
Breach of Listing Rule 7.1

On 20 October 2015, the Company issued unlisted convertible securities with a face value of \$600,000 and convertible into a maximum of 40,000,000 ordinary shares. The Company's placement capacity under Listing Rule 7.1 as at that date was only 27,884,618 equity securities. In light of the above, the Company issued 12,115,382 (equivalent to 1.31% of the Company's ordinary shares) without shareholder approval or under an exception in Listing Rule 7.2. As a result, the Company was in breach of Listing Rule 7.1.

ASX policy is to treat convertible securities as equity securities at the time of issue and companies must deduct the maximum number of shares which the loan may convert into from its Listing Rule 7.1 issue capacity at the time that it enters into the loan arrangement or ensure that the loan agreements contain a term stating that conversion of any of the loan amount into shares is subject to prior shareholder approval.

ASX acknowledges that this breach was not intentional and that the Company believed that the terms of its convertible loan agreement were sufficient to ensure compliance with the Listing Rules.

In light of the breach, the Company will not be permitted to issue any securities without shareholder approval under Listing Rule 7.1 until 30 October 2016, unless the issue comes within an exception in Listing Rule 7.2 or is pursuant to approval under a different rule. The conversions of any outstanding convertible notes that were the subject of the breach are allowed under this exclusion.



David Paterson
CEO

30 September 2016

About Latrobe Magnesium

Latrobe Magnesium is developing a magnesium production plant in Victoria's Latrobe Valley using its world-first patented extraction process. LMG intends to extract and sell magnesium metal and cementitious material from industrial fly ash, which is currently a waste stream from brown coal power generation.

LMG has completed a pre-feasibility and an adjustment study validating its combined hydromet / thermal reduction process that extracts the metal. It is currently completing its feasibility study. Production from its initial 5,000 tonne per annum magnesium plant is due to start at the end of 2017. The plant will be in the heart of Victoria's coal power generation precinct, providing immediate access to feedstock.

LMG plans to sell the refined magnesium under long-term contracts to Australian and overseas users. Currently, Australia imports 100% of the 10,000 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.