

QUARTERLY ACTIVITIES REPORT

31 December 2018

LATROBE MAGNESIUM PROJECT

1. Bankable Feasibility Study

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

LMG has been trialling its fast cycle retort (FCR) furnace for the past two years. Latest test work did not provide results necessary to complete a bankable study using FCR. While the potential benefits of the FCR are substantial, the Board has decided to construct the initial plant using proven smelter automated horizontal technology. LMG will continue to investigate the use of the FCR and vertical retorts for future plants.

LMG has conducted its prefeasibility and adjustment studies using automated horizontal retort technology and the results of those studies were positive. With the increase in the magnesium price and the use of Yallourn fly ash, current revised estimates show that the estimated capital cost to build and commission the 3,000 tpa plant will still be in the order of \$37 million and the EBITDA for the plant is estimated to generate in excess of \$3 million per annum.

LMG plans to complete the Yallourn bankable feasibility study using Yallourn fly ash by June 2019 with a planned commencement of construction on site in the Latrobe Valley in December 2019.

2. Latrobe Valley Project

In the last quarter, LMG started test work that was outstanding from the initial Monash project. This work is expected to be completed by the end of January 2019.

LMG is currently planning and contracting the balance of work required to complete its bankable study by June 2019.

3. Hambach Project

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

4. Indian Patent

The Australian, EU, USA, China and Indonesian patents have already been granted for 20 years starting from August 2011.

In March 2013, a patent application was lodged for India. The patent was granted on 11 December 2018.

The process is 100% owned by LMG.

All the above countries are known to have large lignite / brown coal deposits.

5. Funding

In March 2018, LMG's Directors and its Project Director decided to provide loans to the Company to cover the costs of their monthly fees until 30 September 2018. These loans were converted into equity in the Company after the approval of shareholders was given at this year's Annual General Meeting on 30 November 2018.

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

In September 2018, the Company executed agreements with RnD Funding to provide up to \$2.15 million to assist with financing its 2019 activities. To date some \$1.2 million of these facilities have been drawn down.



David Paterson
Chief Executive Officer

16 January 2019

About Latrobe Magnesium

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

LMG has completed a preliminary feasibility study validating its combined hydromet / thermal reduction process that extracts the metal. Construction is estimated to start on its initial 3,000 tonne per annum magnesium plant in the fourth quarter of 2019 year with production commencing 12 months later. The plant will then be expanded to 40,000 tonne per annum magnesium 18 months later. The plant will be in the heart of Victoria's coal power generation precinct, providing immediate access to feedstock, infrastructure and labour.

LMG plans to sell the refined magnesium under long-term contracts to Australian and overseas customers. Currently, Australia imports 100% of the 8,000 tonnes annually consumed.

Magnesium has the best strength-to-weight ratio of all common structural metals and is increasingly used in the manufacture of car parts, laptop computers, mobile phones and power tools.

The LMG project is at the forefront of environmental benefit – by recycling power plant waste, avoiding landfill and is a low CO₂ emitter. LMG adopts the principles of an industrial ecology system.