

# QUARTERLY ACTIVITIES REPORT

## 31 December 2024

### Highlights:

- \* Latrobe Magnesium's Demonstration Plant Project has achieved a significant milestone of one year without Lost Time Injury, safely completing over 90,000 construction workhours.
- \* The construction and initial stages of commissioning of the Magnesium Oxide section of the Demonstration Plant have been successfully completed and is now ready for ore commissioning.
- \* LMG will receive a grant payment of \$240,000 from the Victorian Government in recognition of the upcoming commencement of operations of the MgO stage of its Demonstration Plant.
- \* LMG has received a Statement of Claim from Mincore of \$1.37M and has lodged its defence and counter claim for breach of contract and negligence of services for \$19.39M.
- \* Demonstration Plant limited operation is anticipated to commence once LMG has completed its refinancing. The aims are to achieve steady state production, obtain essential data for Stage 2 approval, and produce Magnesium Oxide and secondary products in sustainable quantities.
- \* Following production of saleable Magnesium Oxide, the construction and commissioning of the magnesium metal section of the Demonstration Plant are scheduled to commence in the second half of 2025.
- \* LMG is awaiting the allocation of Sarawak Energy's hydropower for its Stage 3, 100,000 tpa plant. A recommendation for allocation to LMG is expected at the next Power Planning and Coordination Committee, the body responsible for approving the allocation, in Sarawak at the end of February.

### 1. Stage 1 Demonstration Plant

#### 1.1 Engineering & Procurement, Construction, & Commissioning

##### **Stage 1A – Magnesium Oxide (MgO) Production**

All construction and early commissioning activities related to MgO production were successfully completed towards the end of Q3 2024, including all upgrades to improve plant operability that were identified from the trial. Stage 1A will now move to ore commissioning.

##### **Stage 1B – Magnesium Metal Production**

The civil works required to house critical equipment for briquetting production was completed ensuring Structural, Mechanical & Piping (SMP) and Electrical & Instrumentation activities can continue to progress once this phase is formally restarted. Major equipment including the Ball Mill, Briquette Machine and a few other mechanical items have already been set in position. All remaining major equipment for this area was successfully received at the start of Q4 2024 including screw conveyors, hoppers, piping, guarding, ducting and electrical components required to complete installation.

A project re-baseline is in development for the remaining Phase 1B works, incorporating a detailed schedule and updated capital cost estimate to ensure accurate funding allocation and a clear timeline for achieving key milestones.



**Figure:** Briquette civil work completed with major equipment set in position on foundations

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**Figure:** Remaining major equipment received for Briquetting including hopper, ducting, and piping

## **1.2 Operations**

A financial review of operating costs during the commissioning trial revealed higher-than-forecast expenses, primarily driven by elevated labour costs. These costs were influenced by reliance on existing enterprise agreements from the power station industry, which set labour rates significantly above mining industry norms. Contractors O&M Pty Ltd (O&M) and Mechanical Maintenance Solutions Pty Ltd (MMS) were engaged under these agreements.

Preliminary discussions with contractors and union officials have identified opportunities to align labour rates with broader mining industry standards. This adjustment is expected to reduce costs, extend the Demonstration Plant's operational timeline, and support long-term sustainability. A consensus is emerging that current power station agreements are unsuitable for the Latrobe Valley's future industry needs, reinforcing the need for a new labour framework.

A site agreement will be pursued in early 2025 to facilitate recruitment for the plant's restart. This agreement will underpin sustained operations, ensuring competitive labour rates, and secure local workforce engagement through Stage 2 and beyond.

Development of operational processes and procedures have commenced and expected to be completed by early 2025. This will enable the training and onboarding of operations personnel. Existing agreements for reagent supply remain in place, with orders to be issued as operations near commencement.

The ash supply contract with RTL is being finalised to enable mining and stockpiling of ash prior to the plant restart.

At the end of December 2024 and early January 2025, LMG received formal infringement notices from EPA Victoria following a site visit in October 2024.

LMG acknowledges the infringements and takes this matter seriously. LMG respects the EPA's role in protecting the environment, however certain critical factors were not adequately considered and LMG, along with other affected parties, has decided to lodge an appeal against the notices.

LMG remains committed to working transparently with the EPA to address any concerns and ensure our operations align with the highest environmental standards. LMG values its responsibility to the community and the environment, and we continue to focus on improving our processes to maintain sustainable and compliant operations.

It is important to note that the fines issued were administrative in nature and do not reflect the high standards to which the plant has been designed and constructed. At no time was there any risk posed to the community and our site was, and is, in full compliance.

## **2. Stage 2, 10,000tpa Commercial Plant**

### **2.1 Feasibility Study**

LMG has continued to work closely with Bechtel Australia Pty Ltd (Bechtel) to finalise the cost and scope proposal for the Feasibility Study (FS) of the Stage 2, 10,000tpa Commercial Plant in Victoria's Latrobe Valley.

The proposal, developed in partnership with Bechtel and informed by the learnings from the Demonstration Plant project, optimises the balance between early-stage planning and study costs. This strategy aims to ensure a seamless progression toward the Final Investment Decision as well as compliance with Societe General's due diligence requirements.

Bechtel have completed a preliminary layout for Stage 2 as part of the early works of the FS.

A Location Assessment, being undertaken by SMEC, concluded that the Tramway Road site, in its current configuration, was too small and unsuitable for the proposed 10,000 tpa plant. Accommodating the Commercial Plant at this site would require the removal of the Demonstration Plant, which conflicts with the strategy of maintaining operations to build knowledge and expertise within the team and utilise the Demonstration plant as a testbed for future different feed stocks.

The report also evaluated and identified other alternative sites for the Commercial Plant. These sites have been kept “Commercial in Confidence” at this time and will be communicated once properly evaluated and a decision made on preferred location.

## **2.2 Funding**

To support the immediate funding needs for the plant restart, LMG will sell some 4.3 hectares of excess land at its Tramway Road site. Jones Lang La Salle has been appointed to manage the sale, with expressions of interest to be sought in February 2025.

This section of the site was selected for sale since:

1. It has existing independent titles, allowing for a quick sale in a single lot.
2. The Demonstration Plant can continue operations on the remaining 7 hectares.
3. The Stage 2 project’s scale exceeds the capacity of the remaining Tramway Road land.
4. The sale is expected to generate approximately \$5M funding, to support LMG’s MgO operations and working capital requirements.

LMG’s submission to the Federal Government’s International Partnership Critical Minerals program was not considered, as the program’s funds were allocated and exhausted to earlier applicants.

LMG is exploring eligibility for the United States Department of Defence’s (DoD) Critical Minerals Program. LMG has previously been advised it qualifies for this program based on:

- Australian suppliers being recognized as domestic suppliers in the US since December 2023.
- Collaboration with Bechtel, a US-headquartered company, on the Commercial Plant development.
- LMG’s offtake agreement with Metal Exchange Corporation in St Louis, Missouri, for 100% of the magnesium produced.
- LMG’s low CO<sub>2</sub> emissions profile, sustainability initiatives, and circular economy approach.

Due to higher-than-anticipated Demonstration Plant costs, LMG’s research and development (R&D) rebate has increased considerably. LMG’s R&D rebate for 2024 was some \$13.2M net. The full rebate was allocated to its facilities with RnD Funding Pty Ltd (RnD), reducing the outstanding facility balance, post-rebate, to \$5.3M.

In 2024, RnD provided LMG with an additional \$3M facility. However, the final \$1M is contingent upon meeting revised conditions. Future draws of the additional \$3M will also require compliance with these terms.

LMG commissioned its R&D advisors to provide an estimate of their 2025 rebate based upon LMG’s projected cash flows. Its advisors estimated a figure in the range between \$10M and up to \$13M was achievable for 2025 depending upon which activities were undertaken by June year end.

## **2.3 Regional Development Victoria**

LMG is pleased to advise that in recognition of the completion of the MgO stage of the Demonstration Plant, the Victorian Government has agreed to a variation of its grant for \$1M. The grant was to be paid in three instalments of \$250,000, \$250,000, and \$500,000. The first two payments have been made, and the final payment has now been agreed to be split into two payments of \$240,000 and \$260,000.

The payment of the grant was conditional upon a certain amount of capital being spent on the plant and employing a specified number of people. Both of these conditions have been met. The final payment is due when the magnesium metal phase of the Demonstration plant becomes operational.

The grant variation documentation has been signed by the Regional Director of Gippsland for Regional Development Victoria on 20 December 2024 and the \$240,000 payment is expected to be received shortly.

### **3. Stage 3, 100,000tpa International Plant**

As the company has previously advised the market, the allocation of electrical power by the Sarawak Power Planning and Coordination Committee (PPCC) to LMG's subsidiary Latrobe Magnesium Sarawak Sdn. Bhd. (LMS) is key to this project. Certainty for the project with respect to the key terms of a Power Purchase Agreement is also necessary before the next phase of work can be undertaken. The PPCC is currently planning a meeting at the end of February 2024. LMS is expecting an allocation at that point in time and will advise the market accordingly.

LMS is continuing to engage with Chemsain Konsultant Sdn Bhd to prepare a scope of an Environmental Management Plan (EMP) for the process of Site Clearing at the project site. This work remains on track to be completed during Q1 2025.

### **4. Statement of Mincore Claim Update**

LMG's counter claim against Mincore Pty Ltd (**Mincore**), for a breach of contract and negligence in performance of services, was lodged by its legal counsel on Wednesday 15<sup>th</sup> January 2025 in the Victorian Supreme Court. The amount of the claim being made by LMG is \$19.39M.

LMG is also disputing the amount of Mincore's initial claim of \$1.37M and is seeking this to be reduced to \$914,390 (refer to ASX announcement published 22 October 2024).

### **5. Listing Rule 5.3.5**

ASX Listing Rule 5.3.5 requires quarterly activity reports to describe any payments made to related parties or their associates as disclosed in Appendix 5B for the same quarter. LMG advises that payments were made to Directors or companies associated with Directors for their services as Directors' fees.

Should you have any queries in relation to this announcement please do not hesitate to contact David Paterson on his mobile +61 421 234 688.

**David Paterson**

**Chief Executive Officer**

30 January 2025

## About Latrobe Magnesium

Latrobe Magnesium (**LMG**) is developing a magnesium metal Demonstration 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 resource from brown coal power generation.

LMG has completed a feasibility study validating its combined hydrometallurgical / thermal reduction process that extracts the metal. The Demonstration Plant has now produced magnesium oxide with the full plant being commissioned in the calendar year 2025.

A Commercial Plant will also be developed by LMG, with a capacity of 10,000 tonne per annum of magnesium metal, with completion targeted for the second half of calendar year 2026. The plant will be in the heart of Victoria's coal power generation precinct, providing access to feedstock, infrastructure, and labour.

LMG will sell the 10,000 tonne per annum of refined magnesium metal under long-term contracts to LMG's US-based distributors.

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.

LMG's projects are at the forefront of ESG best-practice by recycling power plant waste, avoiding landfill, encouraging a circular economy, and by being a low CO<sub>2</sub> emitter.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Latrobe Magnesium Limited

ABN

55 009 173 611

Quarter ended ("current quarter")

31 Dec 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(9)	(14)
(b) development		
(c) production		
(d) staff costs	(398)	(1,257)
(e) administration and corporate costs	(182)	(1,542)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	13,245	13,245
1.8 Other (provide details if material)	0	0
<b>1.9 Net cash from / (used in) operating activities</b>	<b>12,658</b>	<b>10,437</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) tenements	0	0
(c) property, plant and equipment	(429)	(4,838)
(d) exploration & evaluation	0	0
(e) Investment	0	(3)
(f) other non-current assets (patents)	0	(17)

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other	0	0
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(429)</b>	<b>(4,858)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	5,197
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(147)
3.5	Proceeds from borrowings	0	3,000
3.6	Repayment of borrowings	13,245	(13,245)
3.7	Transaction costs related to loans and borrowings	0	
3.8	Dividends paid	0	
3.9	Other (payment of lease liabilities)	247	236
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(12,997)</b>	<b>(4,958)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,953	565
4.2	Net cash from / (used in) operating activities (item 1.9 above)	12,658	10,436
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(429)	(4,858)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(12,997)	(4,958)

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## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,185</b>	<b>1,185</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	67	116
5.2	Call deposits	1,118	1,837
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,185</b>	<b>1,953</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 Payments for directors' services	0
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	28,000	25,000
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	<b>Total financing facilities</b>	<b>28,000</b>	<b>25,000</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>3,000</b>

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Facility	\$28,000,000 – Secured
Lender	RnD Funding Pty Ltd
Interest Rate	12% pa. to 31 October 2023, and 18% pa. from 1 November 2023 to 31 December 2024 and 24% pa. thereafter to maturity date
Maturity Date	31 December 2027

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9) * excluding FY24 tax refund of \$13.2	586*
8.2	Capitalised exploration & evaluation (Item 2.1(d))	0
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	586
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,185
8.5	Unused finance facilities available at quarter end (Item 7.5)	3,000
8.6	Total available funding (Item 8.4 + Item 8.5)	4,185
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	7.14

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

### Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

31 Dec 2024

Date: .....

Audit and Risk Committee

Authorised by: .....

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**Mining exploration entity or oil and gas exploration entity quarterly cash flow report**

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(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.