings	
Director	**Attended**	**Held Whilst in Office**	**Attended**	**Held Whilst in Office**
D O Paterson	6	6	2	2
P F Bruce	6	6	2	2
K A Torpey	6	6	-	-
R D Foster	5	6	-	-

The Board has yet to appoint a Nominations and Remuneration Committee. The matters that would normally be the responsibility of these committees are dealt with by the full Board of Directors.

Retirement, Election and Continuation in Office of Directors

- Mr D O Paterson is the Director retiring by rotation at the next Annual General Meeting of the company. Mr Paterson being eligible offers himself for re-election.

REMUNERATION REPORT

This report outlines the Remuneration Arrangements in place for Directors and Executives of Latrobe Magnesium Limited.

Principles used to determine the nature and amount of remuneration are:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Appropriateness for level of operations

Remuneration Committee

The Board has not yet formed a separate Remuneration Committee and all matters that would normally be the responsibility of a Remuneration Committee are dealt with by the full Board of Directors.

DIRECTORS' REPORT (CONT'D)

Directors and Key Management Personnel

The full Board of Directors sets remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Executive remuneration and other terms of employment are reviewed annually having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors and executives are also able to participate in an Employee Share Acquisition Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration of Non-Executive Directors is determined by the Board within the maximum amount approved by shareholders from time to time.

The Board undertakes an annual review of its performance and the performance of the Board Committees against goals set at the start of the year.

Details of the nature and amount of each element of the emoluments of each Director of Latrobe Magnesium Limited and each specified officer of the Company and the Consolidated Entity receiving the highest emoluments are set out in the following tables.

	Primary		Equity	
Directors 2007	**Base Emoluments**	**Super Contributions**	**Options**	**Total**
	$	**$**	**$**	**$**
D O Paterson	24,000	2,160	-	26,160
P F Bruce	12,000	1,080	-	13,080
K A Torpey	12,000	1,080	-	13,080
R D Foster	12,000	1,288	-	13,288
	60,000	5,608	-	65,608
Key Management Personnel				
D L Hughes	30,000	-	-	30,000

	Primary		Equity	
Directors 2006	**Base Emoluments**	**Super Contributions**	**Options**	**Total**
	$	**$**	**$**	**$**
D O Paterson	19,000	1,710	-	20,710
P F Bruce	12,000	1,080	-	13,080
K A Torpey	12,000	1,080	-	13,080
R D Foster	2,308	-	-	2,308
DR J S Keniry	10,000	360	-	10,360
	55,308	4,230	-	59,538
Key Management Personnel				
D L Hughes	30,000	-	-	30,000

DIRECTORS' REPORT (CONT'D)

Key Management Personnel

There are no additional executives employed by Latrobe Magnesium Limited other than those already disclosed.

Service Agreements

There are currently no service agreements in place formalising the terms of remuneration of Directors or specified executives of the Company and the consolidated entity.

Loans to Directors and Key Management Personnel

There were no loans made to Directors or key management personnel of the Company and the Consolidated Entity during the period commencing at the beginning of the financial year and up to the date of this report.

There are no loans outstanding at the date of this report.

Director Shareholdings

Directors	Balance at beginning of year / date of appointment	Purchased Under Share Plan	Options exercised	* Net Change Other	Balance at 30 June 2007
D O Paterson	35,933,333	-	-	-	35,933,333
P F Bruce	3,441,490	-	-	-	3,441,490
K A Torpey	65,333,334	-	-	-	65,333,334
R D Foster	6,000,000	-	-	-	6,000,000

*Net change other refers to shares purchased or sold during the financial year

Share Options Granted to Directors and Key Management Personnel

There were no options granted during or since the end of the financial year to any of the Directors or key management personnel of the Company and the Consolidated Entity as part of their remuneration.

Options

- No options were granted over unissued shares during the financial year.
- No options were exercised during the financial year.
- No options were granted in the period from the end of the financial year and up to the date of this report.

At the date of this report there were no unissued ordinary shares of Latrobe Magnesium Limited under option.

INDEMNIFICATION

During or since the end of financial year the Company has not been indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or any related body corporate against liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS' REPORT (CONT'D)

TAX CONSOLIDATION

Effective 1 July 2002, for the purposes of income taxation, Latrobe Magnesium and its 100% owned subsidiaries have formed a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

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Details of the amounts paid or payable to Grant Thornton NSW for services provided during the year are set out below

Audit and Review of Financial Reports	41,250
Other Assurance Services	-
	41,250

There were no non-audit services provided by Grant Thornton NSW during the year.

In the event that Grant Thornton NSW are engaged on assignments additional to their statutory audit duties, the Board of Directors will ensure that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of this report.

AUDITOR

Grant Thornton NSW continues in office in accordance with Section 327 of the Corporations Law.

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

D O Paterson
Director

Sydney 28th day of September 2007

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

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

In accordance with the requirements of section 307C of the Corporations Act *2001*, as lead auditor for the audit of Latrobe Magnesium Limited for the year ended 30 June 2007, I declare that, 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 audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

G LAYLAND
Partner

Sydney 28 September 2007

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DIRECTORS' DECLARATION

The Directors of Latrobe Magnesium Limited declare that:

a The financial statements and notes of the company and of the consolidated entity, set out on pages 15 to 42 are in accordance with the Corporations Act 2001, including:

- **i** Giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
- **ii** Complying with Accounting Standards and the Corporations Regulations 2001; and

b The chairman and the company secretary have each declared that:

- **i.** The financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
- **ii.** The financial statements and notes for the financial year comply with the Accounting standards
- **iii** The financial statements and notes for the financial year give a true and fair view; and

c. In the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due.

The company and a wholly owned subsidiary have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

Signed in accordance with a resolution of Directors made pursuant to Section 295(4) of the *Corporations Act 2001.*

On behalf of the Directors

D. Paterson

D O PATERSON
Director

Dated in Sydney this 28th day of September 2007

INCOME STATEMENT
For the year ended 30 June 2007

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
Revenue	2	30,359	9,517	30,359	9,517
Administration expenses		(240,916)	(150,191)	(240,746)	(149,981)
Research and evaluation expenses		(29,886)	(70,583)	(29,886)	(70,583)
Finance costs		(332)	(31)	(332)	(31)
Loss before income tax		(240,775)	(211,288)	(240,605)	(211,078)
Income tax expense		-	-	-	-
Loss attributable to members of the parent entity		(240,775)	(211,288)	(240,605)	(211,078)
Basic loss per share (cents per share)	19	(0.045)	(0.051)		
Diluted loss per share (cents per share)	19	(0.045)	(0.051)		

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
As at 30 June 2007

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	4	561,770	855,686	560,916	854,662
Trade and other receivables	5	3,350	48,767	3,350	48,767
TOTAL CURRENT ASSETS		565,120	904,453	564,266	903,429
NON-CURRENT ASSETS					
Trade and other receivables	5	-	-	-	61,339
Financial assets	6	-	-	5,745,341	6,017,066
Mining tenements	7	166,093	-	166,093	-
Property, plant and equipment	8	2,220	3,022	2,220	3,022
Intangible assets	9	5,684,000	5,684,000	-	-
TOTAL NON-CURRENT ASSETS		5,852,313	5,687,022	5,913,654	6,081,427
TOTAL ASSETS		6,417,433	6,591,475	6,477,920	6,984,856
CURRENT LIABILITIES					
Trade and other payables	10	31,705	82,572	31,705	82,572
TOTAL CURRENT LIABILITIES		31,705	82,572	31,705	82,572
NON-CURRENT LIABILITIES					
Trade and other payables	10	-	-	-	333,064
TOTAL NON-CURRENT LIABILITIES		-	-	-	333,064
TOTAL LIABILITIES		31,705	82,572	31,705	415,636
NET ASSETS		6,385,728	6,508,903	6,446,215	6,569,220
EQUITY					
Issued capital	11	23,709,250	23,591,650	23,709,250	23,591,650
Reserves	12	1,315,402	1,315,402	1,315,402	1,315,402
Accumulated losses		(18,638,924)	(18,398,149)	(18,578,437)	(18,337,832)
TOTAL EQUITY		6,385,728	6,508,903	6,446,215	6,569,220

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2007

Consolidated Entity	Ordinary Share Capital	Reserves	Accumulated Losses	Total
Balance 1 July 2005	22,569,377	1,315,402	(18,186,861)	5,697,918
Loss for period	-	-	(211,288)	(211,288)
Total recognised income and expenses for the period	-	-	(211,288)	(211,288)
Shares issued during the period	1,085,000	-	-	1,085,000
Cost of shares issued	(62,727)	-	-	(62,727)
Balance 1 July 2006	23,591,650	1,315,402	(18,398,149)	6,508,903
Loss for period	-	-	(240,775)	(240,775)
Total recognised income and expenses for the period	-	-	(240,775)	(240,775)
Share issued during the period	120,000	-	-	120,000
Cost of shares issued	(2,400)	-	-	(2,400)
Balance 30 June 2007	23,709,250	1,315,402	(18,638,924)	6,385,728

Parent Entity	Ordinary Share Capital	Reserves	Accumulated Losses	Total
Balance 1 July 2005	22,569,377	1,315,402	(18,126,754)	5,758,025
Loss for period	-	-	(211,078)	(211,078)
Total recognised income and expenses for the period	-	-	(211,078)	(211,078)
Shares issued during the period	1,085,000	-	-	1,085,000
Cost of shares issued	(62,727)	-	-	(62,727)
Balance 1 July 2006	23,591,650	1,315,402	(18,337,832)	6,569,220
Loss for Period	-	-	(240,605)	(240,605)
Total recognised income and expenses for the period	-	-	(240,605)	(240,605)
Shares issued during the period	120,000	-	-	120,000
Cost of shares issued	(2,400)	-	-	(2,400)
Balance 30 June 2007	23,709,250	1,315,402	(18,578,437)	6,446,215

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASHFLOW STATEMENT
30 June 2007

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from debtors		75,775	-	75,775	-
Payments to suppliers and employees		(351,225)	(310,275)	(351,055)	(310,065)
Interest received		30,359	9,517	30,359	9,517
Finance costs		(332)	(31)	(332)	(31)
Net cash used in operating activities	18b	(245,423)	(300,789)	(245,253)	(300,579)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of mining tenements		(46,093)	-	(166,093)	-
Net cash used in investing activities		(46,093)	-	(166,093)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	1,070,000	120,000	1,070,000
Costs of share issues		(2,400)	(62,727)	(2,400)	(62,727)
Net cash (used by) provided by financing activities		(2,400)	1,007,273	117,600	1,007,273
Net (decrease) / increase in cash held		(293,916)	706,484	(293,746)	706,694
Cash at beginning of the financial year		855,686	149,202	854,662	147,968
Cash at end of financial year	18a	561,770	855,686	560,916	854,662

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report and covers the consolidated entity of Latrobe Magnesium Limited and its controlled Entities and Latrobe Magnesium Limited as an individual parent entity. Latrobe Magnesium Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

It is also recommended that the financial report be considered together with any public announcements made by Latrobe Magnesium Limited and its controlled entities during the year ended 30 June 2007, in accordance with continuous disclosure obligations arising under both the Corporation Act 2001 and Australian Stock Exchange Listing Rules.

Statement of Compliance

Latrobe Magnesium Limited and its controlled entities, and Latrobe Magnesium Limited as an individual parent entity have prepared financial statements in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS') in their entirety.

A summary of significant accounting policies of the group under AIFRS are disclosed below. The accounting policies have been consistently applied, unless otherwise stated.

a. **Principles of Consolidation**

A controlled entity is any entity controlled by Latrobe Magnesium Limited whereby Latrobe Magnesium Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 13 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. **Income Tax**

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Deferred tax assets in relation to tax losses are not brought to account unless there is convincing evidence of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Latrobe Magnesium Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the ATO on 2 January 2003 that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

d. **Property, Plant and Equipment**

Each Class of property, plant and equipment is carried at cost, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present valued in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment - diminishing value	30-40%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and development

In process research and development costs acquired as part of a business combination are recognised at fair value. Subsequent expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life, and once the asset is held ready for use, are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

f. **Finance Costs**

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

g. **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

h. **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to he financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

i. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cashflows.

j. **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the cost they are compensating.

k. **Share-based payments**

For equity-settled share-based payment transactions, the company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received.

l. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction cots, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

l. **Financial Instruments (continued)**

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

m. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

n. **Going Concern Basis of Accounting**

The financial statements have been prepared on a going concern basis.

p. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

q. **Key Estimates – Impairment**

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.

No impairment has been recognised in respect of the intangible assets for the year ended 30 June 2007 because:

- the company's internal valuation indicates that the recoverable amount of the asset is greater than the book value of the assets;
- the magnesium price which supports this valuation is at a seven year high and is projected to be maintained at this level for some time;
- the company is investigating proven alternative technology solutions that has the ability to lower the current estimated capital costs incorporated in the company's internal valuation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 2: LOSS FROM ORDINARY ACTIVITIES

	Consolidated Entity		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
The following revenue and expense items are relevant in explaining the financial performance for the period.				
I) Revenue				
Finance Income	30,359	9,517	30,359	9,517
	30,359	9,517	30,359	9,517
II) Expenses				
Depreciation	802	820	802	820
Research and evaluation expenses	29,886	70,583	29,886	70,583
Finance Costs	332	31	332	31

NOTE 3: INCOME TAX EXPENSE

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Loss from ordinary activities before income tax	240,775	(211,288)	240,605	(211,078)
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(72,232)	(63,386)	(72,181)	(63,323)
Increase in income tax benefit due to:				
Other allowable deductions	(8,371)	(16,776)	(8,371)	(16,776)
Timing differences and tax losses not brought to account as future income tax benefit.	80,603	80,162	80,552	80,099
Income tax benefit attributable to loss from ordinary activities before income tax	-	-	-	-

Future income tax benefit not taken to account

The potential future income tax benefit arising from tax losses has not been taken to account because of the absence of convincing evidence of the realisation of the benefit.

Benefit of tax losses carried forward:				
Tax losses carried forward	1,244,733	1,569,032	1,244,733	1,550,927
Capital losses	37,436	37,436	37,436	37,436
	1,282,169	1,606,468	1,282,169	1,588,363

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
NOTE 4: CASH AND CASH EQUIVALENTS				
Cash at bank	561,770	855,686	560,916	854,662

NOTE 5: TRADE AND OTHER RECEIVABLES				
CURRENT				
GST recoverable	3,350	39,234	3,350	39,234
Rental bond	-	9,533	-	9,533
	3,350	48,767	3,350	48,767
NON-CURRENT				
Loans to third parties	2,561,754	2,561,754	2,561,754	2,561,754
Less: Provision for non-recovery	(2,561,754)	(2,561,754)	(2,561,754)	(2,561,754)
Loans to controlled entity	-	-	-	61,339
	-	-	-	61,339

Loans to third parties are secured by a fixed and floating charge over the assets of the third parties.
Loans to controlled entities are unsecured and are interest free and have no fixed term of repayment.

NOTE 6: FINANCIAL ASSETS				
NON-CURRENT				
Investment in other entities:				
Unlisted investments – at cost	15,000	15,000	15,000	15,000
Less: provision for impairment	(15,000)	(15,000)	(15,000)	(15,000)
	-	-	-	-
Investments in controlled entities at cost	-	-	6,116,478	6,388,203
Less: provision for impairment	-	-	(371,137)	(371,137)
	-	-	5,745,341	6,017,066
Investments in other entities:				
EPIC Systems Inc	99,527	99,527	99,527	99,527
Less: provision for non impairment	(99,527)	(99,257)	(99,527)	(99,527)
	-	-	-	-
	-	-	5,745,341	6,017,066

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
NOTE 7: MINING TENEMENTS				
Mining Tenements at cost	166,093	-	166,093	-
Total Mining Tenements	166,093	-	166,093	-

The ultimate recoupment of the carrying value of these areas of interest is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
NOTE 8: PROPERTY, PLANT AND EQUIPMENT				
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	4,776	4,776	4,776	4,776
Accumulated depreciation	(2,556)	(1,754)	(2,556)	(1,754)
Total Property, Plant and Equipment	2,220	3,022	2,220	3,022

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment	Total
	$	$
Economic Entity:		
Balance at the beginning of year	3,022	3,022
Additions	-	-
Depreciation expense	(802)	(802)
Carrying amount at the end of year	2,220	2,220

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and Equipment	Total
	$	$
Parent Entity:		
Balance at the beginning of year	3,022	3,022
Additions	-	-
Depreciation expense	(802)	(802)
Carrying amount at the end of year	2,220	2,220

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
NOTE 9: INTANGIBLE ASSETS				
Acquired in-process research and development, at cost	5,684,000	5,684,000	-	-

As the project is not held ready for use, the company is required to perform an annual impairment test. The key assumptions underlying this impairment test have been based on data provided in the Worley Pre-feasability Study and subsequent reports. The key assumptions include a budgeted cash flow period of 20 years, based on market information for metal prices and exchange rates, and utilising discount rate of 15%.

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
CURRENT				
Trade creditors	31,705	82,572	31,705	82,572
	31,705	82,572	31,705	82,572
NON-CURRENT				
Unsecured liabilities:				
Loans from controlled entities	-	-	-	333,064
	-	-	-	333,064

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
NOTE 11: ISSUED CAPITAL				
Share capital: 535,112,440 (2006: 525,112,440) shares	23,709,250	23,591,650	23,709,250	23,591,650
	23,709,250	23,591,650	23,709,250	23,591,650

(a) Ordinary shares				
Movement in ordinary share capital:				
Balance at beginning of the reporting period	23,591,650	22,569,377	23,591,650	22,569,377
Shares issued				
— 5,000,000 fully paid ordinary shares issued in September 2006 at 1.2 cents as part consideration for the acquisition of a mining tenement	60,000	-	60,000	-
— 5,000,000 fully paid ordinary shares issued in January 2007 at 1.2 cents as the balance of consideration for the acquisition of a mining tenement	60,000	-	60,000	-
— 30,000,000 fully paid ordinary shares issued at 0.5 cents each pursuant to a private placement	-	150,000	-	150,000
— 80,000,000 fully paid ordinary shares issued at .6 cents each pursuant to a private placement	-	480,000	-	480,000
— 2,500,000 fully paid ordinary shares issued at .6 cents each to convert debt to equity	-	15,000	-	15,000
— 40,000,000 fully paid ordinary shares issued at 1.1 cents each pursuant to a private placement	-	440,000	-	440,000
Transaction costs relating to share issues	(2,400)	(62,727)	(2,400)	(62,727)
Balance at reporting date	23,709,250	23,591,650	23,709,250	23,591,650

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 11: ISSUED CAPITAL (continued)

	Consolidated Entity		Parent Entity	
	2007	**2006**	**2007**	**2006**
	No.	**No.**	**No.**	**No.**
Balance at 1 July 2006	525,112,440	372,612,440	525,112,440	372,612,440
Shares issued during period				
- 1 September 2006	5,000,000	-	5,000,000	-
- 19 January 2007	5,000,000	-	5,000,000	-
- 17 February 2006	-	30,000,000	-	30,000,000
- 27 February 2006	-	2,500,000	-	2,500,000
- 28 February 2006	-	80,000,000	-	80,000,000
- 6 May 2006	-	40,000,000	-	40,000,000
Balance at the end of the reporting period 30 June 2007	535,112,440	525,112,440	535,112,440	525,112,440

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, otherwise each shareholder has one vote on a show of hands.

Options

At 30 June 2007 there were no unissued shares under option.

Employee Share Scheme

For information relating to the Latrobe Magnesium Limited Share Acquisition Plan, refer to Note 22: Employee Benefits. No shares were issued during the financial year

	Consolidated Entity		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
NOTE 12: RESERVES				
General reserve	1,315,402	1,315,402	1,315,402	1,315,402

The general reserve is used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 13: CONTROLLED ENTITIES

Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2007	2006
Parent Entity:			
Latrobe Magnesium Limited	Aust	-	-
Subsidiaries of Latrobe Magnesium Limited			
Money Management WA Pty Ltd	Aust	100	100
Gold Mines of WA Pty Ltd	Aust	100	100
Magnesium Investments Pty Ltd	Aust	100	100

Deed of Cross Guarantee

Latrobe Magnesium Limited, Money Management WA Pty Ltd and Gold Mines of WA Pty Ltd are parties to a Deed of Cross Guarantee which has been lodged with and approved by the Australian Securities and Investment Commission. Under the Deed of Cross Guarantee each of the above named companies guarantees the debts of the other named companies.

The following are the aggregate totals, for each category, relieved under the deed:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 13: CONTROLLED ENTITIES (continued)

	Closed Group 2007	Parties to Deed of Cross Guarantee 2007	Closed Group 2006	Parties to Deed of Cross Guarantee 2006
Financial information in relation to:				
(i) Income Statement				
Net loss after tax				
Loss from ordinary activities before income tax	(240,775)	(240,605)	(211,288)	(211,078)
Income tax expense relating to ordinary activities	-	-	-	-
Loss from ordinary activities after income tax expense	(240,775)	(240,605)	(211,288)	(211,078)
Total changes in equity other than those resulting from transactions with owners as owners	(240,775)	(240,605)	(211,288)	(211,078)
(ii) Accumulated losses				
Accumulated losses at the beginning of the financial year	(18,398,149)	(18,337,830)	(18,186,861)	(18,126,754)
Loss from ordinary activities after income tax expense	(240,775)	(240,605)	(211,288)	(211,078)
Dividends provided for or paid	-	-	-	-
Accumulated losses at the end of the financial year	(18,638,924)	(18,578,435)	(18,398,149)	(18,337,832)
(iii) Balance Sheet				
CURRENT ASSETS				
Cash and cash equivalents	561,770	560,918	855,686	854,664
Trade and other receivables	3,350	3,350	48,767	48,767
TOTAL CURRENT ASSETS	565,120	564,268	904,453	903,431
NON-CURRENT ASSETS				
Trade and other receivables	-	-	-	61,339
Financial assets	-	5,745,341	-	5,684,000
Mining Tenements	166,093	166,093	-	-
Property, plant and equipment	2,220	2,220	3,022	3,022
Other assets	5,684,000	-	5,684,000	-
TOTAL NON-CURRENT ASSETS	5,852,313	5,913,654	5,687,022	5,748,361
TOTAL ASSETS	6,417,433	6,477,922	6,591,475	6,651,792

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 13: CONTROLLED ENTITIES (continued)

	Closed Group 2007	Parties to Deed of Cross Guarantee 2007	Closed Group 2006	Parties to Deed of Cross Guarantee 2006
CURRENT LIABILITIES				
Trade and other payables	31,705	31,705	82,572	82,572
Interest bearing liabilities	-	-	-	-
TOTAL CURRENT LIABILITIES	31,705	31,705	82,572	82,572
NON-CURRENT LIABILITIES				
Trade and other payables	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	-	-	-	-
TOTAL LIABILITIES	31,705	31,705	82,572	82,572
NET ASSETS	6,385,728	6,446,217	6,508,903	6,569,220
EQUITY				
Issued capital	23,709,250	23,709,250	23,591,650	23,591,650
Reserves	1,315,402	1,315,402	1,315,402	1,315,402
Accumulated losses	(18,638,924)	(18,578,435)	(18,398,149)	(18,337,832)
	6,385,728	6,446,217	6,508,903	6,569,220

NOTE 14: CAPITAL AND LEASING COMMITMENTS

The company occupies office premises on a monthly tenancy with rent payable monthly in advance.

NOTE 15: SEGMENT REPORTING

The economic entity operates predominantly in one industry within Australia. The principal activities of the consolidated entity is the continued development of the Latrobe Magnesium metals project, and the identification and evaluation of other resource based investment opportunities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 16: REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Names and positions held of parent entity directors at any time during the financial year are:

David Paterson	Chairman — Non-Executive
Philip Bruce	Director — Non-Executive
Kevin Torpey	Director — Non-Executive
Rodney Foster	Director — Non-Executive

Details of the nature and amount of each major element of the emoluments of each director of the Company and each named officer of the Company and the economic entity receiving the highest emoluments are:

	Primary			
2007	**Base Emoluments**	**Super Contributions**	**Options**	**Total**
Directors	**$**	**$**	**$**	**$**
D O Paterson	24,000	2,160	-	26,160
P F Bruce	12,000	1,080	-	13,080
K A Torpey	12,000	1,080	-	13,080
R D Foster	12,000	1,288	-	13,288
	60,000	5,608	-	65,608
Key Management Personnel				
Secretary of the Company				
D L Hughes	30,000	-	-	30,000

The service and performance criteria set to determine remuneration are included at the end of Note 16.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 16: REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

	Primary			
2006	**Base Emoluments**	**Super Contributions**	**Options**	**Total**
Directors	**$**	**$**	**$**	**$**
J S Keniry	10,000	360	-	10,360
P F Bruce	12,000	1,080	-	13,080
D O Paterson	19,000	1,710	-	20,710
K A Torpey	12,000	1,080	-	13,080
R D Foster	2,308	-	-	2,308
	55,308	4,230	-	59,538
Key Management Personnel				
Secretary of the Company				
D L Hughes	30,000	-	-	30,000

Shareholdings

Number of shares held by Parent Entity Directors and Key Management Personnel.

Directors	**Balance at beginning of year / date of appointment**	**Share purchase plan**	**Options exercised**	*** Net Change Other**	**Balance at 30 June 2007**
D O Paterson	35,933,333	-	-	-	35,933,333
P F Bruce	3,441,490	-	-	-	3,441,490
K A Torpey	65,333,334	-	-	-	65,333,334
** R D Foster	6,000,000	-	-	-	6,000,000
Key Management Personnel					
D L Hughes	2,540,000	-	-	-	2,540,000

Optionholdings

There were no options over unissued shares in the company held during the financial year by any director or key management personnel of the company including their related entities.

NOTE 16: REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future.

NOTE 17: 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 resonable 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 director's 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.

Directors and Director Related Entities

The names of persons who were directors of the Company at any time during the financial period are as follows:

- D O Paterson
- P F Bruce
- K A Torpey
- R D Foster

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 17: RELATED PARTY TRANSACTIONS (continued)

		Consolidated Entity		Parent Entity	
		2007 $	2006 $	2007 $	2006 $
I)	R D Foster is a principal of Minico Pty Ltd. During the period fees were paid to undertake technical services in relation to mineral tenements. These services were provided on normal commercial terms and conditions.	2,799	-	2,799	-
	Directors and consulting fees were paid to Lakelands Investments Pty Ltd, of which J S Keniry is a principal. These services are provided on normal commercial terms and conditions.	-	12,940	-	12,940
II)	Other related entities Secretarial fees were paid to Lithgow Quarrying and Excavation Co. Pty Ltd of which D L Hughes is a principal. These services were provided on normal commercial terms and conditions	30,000	30,000	30,000	30,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated Entity		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
NOTE 18: CASH FLOW INFORMATION				
a. Reconciliation of Cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:				
Cash at Bank	561,770	855,686	560,916	854,662
	561,770	855,686	560,916	854,662
b. Reconciliation of cash flow from operating activities to operating loss after income tax:				
Net loss	(240,775)	(211,288)	(240,605)	(211,078)
Add/ non cash flows in operating loss:				
Remuneration paid by the issue of shares	-	15,000	-	15,000
Depreciation	802	820	802	820
Changes in Assets and Liabilities:				
Decrease/(Increase) in receivables and other current assets	45,417	(15,784)	45,417	(15,784)
Decrease in creditors	(50,867)	(89,537)	(50,867)	(89,537)
Net Cash (used in) / provided by Operating Activities	(245,423)	(300,789)	(245,253)	(300,579)

c. Acquisition and Disposal of Entities

There was no acquisition or disposal of controlled entities during the 2007 or 2006 financial years.

d. Non-cash Financing and Investing Activities

Share Issue

2007

10,000,000 fully paid ordinary shares were issued during the 2007 financial year as consideration for the acquisition of a mining tenement .

2006

2,500,000 fully paid ordinary shares were issued in February 2006 at $0.006 to convert secretarial fees totalling $15,000 to equity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

		Consolidated Entity 2007 cents	Consolidated Entity 2006 cents
NOTE 19: LOSS PER SHARE			
(a) Reconciliation of loss to net loss			
Basic loss per share (cents per shares)		(0.045)	(0.051)
Diluted loss per share (cents per share)		(0.045)	(0.051)
a.	Loss used in the calculation of EPS	(240,775)	(211,288)
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	529,235,728	417,153,536
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	529,235,728	417,153,536

There were no unlisted shares under option at 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 20: FINANCIAL INSTRUMENTS

a. Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate $	Non-interest Bearing $	Total $
2007				
Financial Assets:				
Cash and cash equivalents	4.30	559,024	2,746	561,770
Trade and other receivables		-	3,350	3,350
		559,024	6,096	565,120
Financial Liabilities:				
Trade and other payables		-	31,705	31,705
		-	31,705	31,705
2006				
Financial Assets:				
Cash and cash equivalents	4.10	854,362	1,324	855,686
Trade and other receivables		-	48,767	48,767
		854,362	50,091	904,453
Financial Liabilities:				
Trade and other payables		-	82,572	82,572
		-	82,572	82,572

b. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 20: FINANCIAL INSTRUMENTS (Continued)

c. Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instrument:

Monetary financial assets and liabilities not readily traded on an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of cash assets, receivables, payables, bank loans and lease liabilities approximate net fair value.

NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities for the year ended 30 June 2007 (2006: Nil).

During 2006 the company had lodged a claim with Dotars seeking to be reimbursed approximately $75,000 of costs incurred on the project. This claim was not settled by Dotars as the Company did not complete the milestone set out under the funding agreement.

NOTE 22: EMPLOYEE BENEFITS

Employees Share Acquisition Plan

The Directors have approved the implementation of a Share Acquisition Plan.

The Plan provides for eligible participants to purchase shares in the company tax effectively through salary sacrifice. Shares will be acquired on the Australian Stock Exchange at prevailing market prices on or about the first trading day following the normal monthly pay day. The shares including transaction costs will be met by the pre-tax remuneration forgone by the Plan participant. Administration costs of the Plan will be met by the company.

The minimum contribution under the Plan is $2,400 per annum. Participants can allocate up to 100% of their gross remuneration.

During the period under review, there were no shares purchased in accordance with the employee share acquisition plan.

In 2006, 850,000 shares were purchased in accordance with the employee share acquisition plan.

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

There is no matter or circumstance that has arisen since 30 June 2007 that has significantly affected or may significantly affect:

- a the operations, in financial years subsequent to 30 June 2007, of the consolidated entity;
- b the results of those operations; or
- c the state of affairs, in financial years subsequent to 30 June 2007, of the consolidated entity.

The Directors approved the financial report on 28 September 2007.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

NOTE 24: CHANGES IN ACCOUNTING STANDARDS

The following Australian Accounting Standards, which have been issued or amended, are applicable to the company but have not been adopted in preparation of the financial statements at reporting date. Application of these standards will not affect any of the amounts recognised or disclosed in the financial statements.

AASB Standard affected	Application Date of the Standard	Application Date for the Company
AASB 7 Financial Instruments Disclosure	1 January 2007	1 July 2007
AASB 8 – Operating Segments	1 January 2009	1 July 2009
AASB 101 – Presentation of financial statements	1 January 2007	1 July 2007
AASB 123 – Borrowing Costs	1 January 2009	1 July 2009
2007-4- Amendments to Australian Accounting Standards arising fro ED 151 and Other Amendments	1 July 2007	1 July 2007

NOTE 25: AUDITOR'S REMUNERATION

Details of the amounts paid or payable to Grant Thornton NSW for services provided during the year are set out below

Audit and Review of Financial Reports	41,250
Other Assurance Services	-
	41,250

There were no non-audit services provided by Grant Thornton NSW during the year.

ADDITIONAL INFORMATION

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

SHAREHOLDING

a. **Distribution of Shareholders as at 3 September 2007**

Category (size of Holding)	Holders	Shares Held	Issued Capital (%)
1 – 1,000	134	89,131	0.02
1,001 – 5,000	322	1,055,975	0.20
5,001 – 10,000	271	2,348,032	0.44
10,001 – 100,000	850	39,017,537	7. 29
100,001 – and over	490	492,601,764	92.06
	2,076	535,112,439	100.00

b. The number of shareholdings held in less than marketable parcels is 1,269.

c. **Substantial Shareholders**

The names of the substantial shareholders listed in the holding company's register as at 3 September 2007 are:

	Shareholder	Number of Ordinary Fully Paid Shares Held	Interest (%)
1	Emesco Agents Pty Ltd <Magnesium Shareholder A/C>	99,960,000	18.86
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	32,013,334	6.04

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

a. At meetings of members each member is entitled to vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized;

b. On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorized shall have one (1) vote;

c. On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorized shall have one (1) vote for each fully paid share of which they are a holder.

ADDITIONAL INFORMATION

e. Twenty largest shareholders as at 3 September 2007

	Shareholder	Number of Ordinary Fully Paid Shares Held	Holding (%)
1	Emesco Agents Pty Limited <Magnesium Shareholders A/C>	99,960,000	18.68
2	Famallon Pty Ltd <Famallon NO2 Super Fund A/C>	32,013,334	5.98
3	Rimotran Pty Limited <David Paterson S/Fund A/C>	17,607,333	3.29
4	Europacific Corp Pty Ltd <Robert Donohoe S/F A/C>	8,804,666	1.65
5	UBS Wealth Management Australia Nominees Pty Ltd	8,065,861	1.51
6	Europacific Corporation Pty Limited	7,100,000	1.33
7	Mr Ulysses Ganas	6,000,000	1.12
8	Mr Bruce McFarlane + Mrs Jane Charlwood <Bruce MC Farlane S/Fund A/C>	5,650,000	1.06
9	Mrs Manorani Guy + Mr Malcolm Guy	5,635,000	1.05
10	Mr Rodney Foster + Mrs Debra Foster <Foster Family S/F A/C>	5,500,000	1.03
11	Aznanob Pty Ltd <Superannuation Fund>	5,000,000	0.93
12	Boom Securities (HK) Ltd <Clients Account>	5,000,000	0.93
13	Kellmist Pty Ltd	5,000,000	0.93
14	Keo Projects Pty Ltd	5,000,000	0.93
15	HSBC Custody Nominees (Australia) Limited	4,700,000	0.88
16	Mr Maria Boulakas	4,450,000	0.83
17	Mr John Donato Giuliani	3,893,000	0.73
18	Mr Christopher David Robie + Mr Brian Edward Robie	3,688,143	0.69
19	Mr Fabian Andrew Mammarella	3,520,000	0.66
20	Diazill Pty Limited <P B Superannuation Fund A/C>	3,441,490	0.64
		240,028,827	44.85

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LATROBE MAGNESIUM LIMITED AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Latrobe Magnesium Limited and its controlled entities, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the Directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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INDEPENDENT AUDITOR'S REPORT (cont)
TO THE MEMBERS OF LATROBE MAGNESIUM LIMITED AND ITS CONTROLLED

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) The financial report of Latrobe Magnesium Limited is in accordance with the *Corporations Act 2001*, including:

 i. Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

G S LAYLAND
Partner

Sydney **28 September 2007**