

Latrobe Magnesium Agreement with Large German Electricity Company for Magnesium Recovery from Fly Ash

24 October 2011, Sydney Australia: Latrobe Magnesium Limited (ASX:LMG) has signed a Confidentiality Agreement with RWE Power AG to investigate whether the LMG Hydromet Process is suitable to process brown coal fly ash in Germany to produce magnesium metal and other products.

LMG has identified one RWE Power brown coal mine near Cologne that it believes has the required MgO grade. The chemistry of the fly ash is comparable to the Hazelwood fly ash and better on some measures. LMG has conducted over 10 years test work on Hazelwood fly ash.

The Cologne mine produces about 100 million wet tonnes of coal per annum. The three mines in the Latrobe Valley produce about 80 million wet tonnes per annum. If the fly ash is suitable, this mine may have the capacity to produce over 36,000 tonnes of magnesium per annum.

German automobile parts manufacturers are world leaders in increasing use of magnesium in cars. Last year Georg Fischer Automotive AG used magnesium to substitute four aluminium parts in the new Porsche resulting in 40% weight reduction for those parts.

“Of 600,000 tonnes of magnesium produced each year, 500,000 tonnes are produced in China,” said Mr David Paterson, Chairman of Latrobe Magnesium. “The prospect of producing large quantities of magnesium from waste material close to German auto manufacturers would be about a perfect business model.”

RWE Power AG is part of the RWE Group in Germany. The RWE Group is a top 20 company listed on the German Stock Exchange (DAX). RWE Power is one of the leading energy production and generation companies in Germany. It uses a broad energy mix of brown coal, black coal, hydro, nuclear power and natural gas fired power stations together with wind farms. RWE Power is also a driver of innovation for coal fired power stations and CO2 avoidance. RWE Power employs about 15,000 people with operating profit of about €3.6 billion in 2009.

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About Latrobe Magnesium

Latrobe Magnesium is working to develop a magnesium production plant in Victoria's Latrobe Valley using its own patented extraction process. LMG intends to harvest magnesium metal from industrial fly ash which is currently a waste product of brown coal power generation.

LMG has recently completed a pre-feasibility study into the economics behind using a world-first process of combined hydromet/thermal reduction to extract the metal. The production facility will be in the heart of Victoria's coal power generation precinct, providing direct and constant access to feedstock.

Construction of the plant is due to start in March 2013 with initial production to begin a year later.

LMG plans to sell the refined product under long-term contracts to Australian 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 being increasingly used in the manufacture of car parts, laptop computers, mobile phones and power tools.

The LMG project is at the forefront of environmental sustainability – by recycling power plant waste that is otherwise discarded in landfill and by being a low CO2 emitter.