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Latrobe Magnesium

ABN 52 009 173 611

QUARTERLY ACTIVITIES REPORT

30 September 2020

LATROBE MAGNESIUM PROJECT

1. Updated Feasibility Study

In May 2020, LMG updated its feasibility study to its 3,000 tpa magnesium plant to incorporate the latest production flowsheet. The updated numbers estimated to generate EBITDA in the range between $4.0 million to $4.5 million per annum when it is operating at its name plate capacity.

The initial plant is estimated to still employ up to 54 on-going direct employees and contractors and 50 to 75 construction jobs.

The feasibility study estimates the capital cost to be in the order of $54 million. This estimate includes design growth and contingencies of $6 million. LMG has completed a Value Engineering exercise and determined the capital cost can be reduced to $50 million. It has also identified annual energy savings of up to $1 million.

2. Latrobe Council Planning Permit

On 5 June 2020, LMG.s application to the Latrobe City Council for planning approval to use and develop the site for its initial 3,000 tpa magnesium plant at 320 Tramway Road Hazelwood North was approved and a certificate issued.

LMG remains committed to progressing this project to safely re-process mining waste, generating jobs and developing a new industry in the Latrobe Valley.

3. EPA Planning Approval

On 16 September 2020, LMG's application to the Environmental Protection Authority (EPA) for its research, development and demonstration application for its initial 3,000 tpa magnesium plant at 320 Tramway Road Hazelwood North was approved and a certificate issued. The approval allows LMG to operate the plant for a period of 18 months post the commissioning stage.

The EPA's approval comes with mainly standard conditions which need to be fulfilled before construction or commissioning of the plant.

4. Project Funding

LMG will be making it final investment decision in the fourth quarter 2020 once, it has: secured its project finance and equity funding.

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The Company has a project finance term sheet and negotiated an agreement from two sources for the provision of $30 million. LMG is looking to finalise these negotiations and agreements within the next quarter.

The Company is pursuing its options in relation to equity, government grants and exclusivity payments for its products. The Company will need to raise $20 million from these sources in order to start the project.

5. Company Funding

In the next quarter, the Company's Research and Development rebate, for which the Company has received an Advance Finding from AusIndustry, for its annual experiments conducted in the year ended 30 June 2020 is expected to be received and is estimated to be in the order of $8.79 million and fund the initial plant and associated activities. These funds will be utilised to repay Research and Development funding facilities. This amount is currently being assessed by the Australian Tax Office and a decision is expected shortly.

In October 2020, LMG secured an additional $300,000 loans from its two founding Directors.

D. Paterson

David Paterson
Chief Executive Officer

28 October 2020

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 Yallourn ash, which is currently a waste stream from brown coal power generation.

LMG has completed a 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 this year with production commencing 18 months later. The plant will then be expanded to 40,000 tonne per annum magnesium 12 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 USA and Japanese customers.

Magnesium has the best strength-to-weight ratio of all common structural metals and is increasingly used in the manufacture of aluminium sheet in cars, 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_2 emitter. LMG adopts the principles of an industrial ecology system.

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