LATROBE MAGNESIUM LIMITED
AND ITS CONTROLLED ENTITIES

ABN 52 009 173 611

HALF YEAR
FINANCIAL REPORT

31 DECEMBER 2018

TABLE OF CONTENTS

Page

COMPANY DIRECTORY

Directors
Jock Murray, Chairman
David Paterson
Kevin Torpey
Philip Bruce
John Lee

Registered Office and Principal Place of Business
Suite 307
16-20 Barrack Street
Sydney NSW 2000
Telephone: (02) 8097 0250
Facsimile: (02) 9279 3854

Auditors
Nexia Sydney Partnership
Level 16
1 Market Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: 1 300 850 505

www.latrobemagnesium.com

Chief Executive Officer
David Paterson

Secretary
John Lee

Bankers
National Australia Bank Limited
Mezzanine Level
255 George Street
Sydney NSW 2000

Solicitors
Minter Ellison
Level 19
88 Philip Street
Sydney NSW 2000

Stock Exchange
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ASX CODE: LMG

DIRECTORS' REPORT

The Directors submit the financial report of Latrobe Magnesium Limited ("the Company" or "LMG") and of the Group being the Company and its subsidiaries for the half-year ended 31 December 2018.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are:

J S Murray,	Chairman
D O Paterson	Chief Executive Officer
K A Torpey	
P F Bruce	
J R Lee	

REVIEW OF OPERATIONS

The consolidated loss of the Group for the half-year after providing for income tax was $772,979 (2017: $1,030,668). The loss was mainly due to the development of the fast cycle furnace and test work on Yallourn fly-ash for the use in the Latrobe Magnesium Plant.

During the half year ended 31 December 2018, the Company has made significant progress with:

i. redesigning, testing and evaluating the fast cycle retort furnace (FCR). and

ii. achieving positive results on processing Yallourn fly ash.

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.

DIRECTORS' REPORT

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

On 16 January 2018**,** LMG and Energy Australia Yallourn Pty Ltd signed a Memorandum of Understanding for Yallourn power station to supply its fly ash to LMG's proposed 3,000 tonnes per annum magnesium plant in the Latrobe Valley. The MoU allows for the expansion of the plant to 40,000 tonnes per annum.

The project involves four stages of development:

- Conduct testing of Yallourn fly ash using LMG hydromet process and Monash University's ash leaching and precipitation process
- Complete a feasibility study
- Construct a 3,000tpa magnesium plant
- Expand to a 40,000tpa magnesium plant.

In July 2018, LMG announced the successful results of the test work it completed with Monash University. This test work showed that the magnesioferrite, the most abundant mineral in the Yallourn fly ash, can be broken down and the magnesium oxide (MgO), calcium oxide and iron oxide extracted separately. The recovery rates achieved for each material was over 90%.

As a feed stock for LMG's retorts, the MgO grade is some 25% higher than beneficiated fly ash produced by alternative methods. This result is achieved mainly by the effective reduction in the high iron content in the Yallourn fly ash as well as the specific targeting of the minerals by this process.

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

3. Hambach Project

On 18 December 2017, LMG announced that they had signed a term sheet with RWE Power AG that details how both parties will proceed with the development of a new Germany-based magnesium plant.

In the first quarter of 2019, LMG will produce a large sample of supplementary cement 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.

Europe imports over 160,000 tonnes of magnesium per annum. There is currently no producer in the EU and magnesium metal has recently been listed among the most critical raw materials in the EU's list of 27 metals.

DIRECTORS' REPORT

RWE Power AG and LMG have identified the brown coal fly ash from RWE's Hambach mine as being the most suitable to commercially extract magnesium. RWE Power mines produce about 100 million wet tonnes of brown coal per annum (from which approximately 35 to 40 million tonnes per annum are produced from its Hambach mine) compared to 45 million tonnes per annum in the two Latrobe Valley mines. It operates about 10,000 MW of lignite capacity in the Rhenish lignite area with about 10,000 employees. In addition, RWE Power belongs to the RWE Power Group which is focussed on electricity in Germany, the Netherlands and UK as well as energy trading in its subsidiary RWE Supply and Trading.

Since 2000, RWE Power has invested more than €4 billion into the only brown coal super critical power stations in Neurath and Niederaubem, with highest efficiency for lignite power stations in the world (greater than 43%) to ensure stable and secure power supply for the German electricity grid.

4. Indian Patent

The Australian, EU, USA, China and Indonesian patents have 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 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 $1.25 million of these facilities have been drawn.

6. Capital Issue

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 in November 2018.

7. Warrant Issue

Under the funding agreements mentioned above with RnD Funding Pty Ltd, LMG may issue up to 12,495,000 unlisted warrants. The actual number of warrants issued will be calculated based upon the amount drawn under the loan. The loan is capable of being drawn in tranches as and when money is required. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the drawdown dates but not in the next 12 months.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the consolidated entity to significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 8 for the half-year ended 31 December 2018 and forms part of this report.

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

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

01 March 2019

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

As lead auditor for the review of Latrobe Magnesium Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

i. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

ii. No contraventions of any applicable code of professional conduct in relation to the review.

Nexia

Nexia Sydney Partnership

Joseph Santangelo
Partner

Sydney
Dated: 01 March 2019

Sydney Office
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 31 December 2018

	Note	Consolidated Entity 31 December 2018 $	Consolidated Entity 31 December 2017 $
Finance Income		1,732	4,130
Other Income			
- Research and development tax rebate		370,450	590,669
	2	372,182	594,799
Research and evaluation expenses		(508,460)	(995,864)
Administration expenses		(636,701)	(629,603)
Loss before income tax expense		(772,979)	(1,030,668)
Income tax expense		-	-
Loss attributable to members of the parent entity		(772,979)	(1,030,668)
Other Comprehensive Income			
Other comprehensive income		-	-
Total comprehensive income		(772,979)	(1,030,668)
		No.	**No.**
Average weighted shares on issue		1,279,010,795	1,256,598,819
Losses per share (cents per share)		(0.06)	(0.08)
Diluted losses per share (cents per share)		(0.06)	(0.08)

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
For the half year ended 31 December 2018

		Consolidated Entity	
	Note	31 December 2018 $	30 June 2018 $
Current Assets			
Cash and cash equivalents		436,335	51,087
Trade and other receivables		499,664	1,080,168
Total Current Assets		935,999	1,131,255
Non-Current Assets			
Property plant & equipment		2,881	3,492
Intangible assets	3	6,884,625	6,869,467
Trade and other receivables		16,993	16,993
Total Non-Current Assets		6,904,499	6,889,952
Total Assets		7,840,498	8,021,207
Current Liabilities			
Borrowing	4	1,409,482	725,887
Trade and other payables		298,588	742,688
Total Current Liabilities		1,708,070	1,468,575
Total Liabilities		1,708,070	1,468,575
Net Assets		6,132,428	6,552,632
Equity			
Issued capital	6	33,562,283	33,243,049
Warrant Reserves		33,541	-
Accumulated losses		(27,463,396)	(26,690,417)
Total Equity		6,132,428	6,552,632

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2018

	Note	Issued Capital $	Warrant Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2017		33,243,049	-	(24,960,584)	8,282,465
Total comprehensive income		-	-	(1,030,668)	(1,030,668)
Shares issued during period	6	-	-	-	-
Balance at 31 December 2017		33,243,049	-	(25,991,252)	7,251,797
Balance at 1 July 2018		33,243,049	-	(26,690,417)	6,552,632
Warrants Issued		-	33,541	-	33,541
Total comprehensive income		-	-	(772,979)	(772,979)
Shares issued during period	6	319,234	-	-	319,234
Balance at 31 December 2018		33,562,283	33,541	(27,463,396)	6,132,428

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2018

	Consolidated Entity	
	31 December 2018 $	**31 December 2017 $**
Cash Flows from Operating Activities		
Receipts from operations	996,194	932,118
Payments to suppliers and employees	(1,187,741)	(1,430,877)
Interest received	659	3,100
Interest and other cost of finance paid	(95,691)	(37,493)
Net Cash used in Operating Activities	(286,579)	(533,152)
Cash Flows from Investing Activities		
Payment for International Patent Costs	(18,173)	(6,316)
Net Cash used in Investing Activities	(18,173)	(6,316)
Cash Flows from Financing Activities		
Repayment of Borrowing	(660,000)	(485,000)
Loan Funding	1,350,000	350,000
Net Cash provided by / (used in) Financing Activities	690,000	(135,000)
Net Increase / (Decrease) in Cash and Cash Equivalents	385,248	(674,468)
Cash and Cash Equivalents at Beginning of Period	51,087	1,131,913
Cash and Cash Equivalents at End of Period	436,335	457,445

The financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Basis of preparation

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2018 and are not expected to have any significant impact for the full financial year ending 30 June 2019.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern Basis of Accounting

For the half year ended 31 December 2018 the consolidated entity recorded a net loss of $772,979 (2017: $1,030,668) and a net cash outflow from operating activities of $286,579 (2017 outflow: $533,152).

Notwithstanding the loss for the half year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on cash on hand and the financial facilities available to it at balance date, the collection of trade and other receivables.

In addition, the Company has arranged loan facilities totalling $2,550,000 to fund its Yallourn bankable feasibility study, detailed engineering and design works for the initial plant. An amount of $1,250,000 of the facility was undrawn at period end. These loan facilities are due to be repaid by October 2019.

The Company intends to repay these loan facilities by a mixture of equity conversion, research and development rebate, an equity raising and / or a debt refinancing following completion of its bankable feasibility study in June 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

NOTE 2 LOSS FROM ORDINARY ACTIVITIES

The following revenue and expense items are relevant in explaining the financial performance of the interim period.

		Consolidated Entity	
		31 December 2018 $	**31 December 2017 $**
(i)	Revenue		
	Finance Income	1,732	4,130
	Other Income		
	- Research and development tax rebate	370,450	590,669
		-----------	-----------
		372,182	594,799
		======	======
(ii)	Expenses		
	- Depreciation	611	940
	- Research and evaluation Expenses	508,460	995,864
	- Directors Fees	218,508	218,508

NOTE 3 INTANGIBLE ASSETS

	Consolidated Entity	
	31 December 2018 $	**30 June 2018 $**
Research and Development in Progress	5,684,000	5,684,000
Ecoengineers Pty Ltd acquisition	1,080,000	1,080,000
	-------------	-------------
	6,764,000	6,764,000
International Patent Costs	120,625	105,467
	-------------	-------------
	6,884,625	6,869,467
	========	========

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

NOTE 4 BORROWING

	Consolidated Entity 31 December 2018 $	30 June 2018 $
Current		
R&D Loan Facility	261,883	725,887
Warrant Loan Facility	1,040,109	-
Directors Loan Facility	107,490	-
Total	1,409,482	725,887

i. Balance of loan as at 30 June 2018 — $725,887
Accrued interest to October 2018 — 29,804
Repaid from receipt of 2018 R&D tax rebate of $996,194 — $755,691

ii. R&D loan facility from RnD Funding Pty Ltd — $650,000
Interest Rate: 0.9375% per month
Maturity Date: 31 October 2019
Repayment: Cash in full from the 2019 R&D tax rebate

Loan drawdown in Oct-18	$250,000
Finance fee capitalised at 31-Dec-18	4,333
Interest accrued at 31-Dec-18	7,550
Loan as at 31 December 2018	**$261,883**

iii. Project loan facility from RnD Funding Pty Ltd — $1,500,000
Interest Rate: 1.25% per month
Maturity Date: 15 October 2019
Repayment: Cash in full or refinancing into a project finance facility

Loan drawdown in Oct-18 & Dec-18	$1,000,000
Finance fee capitalised at 31-Dec-18	47,369
Interest accrued at 31-Dec-18	26,281
Warrant Reserves	(33,541)
Loan as at 31 December 2018	**$1,040,109**

iv. Directors' Loans — $200,000
Interest Rate: 1% per month
Maturity Date: 31 December 2019
Repayment: Cash in full or by Issue of LMG shares

Loan drawdown in Jul-Sep 2018	$100,000
Finance fee capitalised	3,000
Interest accrued at 31-Dec-18	4,490
Loan as at 31 December 2018	**$107,490**

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

NOTE 5 UNLISTED WARRANTS

Under the term of the warrant loan facility of $1.5 million, LMG may issue up to 12,495,000 unlisted warrants. The actual number of warrants issued will be calculated based upon the proportion of the amount drawn under the loan as to the total loan. The loan is capable of being drawn in tranches as and when money is required. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the draw down dates but not in the next 12 months.

The value of the warrants as at 31 December 2018 using Black and Scholes Option Value method is $33,541.

NOTE 6 ISSUED CAPITAL

		Consolidated Entity	
		31 December 2018 $	**30 June 2018 $**
(a) Ordinary Shares Issued and Fully Paid			
Movements in ordinary shares on issue:			
Balance at beginning of reporting period		33,243,049	33,243,049
10 Dec 2018	31,865,750 shares issued at $0.008 to convert outstanding fees owing to Directors	254,926	-
10 Dec 2018	8,038,500 shares issued at $0.008 to convert outstanding fees owing to Project Director	64,308	-
Balance at end of reporting period		33,562,283	33,243,049
(b) Shares on Issue		**No.**	**No.**
Balance at beginning of reporting period		1,256,598,819	1,256,598,8189
Share Issues:			
- 10 December 2018		31,865,750	-
- 10 December 2018		8,038,500	-
Balance at end of reporting period		1,296,503,069	1,256,598,819

NOTE 7 SEGMENT INFORMATION

AASB 8 requires a management approach under which segment information is presented on the same bases as that used for internal reporting purposes. The Group consists of one business segment being the development of its Latrobe Magnesium Project.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

NOTE 8 CONTINGENT LIABILITIES

There are no contingent liabilities and there has been no change in contingent liabilities since the last annual reporting date.

NOTE 9 EVENTS SUBSEQUENT TO BALANCE DATE

There has been no matter that has arisen in the interval between the end of the financial half-year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the consolidated entity, to significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

NOTE 10. ACCOUNTING ESTIMATES AND JUDGEMENTS

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. Value calculations performed in recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of the intangible assets for the half year ended 31 December 2018 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 supports the sale price estimate used in this valuation;
- the Company is utilising a Hydromet Process and the proven Thermal Reduction Process in its process with estimates of its capital and operating costs which are based on its prefeasibility study; and
- the current market capitalisation of the Company as at 01 March 2019 is in the order of $10.4 million for this single project company.

NOTE 11: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

The Company’s office lease expired on 30 September 2016 and is currently on month to month basis. Discussion with the property manager to renew the lease for a further 3 years at the current rent has been delayed due to a change in the management of the property. The monthly rent and outgoings of $4,992 is payable monthly in advance.

There are no other non-cancellable operating lease rentals.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

The Company extended its option agreement to lease a property at 320 Tramway Road, Morwell, Victoria for one year from July 2018 to July 2019. This site is intended for the installation of the future magnesium plant and associated facilities.

NOTE 12: 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.

		Consolidated Entity	
Other related entities		**31 December 2018 $**	**31 December 2017 $**
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	30,000	30,000
(ii)	Director's fees were paid to Famallon Pty Ltd of which K A Torpey is a principal.	10,902	10,902
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	10,902	10,902

DIRECTORS' DECLARATION
For the half-year ended 31 December 2018

In the Directors' opinion:

a) the financial statements and notes set out on pages 9 to 17 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting*, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and

b) there are reasonable grounds to believe that the Company, with the continued support of its Directors, will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

J S Murray	**D O Paterson**
Chairman	**Chief Executive Officer**

Sydney

01 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LATROBE MAGNESIUM LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Latrobe Magnesium Limited, which comprises the Statement of Financial Position as at 31 December 2018, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Latrobe Magnesium Limited (the Company) and the entities it controlled at the half-year end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Latrobe Magnesium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Latrobe Magnesium Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Sydney Office
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Latrobe Magnesium Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Nexia

Nexia Sydney Partnership

Joseph Santangelo
Partner

Sydney

Dated: 01 March 2019