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## LMG MOU TO APPOINT USA DISTRIBUTOR FOR SALE OF LATROBE VALLEY MAGNESIUM

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**07 June 2016, Sydney Australia:** Latrobe Magnesium Limited (ASX:LMG) has signed a Memorandum of Understanding to appoint an exclusive USA distributor to sell its magnesium into North, Central and South America and the Caribbean in the aluminium market. The distributor has committed to purchase a minimum of 2,000 tonnes of magnesium a year from LMG's planned production facility in Morwell Victoria. The deal will deliver excellent prices to LMG due to an anti-dumping duty payable on Chinese imports into US markets.

The distributor is Metal Exchange Corporation (MEC) which is headquartered in St. Louis, Missouri. Founded in 1974, MEC has grown from a regional aluminium scrap company to a global trader with offices in Switzerland, China and Brazil. In the USA, MEC has six manufacturing plants employing over 700. With a unique blend of marketing expertise and deep manufacturing excellence, MEC provides its customers an unparalleled array of products and services, directly supplying scores of consumers aluminium and magnesium ingots under short and long term agreements.

North and Central America currently uses 160,000 tonnes of magnesium a year and this is projected to increase with greater use of magnesium by the motor vehicle industry. There is only one magnesium producer in North and Central America, with most magnesium imported from China.

In the USA, there is an anti-dumping duty payable on imported China magnesium. The result of this duty is that the magnesium price in the USA is currently US\$1.65 per lb or in the order of US\$3,640 per tonne, whereas the FOB China magnesium price is currently US\$2,050 per tonne.

Under the USA-Australia fair trade agreement, magnesium produced in Australia is exempt from this import duty. LMG proposes to sell at least 50% of its production into the US market at this higher price.

CEO David Paterson said: "This second offtake agreement means that we have effectively sold the initial plant's magnesium production and a substantial part of the expanded plant's production. The offtake agreements form the basis for funding the initial plant."



**David Paterson**  
**Chief Executive Officer**

## **About Latrobe Magnesium**

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

LMG has completed a pre-feasibility and an adjustment study validating its combined hydromet / thermal reduction process that extracts the metal. 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 CO<sup>2</sup> emitter.