Latrobe Magnesium
ABN 52 009 173 611

LMG LODGES UNAUDITED 2020 ANNUAL ACCOUNTS

28 September 2020, Sydney Australia: Latrobe Magnesium Limited (ASX:LMG) is relying on the extended deadline provided for in the ASIC Relief.

LMG has attached to this announcement its unaudited accounts.

LMG not only is relying on the ASIC Relief to extend the lodgement date of its audited accounts for a month but it undertakes to immediately make a further announcement to the market if there is a material difference between its unaudited accounts and its audited accounts.

John R Lee
Chairman of the Audit Committee

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 the Yallourn 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 October 2020 with production commencing up to 16` 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 Australian, USA and Japanese customers. Currently, Australia imports 100% of the 8,000 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_2 emitter. LMG adopts the principles of an industrial ecology system.

Suite 307, 20 Barrack Street, Sydney, NSW 2000 Phone: +61 (0)2 8097 0250
Postal Address: GPO Box 4729, Sydney, NSW 2001 Email: lmg@latrobemagnesium.com

Unaudited 2020 Annual Report

Latrobe Magnesium Limited and its Controlled Entities

ABN 52 009 173 611

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COMPANY DIRECTORY

Directors
Jock Murray, Chairman
David Paterson, CEO
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 Pty Ltd
Level 16
1 Market Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Ltd
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 40
1 Farrer Place
Sydney NSW 2000

Stock Exchange
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ASX CODE: LMG

REVIEW OF OPERATIONS

LATROBE MAGNESIUM PROJECT

1. Overview

During the year, the Company has made significant progress with its Latrobe Magnesium Project in the following areas:

- achieving positive results on processing Yallourn fly ash;
- completing feasibility study using Yallourn fly ash;
- securing 10 year ash supply agreement with EnergyAustralia, Yallourn;
- engaging GHD to undertake extensive environmental and traffic assessment; and
- achieving Latrobe City Council and EPA approvals of building the initial magnesium plant.

2. Magnesium Markets

In the calendar year ended 31 December 2019, the primary world production of magnesium increased to 974,000 tonnes. China's estimated primary production for the calendar year 2019 was approximately 86% of the world's production. Some 50% of China's production is used locally. World growth in demand is expected to continue at an annual rate between 6% and 7% until 2024 when it is projected the market will produce some 1.7 million tonnes.

Australian and New Zealand consumption of magnesium has been recorded in the order of 7,000 tonnes per annum. All this magnesium is imported.

During the year, the magnesium price traded at a lower level that the previous year's high in line with many commodities, owing to the effects of the corona virus on the reduction in the worldwide production of cars. The spot prices as at 30 June were, as follows:

		30-Jun-20	30-Jun-19
FOB China	US$ per tonne	2,207	2,650

Owing to United States anti-dumping duties, the annual delivered price for 2020 was in the order of US$2.30 per lb or US$5,071 per tonne.

In China, the operating costs of production stayed within the range between US$2,000 to US$2,500 per tonne. However, a number of China plants were either closed or scaled back production due to this low magnesium price.

With the adoption of light-weighting of motor vehicles and the legislated emission standards in many countries in the World, there is a growing demand by car companies to use more magnesium and aluminium sheet in cars. The car business has adopted aluminium sheet in outside panels and with this sheet there is up to 6 percent of magnesium. With the development of new magnesium alloys and new production techniques, the use of magnesium car parts and sheet provides many exciting opportunities.

3. Feasibility Study

In September 2019, LMG announced that its 3,000 tpa magnesium plant was estimated to generate EBITDA of up to $5.6 million per annum when it is operating at its name plate capacity. This estimate was revised in an updated feasibility study completed in May 2020 to be in the range between $4 million to $5 million per annum due mainly to increase in energy usage. The initial plant is estimated to employ up to 54 on-going direct employees and contractors and 50 to 75 construction jobs.

The initial and updated feasibility studies estimate the capital cost to be in the order of $54 million. This estimate includes design growth and contingencies of $6 million. LMG is currently carrying out a value engineering exercise and it hopes to reduce this capital cost down to $50 million.

REVIEW OF OPERATIONS

4. Ash Supply Agreement

In October 2019, Latrobe Magnesium Limited signed an agreement with EnergyAustralia Yallourn Pty Ltd (Yallourn) to secure ash supply to LMG's initial 3,000 tonnes per annum (tpa) magnesium plant for the next ten years.

The agreement requires certain approvals and conditions to be satisfied. It also deals with the principal issues in relation to Yallourn increasing its supply of ash to LMG's 40,000 tpa planned expanded magnesium plant. There are a number of conditions that need to be addressed before this expansion can occur.

The ash supplied to LMG's initial plant represents only 12% of Yallourn's current annual production. LMG has identified other sources of feed stock for its 40,000 tpa plant should the power station be closed earlier for any reason.

5. Community Briefing

In December 2019, LMG organised a community briefing to outline the project to all stakeholders in the Latrobe Valley so that they had the opportunity to be fully informed and understand the benefits of the project. The briefing was well attended and the presentation was well received by the participants.

Due to COVID-19 restrictions on public gatherings, LMG could not hold a second public meeting. LMG placed two advertisements in the Latrobe Valley Express notifying the public that project information in relation to the EPA reports was available and could be accessed on its website.

LMG has also agreed to hold annual briefings in the Valley to advise all stakeholders on the development of the project and report on the emissions and other matters that are interesting to the Community. LMG believes in having a social licence with the Community in which it operates.

6. The Magnesium Metal Production Facility

LMG plans to establish a "demonstration-scale" magnesium metal production facility using ash from the Yallourn W power station as raw material. Subject to receiving an EPA approval, construction will commence on site in the last quarter of 2020.

The chosen site, at 320 Tramway Road, Hazelwood North, is part of industrial zone, but still relatively-close to the Yallourn Power Station, in order to minimise transport of the ash. The plan is to re-purpose the existing buildings, bringing in new equipment and facilities. The bulk of the production facility is to be housed within the existing building located at the southern end of the site. Truck access will be from Second Avenue (not the main road) and loading/unloading will be on the west side of the existing building.

The intention is that the facility would then operate for about 18 months, in order to demonstrate the production process. Operations beyond that time are possible but LMG has made no decision and any plan to do so would also need further Council and EPA approval.

The extraction of magnesium from brown coal fly ash is a new industrial process. It will involve dissolving magnesium from the ash and its recovery as solid magnesium oxide. This can then be reduced to magnesium metal using the conventional high-temperature process. Because the magnesium is removed to a high degree, the material remaining should be able to be utilised as a cement substitute in the construction industry.

The process is anticipated to have a least an estimated 50 percent reduction in carbon emissions compared to the usual normal magnesium industry performance. This is due to the lower concentration of carbonates in the fly ash, compared with the normal Dolomite ore feedstock. Also, the key chemical consumable, ferrosilicon, is manufactured using hydro-electricity.

REVIEW OF OPERATIONS

Commencing in January 2020, GHD Pty Ltd (GHD), a consulting engineering company, has been working with LMG to assess the potential impact on the local area in terms of air emissions, road traffic and noise levels. The main findings are summarised in point 7 of this review of operations.

GHD has also been preparing the documentation required for Applications to the Latrobe Valley Council and the EPA.

In March 2020, LMG submitted its Application to the Latrobe City Council for planning approval to build its initial 3,000 t/a (tonnes per annum) magnesium plant at 320 Tramway Road. This application was approved on 5 June 2020.

An Application to the EPA for an 18-month RD&D (Research, Development and Demonstration) Permit was submitted on 8 June 2020. The EPA approval for the project was awarded on 16 September 2020.

The Project Site

The project site is located at 320 Tramway Road, Hazelwood North, Victoria. It is less than 3 km to the east of the former Hazelwood Power Station and mine, approximately 5 km south of the township of Morwell, and approximately 6 km north of the township of Churchill.

The site has a frontage to Tramway Road (on the east side) and frontages to Fourth Road to the south and to Second Avenue to the west and has an area of 10.6 ha. Fourth Road connects to Tramway Road via an existing roundabout near the south-eastern corner of the site.

The site is owned by D G & J Di Fabrizio Steel Fabrications Pty Ltd and is currently leased by Latrobe Magnesium Limited for a three year term with a fixed price option to buy the site within that timeframe. The site was previously used for a steel fabrication facility and includes existing buildings that are currently vacant. There are other established industrial facilities located to the north, south and south-west of the site including a fertiliser supplier and the Morwell Transfer Station.

REVIEW OF OPERATIONS

Land immediately to the east of Tramway Road and west toward Monash Way is used for agricultural purposes. The closest residence is located approximately 750m south-east of the site on Traralgon-Churchill Road. The Hazelwood Primary School is located approximately 1.5km south-east of the site on Church Road.

The site is not within an area identified as being of Aboriginal cultural heritage sensitivity. No clearance of existing vegetation is proposed.

Planned Activities on the Site

The proposed land use at the site would be defined as "industry" under Clause 73.03 of the Latrobe Planning Scheme. The purpose of the use is to extract saleable magnesium and other products from waste fly ash.

The fly ash is to be sourced from the existing ash stockpile at Yallourn W Power Station, loaded into trucks and transported to the LMG site. There the truck can discharge directly onto an apron feeder and the ash is transported on a covered conveyor into the storage silo. Given its relatively close proximity to Yallourn Power Station, only a small additional buffer stock is required to be held inside the building to provide supply security during wet weather.

Other reagents include quicklime and dolomite (brought in from South Australia) and these are to be directly unloaded pneumatically from their tankers and into silos.

Magnesium Production Process

The first step in processing the ash is the Leaching Section where the ash reacts with hydrochloric acid to dissolve the magnesium, iron and calcium as their soluble metal chlorides. The remaining solids (mainly silica and char) are to be filtered off, dried and bagged.

The solution is then heated and neutralised with milled dolomite to precipitate the iron, which is separated off as a marketable hematite (iron oxide). Calcium is to be removed by reaction with carbon dioxide sourced from the combustion of natural gas in the steam boiler. The precipitated calcium carbonate is to be filtered off, dried and bagged.

The aqueous solution after purification will contain mostly magnesium chloride. An evaporator will be used to increase the solution strength to the optimum for the next step of the Spray Roaster. In this, the concentrated solution is sprayed in as fine droplets which, in contact the hot combustion gases, react to form magnesium oxide, which settles to the bottom as a fine powder, and hydrogen chloride gas which exits the Roaster with the combustion gases.

The gas from the Roaster passes through two packed towers to where the hydrogen chloride is absorbed in water. The product hydrochloric acid is returned to the Leaching section.

The magnesium oxide is then mixed with calcium oxide (quicklime) and ferrosilicon and formed into dense briquettes. The magnesium oxide and the quicklime can be metered out from the intermediate silo storage. The ferrosilicon (to be delivered and stored on site in 20-foot containers) is to be crushed and milled ahead of being blended with the other materials. The blended material would be fed to the briquetting press.

The briquettes are to then be transferred to the furnace area and loaded into the hot magnesium reduction retorts. Under the reaction conditions in the retorts, the magnesium oxide slowly reacts with the ferrosilicon producing magnesium vapour. This is condensed to solid metal in a cooled external section of the retort. With removal of the magnesium, the remaining solids are suitable for use as a cement substitute - becoming the second product from the high-temperature step.

The magnesium reduction step is a batch process with a nominal cycle time of about 12 hours. A large number of retorts are required. An important feature of the furnace area will be the high level of mechanisation, including automatic loading and unloading of the retorts and the movement of briquettes to the furnaces and the reaction products away.

The solid magnesium is to be transferred to the metal refining area of the plant, where it is remelted, refined and cast into small ingots. The magnesium ingots, stacked on pallets, are to leave the site in 20-foot containers for export to overseas customers.

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The cement substitute is to be milled, and loaded pneumatically into road tankers for transport to concrete manufacturers.

The processes described above will mostly operate continuously, 24 hours-per-day, with a shift crew of eight. Support for the operating crew is to be provided by a further 16 employees, plus external contractors on an as-needed basis. The facility is expected to stop for an annual refurbishment period plus shorter stops for scheduled maintenance.

The plan is for all incoming and outgoing goods to be during daylight hours, excluding weekends. Regular truck deliveries are expected to total 14 per day.

Services

Dust Handling

Some of the process steps involve handling powdered solids and could be dusty. Equipment is planned to capture dust close to its source and to enclose conveying and other equipment to minimise fugitive emissions. All this ventilation air is to pass through filter bags to ensure the air emissions have very-low levels of dust.

Exhaust Gas Utilisation

The Reduction Furnace exhaust gas is at a high temperature and will be used to raise steam, as a source of heat to the Evaporator and to the Iron Precipitation stages. The cooled exhaust gas will also be the source of carbon dioxide for the Calcium Precipitation reaction – diverting some carbon dioxide from being emitted to the atmosphere.

Utilities

There is an existing HV electricity supply to the site; the existing transformer can be refurbished. There is an existing Gippsland Water supply connection for treated water. New pipelines will need to be laid, alongside Tramway road south from Firmins Lane for raw (industrial untreated) water and for natural gas supply.

There are existing easements and drains for stormwater and waste water from the buildings. Rainwater falling on bunded areas is to flow to a new one megalitre dam to capture any contamination. The plant will have filtering equipment and reverse osmosis desalination equipment to reuse rainwater captured in the plant.

Site Improvements

The existing building footprint is more than enough to accommodate all of the processing plant and equipment. The exception being tall items which include the Spray Roaster and the silos for materials receiving and despatch. The structure is of steel construction, with metal wall and roof sheeting and skylights to provide natural light. The roof of the building closest to the proposed administration office is of 'sawtooth' construction with vertical windows in the roof for natural lighting.

Administration and staff amenities will also be located in existing premises on site. These are to be refurbished.

The site is to have a number of access points:

- Three along the southern boundary to Fourth Road, including two access points to loading areas, and one access to an internal road and car park
- Two access points along the western boundary to Second Avenue for truck access to the loading/unloading area (one crossover existing and a second to be constructed)
- The two access points to Tramway Road are not proposed to be used

New works on the site consist of:

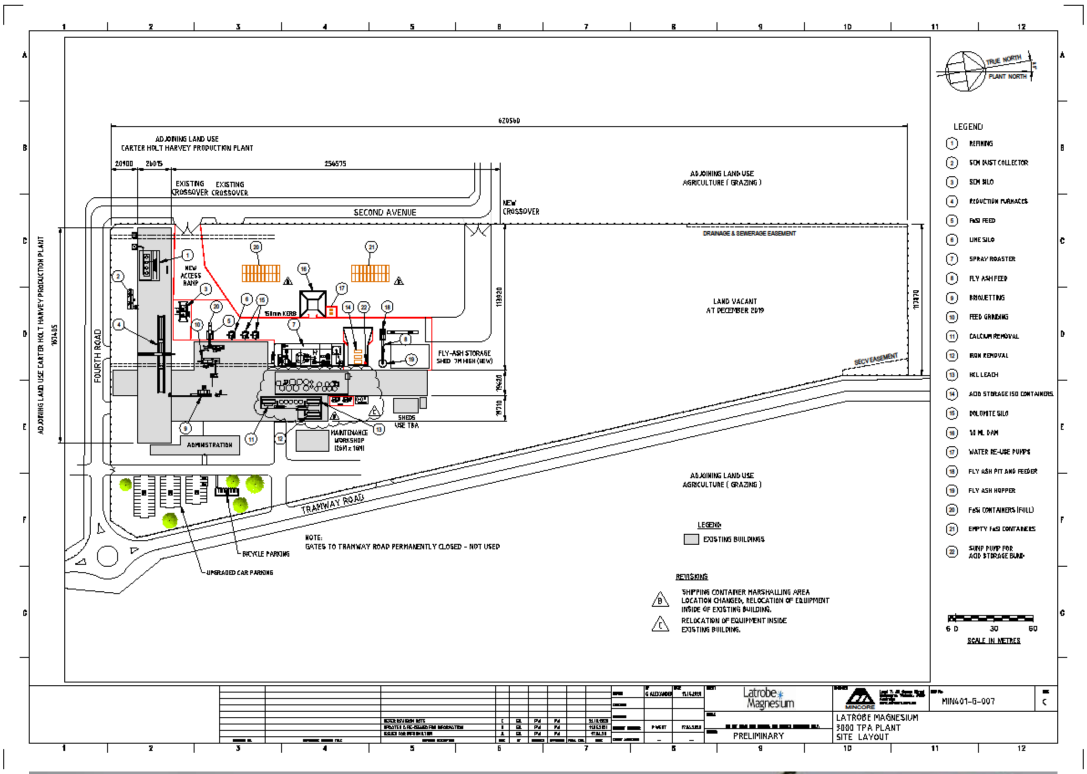
- New crossover the Second Avenue

REVIEW OF OPERATIONS

- Graded concreted areas behind, and for the length of, the existing building with a 150mm high bund to contain drainage
- A 1.0 ML stormwater retention facility measuring 20 m by 20 m and 3 m deep. With ancillary pumps to facilitate reuse of the water
- A car park at the front of the existing building facing Tramway Road to accommodate 55 car parking space including two accessible spaces
- The following equipment items to be installed on site at the rear of the existing building (facing Second Avenue and to be accessed off Second Avenue):
  - Silos (5)
  - Fly Ash apron feed and hopper
  - Spray Roaster and Absorption Towers
  - Area for containers storage
  - Acid storage containers to be located a separate bunded area.

The proposed configuration of processing equipment is detailed on the engineering drawing below. As noted earlier, plant and equipment will mostly be installed within the existing building. The paddock to the north of the existing buildings on the site would remain undeveloped.

The image below is a 3-D model view of the completed project site, looking from the west. The 3-D Image of the site, with the equipment installed, looking east to Tramway Road



Landscaping

The landscape design outcomes sought are to:

- provide adequate screening, over time, of the proposed facility when viewed from the surrounding roads
- lift the level of amenity and shade within the site for the staff and visitors

The screening is to be planted native vegetation comprising a mix of fast growing flowering shrubs and over storey trees to help create a continuous screen from ground level to the canopy of the proposed trees. This linear landscape feature will also provide a level of amenity along the heavily travelled Tramway Road and several hundred metres of habitat for local fauna.

The species chosen for the screen were selected from the local EVC lists found in the Gippsland Plain bioregion, the Council's revegetation guide; Indigenous Plants of Latrobe City (Latrobe City) and cross referenced with what is commercially available and a suitable screening specimen. A portion of the proposed tree planting will be installed as semi mature stock to aid the establishment of a screen in the short term.

All existing trees along the eastern and southern boundary have been proposed for retention and protection. A temporary tree protection fence will protect the root zone of these trees during the construction phase. These trees are a mixture of exotic Pinus species and native Eucalyptus species, in varying condition. However, their retention is prioritised to provide much needed augmentation of the proposed screening, shade to the carpark and motorbike parking structure and amenity.

7. GHD Environmental and Traffic Assessments

Noise Report

This report considered the potential noise impacts of the type and scale of the proposed facility within the general area of Tramway Road and surrounding community. It assessed potential noise impacts against relevant Victoria noise guidelines, legislation and policy, in particular EPA's *Noise for Industry in Regional Victoria* guidelines. As part of these studies, GHD undertook unattended noise monitoring and measurements at the nearest noise sensitive receiver.

GHD found that "results of the noise impact predictions show that operational noise from the site is expected to comply with applicable noise criteria."

Air Emissions Report

This report included an assessment of the likely emissions to air from the facility and the ground level concentration (GLC) impacts within the surrounding area. Air dispersion modelling was used to assess the incremental impact (applying emissions from the LMG plant alone) and the cumulative impact (applying emissions from both the LMG plant and ambient (background) concentrations of pollutants) on GLCs within a six km radius of the proposed plant.

GHD used the Victorian EPA regulatory air dispersion model, AERMOD, to assess the likely air quality impacts. Dispersion modelling was conducted for each of the five years 2013 to 2017, using meteorological data files prepared in accordance with EPA guidelines.

<u>The GHD Report found</u>:

"The LMG plant to be of low risk to human health given the low incremental results in regard to the SEPP AQM [State Environment Protection Policy Air Quality Management] and the low relative increase in particulates compared with the existing ambient environment".

and

"The likelihood of exposure to emissions from the LMG plant is low due to the location of the LMG plant and the rapid decline in pollutant concentrations with distance from the maximum GLC".

REVIEW OF OPERATIONS

Energy Use and Greenhouse Gas Emissions (GHG) Assessment

LMG also commissioned an energy and greenhouse gas assessment of the proposed facility. There are three major sources of quantifiable GHG emissions; combustion of stationary fuels, combustion of transport fuels and the consumption of electricity. The table below provides a summary of emissions from these three sources.

Summary of GHG emissions

Emission Source	t CO_2-e / Tonne of Mg	t CO_2-e / year
Stationary energy emissions	11.39	34,190
Transport emissions	0.02	52.50
Consumption of electricity	3.89	11,681

At the 2019 community briefing, LMG's estimated direct CO_2 emissions in the order of 10 tonnes per tonne of magnesium produced. This has increased slightly due to increased energy usage in the latest production flowsheet.

In summary, the magnesium plant is estimated to emit up to 34,190 tonnes of CO_2 per annum. In contrast, the three existing Latrobe Valley power stations emit in excess of 50 million tonnes of CO_2 per annum. Further, the lifecycle impacts of use of lightweight magnesium metals, e.g. in cars, will decrease net greenhouse gas emissions.

Traffic

Trucks transporting fly ash from the Yallourn Power Station to the proposed site will utilise the following route:

- Eastern Road (access road to Yallourn Power Station)
- De Campo Drive (C471)
- Haunted Hills Road (C471)
- Princes Freeway (M1)
- Firmins Lane (C475)
- Tramway Road (C476)
- Fourth Road

The above roads (with the exception of Fourth Road) are part of Department of Transports Gazetted B-Double Routes. Trucks exiting the site will generally access Princes Freeway via Tramway Road. The traffic assessment noted the route was driven by GHD's experienced traffic engineers during a site visit in December 2019 and did not identify any problematic locations along the route.

GHD reviewed the potential traffic impact of the proposed magnesium plant at Tramway Road. There will be 55 car parking and bicycle spaces. There will be 14 truck deliveries per on weekdays, with the largest vehicle being 26 metre long B-Double, which will include:

- 4 trucks from Yallourn power station – only on weekdays
- 2 trucks from Melbourne
- 3 trucks travelling to Melbourne, and
- 4 trucks travelling to local destinations.

This is the same number of truck traffic movements as estimated by LMG at the December 2019 community briefing.

GHD concluded that:

- the proposed on-site car parking provision is appropriate
- the proposed bicycle parking provision exceeds planning scheme requirements
- the proposed car park design meets planning scheme requirements with satisfactory access
- the proposed hard stand area for trucks can accommodate vehicles of up to B-Double size

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- The volume of additional traffic generated by the development in the AM and PM peak times, is predicted to be up to 59 vehicle movements. This is based on 55 vehicle movements by staff and 4 movements by trucks
- analysis shows that this traffic volume can be accommodated by the surrounding road network

Overall, the proposed magnesium plant is not expected to create adverse traffic or parking impacts in the area.

Conclusion

On 5 June 2020, the Latrobe City Council issued the planning permit for LMG's initial 3,000tpa magnesium plant.

8. Warrant Issue

Under the October 2018 funding agreement with RnD Funding Pty Ltd, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the drawdown dates.

Under the October 2019 funding agreement with RnD Funding Pty Ltd, LMG has issued 35,889,199 unlisted warrants. The warrants have an exercise price of $0.03 and are exercisable for a period up to 3 years post the drawdown date.

9. Company Funding

On 30 July 2020, LMG received an Advance Finding Certificate under Section 28A of the Industry Research and Development Act 1986 (Act) for its 3,000tpa magnesium plant using its new acid hydromet process. LMG's will be entitled to receive a cash rebate for 43.5% of all eligible expenditure spent on its seven experimental activities. This rebate should be up to $24 million over the next three years. 2020 is the first of these three years.

In October 2020, LMG's funding provided by RnD Funding will total some $3.9 million.

10. Project Funding

To be advised.

11. Capital Issue

To be advised.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	GROUP 2020 $	GROUP 2019 $
Revenue			
Finance income		3,634	4,352
Other income		8,809,842	705,430
	3	8,813.476	709,782
Expenses			
Administration expenses		(1,149,612)	(943,775)
Finance cost		(821,161)	(311,714)
Research and evaluation expenses	3	(818,179)	(969,765)
Total expenses		(2,788,952)	(2,225,254)
Income tax expense	4	-	-
Gain / Loss attributable to members of the parent entity		6,024,524	(1,515,472)
Other Comprehensive Income			
Other Comprehensive Income for the year		-	-
Total Comprehensive Income		6,024,524	(1,515,472)

	Note	GROUP 2020	GROUP 2019
Basic and diluted loss per share (cents per share)	18	0.46	(0.12)

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2020

	Note	GROUP 2020 $	GROUP 2019 $
CURRENT ASSETS			
Cash and cash equivalents	5	38,529	401,750
Trade and other receivables	6	27,487,943	839,848
Total Current Assets		27,526,472	1,241,598
NON-CURRENT ASSETS			
Trade and other receivables	6	19,287	16,993
Plant and equipment	7	1,571	2,270
Intangible assets	8	6,897,535	6,891,729
Right-of-use Asset	14	80,455	-
Total Non-Current Assets		6,998,848	6,910,992
TOTAL ASSETS		34,525,320	8,152,590
CURRENT LIABILITIES			
Borrowings	9	3,655,688	2,471,710
Trade and other payables	10	19,017,500	274,285
Total Current Liabilities		22,673,188	2,745,995
NON CURRENT LIABILITIES			
Lease Liabilities – Long Term	14	88,974	-
Total Non Current Liabilities		88,974	-
TOTAL LIABILITIES		22,762,162	2,745,995
NET ASSETS		11,763,158	5,406,595
EQUITY			
Issued capital	11	33,562,283	33,562,283
Warrant Reserves	12	382,240	50,201
Accumulated losses		(22,181,365)	(28,205,889)
TOTAL EQUITY		11,763,158	5,406,595

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

GROUP	Note	Issued Capital $	Warrant Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2018		33,243,049	-	(26,690,417)	6,552,632
Warrants Issued			50,201		50,201
Total comprehensive income		-	-	(1,515,472)	(1,515,472)
Shares issued during the period	11	319,234	-	-	319,234
Balance at 1 July 2019		33,562,283	50,201	(28,205,889)	5,406,595
Warrants Issued			332,039		332,039
Total comprehensive income		-	-	6,024,524	6,024,524
Shares issued during the period	11	-	-	-	-
Balance at 30 June 2020		33,562,283	382,240	(22,181,365)	11,763,158

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASHFLOWS
For the year ended 30 June 2020

	Note	GROUP 2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		721,430	996,194
Payments to suppliers and employees		(1,772,668)	(2,106,713)
Interest and other financial costs paid		(55,144)	(95,691)
Interest received		1,378	2,185
Net cash used in operating activities	17b	(1,105,004)	(1,204,025)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		-	-
Payment of International Patent expenditure		(8,217)	(25,312)
Net cash used in investing activities		(8,217)	(25,312)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(640,000)	(660,000)
Proceeds from Borrowing		1,390,000	2,240,000
Net cash from financing activities		750,000	1,580,000
Net increase / (decrease) in cash and cash equivalent held		(363,221)	350,663
Cash and cash equivalent at beginning of the financial year		401,750	51,087
Cash and cash equivalent at end of financial year	17a	38,529	401,750

The above statement should be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

AASB 16 standard applies to annual periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.

Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity has adopted AASB 16 from 1 July 2019. The directors of the Company anticipate that the application of AASB 16 in the future will have an insignificant impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. The impact of its adoption is shown in Note 14.

<u>Basis of Preparation</u>

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(u).

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

a. Principles of Consolidation

The consolidated financial statements comprise the financial statements of Latrobe Magnesium Limited and its subsidiaries at 30 June each year ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All inter-Company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Subsidiaries are accounted for in the parent entity financial statements at cost.

A list of controlled entities is contained in Note 13 to the financial statements.

b. Income Tax

The Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Deferred tax assets in relation to tax losses are not brought to account unless there is convincing evidence of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Latrobe Magnesium Limited and its wholly-owned Australian subsidiaries have formed an income tax group under the Tax Consolidation Regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each Group entity is then subsequently assumed by the parent entity. The Group notified the ATO on 2 January 2003 that it had formed an income tax group to apply from 1 July 2002. The tax group has entered a tax sharing agreement whereby each Company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax group.

c. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity otherwise the exchange difference is recognised in the income statement.

d. Plant and Equipment

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment - diminishing value	35%

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the income statement in the year that the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

f. Impairment of Non-Financial Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

g. Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

h. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

i. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

j. Revenue

<u>Interest</u>

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

<u>Research and development tax rebate</u>

Research and development tax rebate is recognised when it is received or when the right to receive payment is established.

k. Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have up to 60-day payment terms.

l. Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

m. Other liabilities

Other liabilities comprise non-current amounts due to related parties that do not bear interest and are repayable in more than 366 days from balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (Group's incremental borrowing rate). The discount is credited to the income statement immediately and amortised using the effective interest method.

The component parts of compound instruments (convertible securities) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

n. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. For service warranties, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligations as a whole. Provisions are not recognised for future operating losses.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

o. Share-based payments

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received.

p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. Contributed equity

Ordinary shares are classified as equity (refer Note 11).

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

r. Dividends

Provision is made for dividends declared and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at balance date.

s. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Latrobe Magnesium Limited, adjusted for the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

t. Goods and Services Tax (GST)

Revenues, expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

u. Critical Accounting Estimates and Judgments

The Directors evaluate, estimate and make judgements which are incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment

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

No impairment has been recognised in respect of the intangible assets for the year ended 30 June 2020 because:

1. the Company's internal valuations indicate that the recoverable amounts of the assets are greater than the book value of the assets;
2. the magnesium price supports this valuation; and
3. the Company is utilising the proven Thermal Reduction Process in its process with estimates of its capital and operating costs which are based on its preliminary feasibility study and subsequent reports.

The key assumptions are adjusted to incorporate risks with a particular segment, and are summarised as follows:

- budgeted cash flow period of 20 years, which approximates the project's life, based on current inputs;
- initial production of 3,000 tonnes increasing to 40,000 tonnes;
- magnesium metal price of US$4,829 per tonne is used which represents the current weighted average price between China and the United States.
- market information for forward exchange rates;
- operating costs and inputs based upon third party consultant's estimates and the feasibility study;
- capital costs based upon the detailed feasibility study; and
- a pre-tax discount rate of 15%.

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

(i) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash or access to funds to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days.

The Group's exposure to liquidity risk has been assessed as minimal. There are no past due payables at balance date.

The Board receives cash flow projections on a bimonthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

(ii) Interest Rate Risk

The Group's exposure to interest risk arises when the value of financial instruments fluctuates as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

The Group's exposure to interest rate risk only extends to cash and cash equivalents at balance date. The Group's exposure to interest rate risk at 30 June 2020 and 30 June 2019 is set out in the following tables:

CONSOLIDATED

			Fixed Interest maturing in				
Year ended 30 June 2020	**Weighted Average Interest Rate**	**Floating Interest Rate**	**1 year or less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	%	$	$	$	$	$	$
Financial assets							
Cash & cash equivalents	1	20,007	-	-	-	18,522	38,529
Trade & other receivables	4	-	-	-	-	27,487,943	27,487,943
Total Financial Assets		20,007	-	-	-	27,506,465	27,526,472
Financial liabilities							
Borrowings	12	-	(3,655,688)	-	-	-	(3,655,688)
Trade and other payables		-	-	-	-	(19,017,500)	(19,017,500)
Net financial assets		20,007	(3,655,688)	-	-	8,488,965	4,853,284

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

Year ended 30 June 2019	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	%	$	$	$	$	$	$
Financial assets							
Cash & cash equivalents	1	350,077	-	-	-	51,673	401,750
Trade & other receivables	4	-	55,344	-	-	784,504	839,848
Total Financial Assets		350,077	55,344	-	-	836,177	1,241,598
Financial liabilities							
Borrowings	12	-	(2,357,607)	(114,103)	-	-	(2,471,710)
Trade and other payables		-	-	-	-	(274,285)	(274,285)
Net financial assets		350,077	(2,302,263)	(114,103)	-	561,892	(1,504,397)

(iii) Foreign exchange currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

There was no exposure to foreign currency risk at balance date.

(iv) Share market risk

The Company relies greatly on equity markets to raise capital for its magnesium project development activities, and is thus exposed to equity market volatility.

When market conditions require prudent capital management, in consultation with its professional advisers, the Group looks to alternative sources of funding, including debt financing and joint venture participation.

(v) Credit risk

Credit risk arises principally when the other party to a financial instrument fails to discharge its obligations in respect of that instrument.

The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

Trade and receivable balances are monitored on an ongoing basis with the Group's exposure to bad debts minimal. There was no exposure to trade receivable credit risk at balance date.

The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group.

Other receivables comprise GST. Credit worthiness of debtors is undertaken when appropriate.

(vi) Commodity risk

Commodity price risk arises when the fair value of future cash flows of a financial instrument will fluctuate because of changes in commodity market prices.

The Group had no exposure to commodity price risk at balance date. The Group's potential exposure to commodity price risk will materialise in the event that development of the Group's Latrobe Magnesium Project proceeds.

(vii) Market risk

Market risk does not arise as the Group does not use interest bearing, tradeable or foreign currency financial instruments.

As the financial assets held by the company as at 30 June 2020 were cash and cash equivalents and trade and other receivables, and the value of these financial assets are not affected by the short-term movement in interest rates, a market risk sensitivity has not been performed.

(viii) Equity price risk

Equity price risk arises from investments in equity securities and Latrobe Magnesium Limited’s issued capital.

The Group had no exposure to investments in equity securities at balance date.

The capacity of the Company to raise capital from time to time may be influenced by either or both market conditions and the price of the Company’s listed securities at that time.

Fair value of financial assets and liabilities

The fair value of all monetary financial assets and financial liabilities of Latrobe Magnesium approximate their carrying value.

There are no off-balance sheet financial asset and liabilities at year-end. All financial assets and liabilities are denominated in Australian dollars.

NOTE 3: GAIN / LOSS FROM ORDINARY ACTIVITIES

		GROUP 2020	GROUP 2019
		$	$
The following revenue and expense items are relevant in explaining the financial performance for the period.			
(i)	**Revenue**		
	Finance Income	3,634	4,352
	Other Income		
	Research and development tax rebate	8,793,842	705,430
	Government Grants	16,000	-
		8,813,476	709,782
(ii)	**Expenses**		
	Depreciation	57,608	1,222
	Research and evaluation expenses	818,179	969,765
	Directors and CEO fees	437,028	437,022

NOTE 4: INCOME TAX EXPENSE

	GROUP 2020	GROUP 2019
	$	$
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:		
Gain / Loss from ordinary activities before income tax	6,024,524	(1,515,472)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5%	-	416,755.
Prima facie tax on gain from ordinary activities before income tax at 27.5%	1,656,744	-
Permanent differences relating to R&D claim	3,141,019	(251,968)
Increase in income tax benefit due to timing differences	(3,626)	10,867
Tax losses not brought to account as future income tax benefit.	4,794,137	(175,654)
Income tax benefit attributable to loss from ordinary activities before income tax	-	-

Net deferred tax asset not taken to account

The potential future income tax benefit arising from tax losses has not been taken to account because of the absence of convincing evidence of the realisation of the benefit.

	GROUP	
	2020	2019
	$	$
Benefit of tax losses carried forward:		
Tax losses carried forward	2,591,008	2,261,488
Capital losses	750,305	750,305
	3,341,313	3,011,792

The deferred tax asset will only be released if:

i. the Group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

ii. the Group continues to comply with the conditions for deductibility imposed by the law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit.

NOTE 5: CASH AND CASH EQUIVALENTS

	GROUP	
	2020	2019
	$	$
Cash at bank	38,529	401,750

NOTE 6: TRADE AND OTHER RECEIVABLES

	GROUP	
	2020	2019
	$	$
CURRENT		
R&D tax concession	8,793,842	705,430
GST recoverable	42,202	64,491
Promissory Note	-	55,344
Prepayment	18,651,899	14,583
	27,487,943	839,848
NON-CURRENT		
Rent Bond held in bank deposit	19,287	16,993
	19,287	16,993

There are no balances within trade and other receivable that are impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

NOTE 7: PLANT AND EQUIPMENT

	GROUP	
	2020	**2019**
	$	**$**
Plant and equipment at cost	7,897	7,779
Accumulated depreciation	(6,326)	(5,509)
Total Plant and Equipment	1,571	2,270

Movements in Carrying Amounts

Between the beginning and the end of the current financial year, movements in the carrying amounts for each class of plant and equipment are:

	Plant and Equipment 2020	**Plant and Equipment 2019**
	$	**$**
Balance at 1 July	2,270	3,492
Additions	117	-
Depreciation expense	(816)	(1,222)
Carrying amount at 30 June	1,571	2,270

NOTE 8: INTANGIBLE ASSETS

	GROUP	
	2020	**2019**
	$	**$**
Acquired in-process research and development, at cost	5,684,000	5,684,000
Acquired in 2017 with the Ecoengineers Pty Ltd acquisition	1,080,000	1,080,000
Closing balance	6,764,000	6,764,000
International Patent for the Hydromet Process.	133,535	127,729
Total Intangible Assets	6,897,535	6,891,729

Latrobe Magnesium Project is based in the Latrobe Valley in Victoria. As the project is not held ready for use, the Company is required to perform an annual impairment test. The key assumptions underlying this impairment test have been based on data provided in the Company's preliminary feasibility study and subsequent reports. The key assumptions are adjusted to incorporate risks with a particular segment, and are summarised as follows:

- budgeted cash flow period of 20 years, which approximates the project's life, based on current inputs;
- initial production of 3,000 tonnes per annum increasing to 40,000 tonnes;
- magnesium metal price of US$4,829 per tonne is used which represents the weighted average price between China and the United States;
- market information for forward exchange rates;
- operating costs based upon third party consultant's estimates;
- capital costs based upon the detailed feasibility study; and
- a pre-tax discount rate of 15%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

NOTE 9: BORROWINGS

	GROUP 2020	GROUP 2019
	$	$
CURRENT		
R&D Loan Facility	458,134	673,620
Warrant Loan Facility	2,965,099	1,683,987
Directors Loan Facility	232,455	114,103
Total	3,655,688	2,471,710

i. R&D Loan Facility from RnD Funding Pty Ltd

Interest Rate:	0.9375% per month
Maturity Date:	31 October 2020
Repayment:	Cash in full from the 2020 R&D tax rebate
Balance as at 30 June 2019	$673,620
Accrued financing costs to October 2019	21,524
Repaid from receipt of 2019 R&D tax rebate of $705,430	$695,144
Loan drawdown in Feb-20	$440,000
Finance fee capitalised at 30-Jun-20	3,300
Interest accrued at 30-Jun-20	14,834
Loan as at 30 June 2020	**$458,134**

ii. Warrant Loan Facility from RnD Funding Pty Ltd

Interest Rate:	1.25% per month
Maturity Date:	15 October 2020
Repayment:	Cash in full or refinancing into a project finance facility
Balance as at 30 June 2019	$1,683,987
Add back Warrant Reserve	50,201
Accrued financing costs to October 2019	108,175
Rollover to October 2019	$1,842,363
Additional Loan Facility at October 2019	$850,000
Total Warrant Loan Facility	$2,692,363
Finance fee capitalised at 30-Jun-20	156,925
Interest accrued at 30-Jun-20	320,674
Warrant Expenses at 30 June 2020	177,377
Warrant Reserves	(382,240)
Loan as at 30 June 2020	**$2,965,099**

iii. Directors' Loans

Directors' Loans	$200,000
Interest Rate:	1% per month
Maturity Date:	31 December 2020
Repayment:	Cash in full or by Issue of LMG shares
Loan balance at 30 June 2019	$114,103
Loan drawdown in June 2020	100,000
Finance fee capitalised	3,000
Interest accrued at 30 June 2020	15,352
Loan as at 30 June 2020	**$232,455**

NOTE 10: TRADE AND OTHER PAYABLES

	GROUP	
	2020	**2019**
	$	**$**
CURRENT		
Trade creditors and accrued expenses	18,868,243	274,285
Loan from Directors and Consultant	149,257	-
Total	19,017,500	274,285

NOTE 11: ISSUED CAPITAL

			GROUP	
			2020	**2019**
			$	**$**
(a)	**Ordinary Shares Issued and Fully Paid**			
	Balance at beginning of reporting period		33,526,283	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
			33,526,283	33,526,283
(b)	**Shares on Issue**		**No.**	**No.**
	Balance at beginning of reporting period		1,296,503,069	1,256,598,819
	Share on Issues:			
	• 10 December 2018		-	31,865,750
	• 10 December 2018		-	8,038,500
	Balance at end of reporting period		1,296,503,069	1,296,503,069

Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

There were no unissued shares under option.

Employee Share Plan Scheme

For information relating to the Latrobe Magnesium Limited Share Plan Acquisition Plan, refer to Note 20: Employee Benefits. No shares were issued during the financial year.

Capital Management

The Group considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and the development of its Latrobe magnesium project.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

- In October 2019, the Group rolled over the warrant loan facility amounting to $1,842,363 and secured additional loan of $850,000, repayable in cash or refinancing into a project finance facility.

  The Group also secured a R&D loan facility of $440,000, repayable on receipt of 2020 R&D tax rebate.

- The loans from two directors of the Group totalling $200,000 was fully drawn as at 30 June 2020, repayable on 31 December 2020 either by cash or converted to LMG securities.

NOTE 12: UNLISTED WARRANTS

Under the term of the warrant loan facility of $1.5 million, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the draw down dates which were 10 October 2018, 14 December 2018 and 29 March 2019. The value of the warrants using Black-Scholes Option Value method is $50,201.

Under the term of the increased warrant loan facility of $2.7 million, LMG issued 35,889,199 unlisted warrants. The warrants have an exercise price of $0.03 and are exercisable for a period up to 3 years post the draw down date which was 21 October 2019. The value of the warrant using Black-Scholes Option Value method is $332,039.

Unlisted Warrants	
Total warrants outstanding at beginning of the period	12,495.000
Granted in the period	35,889,199
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	48,384,199

NOTE 13: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2019	2018
Parent Entity:		**%**	**%**
Latrobe Magnesium Limited	Australia	-	-
Subsidiaries of Latrobe Magnesium Limited			
Money Management WA Pty Ltd	Australia	100	100
Gold Mines of WA Pty Ltd	Australia	100	100
Magnesium Investments Pty Ltd	Australia	100	100
Ecoengineers Pty Ltd	Australia	100	100

NOTE 14: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

The Company's office lease commenced on 01 December 2018 and is expiring on 30 November 2021. This lease was finally executed in January 2020 due to change of building management. Rental increase is 4% per annum in December. The monthly rent and outgoings totalling $6,300 is payable monthly in advance.

On initial application of AASB 16, the Group elected to record right-of- use assets based on the corresponding lease liability in the statement of financial position as at 1 July 2019. Using the simplified approach, right-of-use assets of $137,247 and lease obligations of $137,247 were recorded. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019, being 5.04%.

	GROUP	
	2020	**2019**
	$	**$**
Right of Use Asset	137,247	184,701
Accumulated Depreciation	(59,792)	-
	80,455	184,701
Lease Liability – Long Term	137,247	-
Interest Expense	5,261	-
Lease Payment	(53,534)	-
	88,974	-

There are no other non-cancellable operating lease rentals.

The Company extended its option agreement to lease a property at 320 Tramway Road, Morwell, Victoria 18 September 2020. This option agreement has been signed. This site is intended for the installation of the future magnesium plant and associated facilities.

NOTE 15: SEGMENT REPORTING

The Group has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. As a result, following the adoption of AASB 8, the Board of Directors believes there is only one operating segment and this is reflected in managements reporting processes.

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 consist one business segment being the development of its Latrobe magnesium project.

NOTE 16: 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:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

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.

	Other related entities	**GROUP 2020**	**GROUP 2019**
		$	**$**
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	45,000	52,500
(ii)	Director's fees were paid to Famallon Pty Ltd of which K A Torpey is a principal.	26,808	24,206
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	26,808	24,306
(iv)	Director's loan provided by D O Paterson, principal loan plus interest	116,930	57,590
(v)	Director's loan provided by Famallon Pty Ltd of which K A Torpey is a principal, principal loan plus interest.	115,525	56,513

NOTE 17: CASH FLOW INFORMATION

		GROUP 2020	**GROUP 2019**
		$	**$**
a.	**Reconciliation of Cash**		
	Cash at the end of the financial year as shown in the statement of cash flow flows is reconciled to items in the statement of financial position as follows:		
	Cash at Bank	38,529	401,750
b.	**Reconciliation of cash flow from operating activities to operating loss after income tax:**		
	Net Gain / loss	6,024,524	(1,515,472)
	Adjustment of non-cash items:		
	Depreciation	57,608	1,222
	Convert Directors' & Consultant's outstanding fees to shares	-	319,234
	Changes in Assets and Liabilities:		
	(Increase)/Decrease in receivables and other assets	(26,785,342)	290,522
	Increase/(Decrease) in trade and other payables	19,598,205	(299,531)
	Net Cash used in Operating Activities	(1,105,004)	(1,204,025)

c. Acquisition and Disposal of Entities

There was no acquisition and disposal of controlled entities during the 2020 or 2019 financial year.

d. Non-cash Financing and Investing Activities

2019-20 Fully Paid Ordinary Share

None

2018-19 Fully Paid Ordinary Share

December 2018 39,904,250 shares issued at $0.008 to convert outstanding fees owing to Directors and officer.

Increase in issued capital	$319,234
Decrease in trade and other payables	$319,234

NOTE 18: LOSS PER SHARE

		GROUP 2020	2019
Reconciliation of loss to net loss:			
(a) Basic and diluted gain / loss per share	cents per share	0.46	(0.12)
(b) Gain / Loss used in the calculation of EPS	$	6,024,524	(1,515,472)
(c) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		1,296,503,069	1,279,010,795

There were no unissued shares under option at 30 June 2020.

NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities for the year ended 30 June 2020 (2019: Nil).

NOTE 20: EMPLOYEE BENEFITS

Employees Share Acquisition Plan

The Directors have approved the implementation of a Share Acquisition Plan.

The Plan provides for eligible participants to purchase shares in the Company tax effectively through salary sacrifice. Shares will be acquired on the Australian Stock Exchange at prevailing market prices on or about the first trading day following the normal monthly pay day. The shares including transaction costs will be met by the pre-tax remuneration forgone by the Plan participant. Administration costs of the Plan will be met by the Company.

The minimum contribution under the Plan is $2,400 per annum. Participants can allocate up to 100% of their gross remuneration.

During the period under review and the previous corresponding period, there were no shares purchased in accordance with the employee share acquisition plan.

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

There are no significant events subsequent to reporting date which will affect the operations and state of affairs of the Group except the matter mentioned below.

Since the Balance date the Group has completed a number of significant post balance date events being:

- On 30 July 2020, the receipt of an Advance Finding under the under Section 28A of the Industry Research and Development Act 1986 (Act) for its 3,000tpa magnesium plant using its new acid hydromet process;
- On 16 September 2020, LMG received its EPA approval to develop the Project.

NOTE 22: GOING CONCERN

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. The assessment is based on a cash on hand balance at balance date, the collection of trade and other receivables after year end and the funding provided by the agreements which were signed after the balance date as documented in Note 21.

The Directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the company and consolidated group have been met for the next two years.

The Company is therefore satisfied that it will be able to continue to operate as a going concern.

NOTE 23: PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2020 the parent entity of the Group was Latrobe Magnesium Limited.

	2020	2019
	$	$
Result of parent entity		
Profit/(loss) for the period	6,024,524	(1,515,472)
Other comprehensive income	-	-
Total comprehensive income for the period	6,024,524	(1,515,472)
Financial position of the financial entity at year end		
Current assets	27,526,472	1,241,598
Non-current assets	7,060,187	6,972,331
Total assets	34,586,659	8,213,929
Current liabilities	22,673,188	2,745,995
Non-current liabilities	88,974	-
Total liabilities	22,762,162	2,745,995
Net Assets	11,824,497	5,467,934

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

Total equity of the parent entity comprising of

Issued capital	33,562,283	33,562,283
Warrant Reserves	382,240	50,201
Accumulated Losses	(22,120,026)	(28,144,550)
Total equity	11,824,497	5,467,934

Parent entity contingencies

The parent entity has no significant contingent liabilities.

Parent entity capital commitments for the acquisition of property, plant or equipment.

The parent entity has not entered any contractual commitments for the acquisition of property, plant or equipment.

Parent entity guarantees in respect of the debts of the subsidiaries

The parent entity has entered into deed of guarantee with the effect that its subsidiaries guarantee the secured loan detailed in Note 9, to Latrobe Magnesium Limited.

NOTE 24: AUDITOR'S REMUNERATION

Details of the amounts paid or payable to Nexia Partnership Pty Ltd for services provided during the year are set out below.

	GROUP	
	2020	**2019**
	$	$
Audit and Review of Financial Reports	37,500	36,000
Taxation Services	7,000	7,000
	44,500	43,000

The Board of Directors ensure that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

SHAREHOLDING

a. Distribution of Shareholders as at 25 September 2020.

Range	Total holders	Units	% Units
1 - 1,000	205	86,359	0.01
1,001 - 5,000	291	947,863	0.07
5,001 - 10,000	219	1,857,965	0.14
10,001 - 100,000	834	38,774,427	2.99
100,001 Over	795	1,254,836,455	96.79
Total	**2,344**	**1,296,503,069**	**100.00**

b. Unmarketable Parcels as at 25 September 2020.

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.025 per unit	20,000	850	4,917,176

c. Substantial Shareholders as at 25 September 2020.

No.	Shareholder Name	Number of Fully Paid Ordinary Shares Held	Interest (%)
1	Rimotran Pty Ltd <DP Super A/C>	105,207,340	8.11
56	Rimotran Pty Ltd <DP Super A/C>	4,045,000	0.31
12	David Oliver Paterson	13,843,400	1.07
	Total	123,095,740	9.49
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	6.19
110	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	2,339,875	0.18
8	Famallon Pty Ltd	19,915,956	1.54
	Total	102,450,189	7.91

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

(i) At meetings of members each member is entitled to vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized.

(ii) On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorized shall have one (1) vote.

(iii) On a poll every member is entitled to vote and be present in person or by proxy or attorney or representative duly authorized shall have one (1) vote for each fully paid share of which they are a holder.

ADDITIONAL INFORMATION

e. Twenty largest shareholders as at 25 September 2020.

Rank	Top Shareholders – Ungrouped	Number of Fully Paid Ordinary Shares Held	Holding %
1	Rimotran Pty Ltd <DP Super A/C>	105,207,340	8.11
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	6.19
3	CSH Engineering Pty Ltd	47,108,044	3.63
4	Gibbs Plumbing Services Pty Ltd <G Plumbing Ser PL SF A/C>	37,800,000	2.92
5	JJ Wolfe Holdings Pty Limited <Wolfe Super Fund A/C>	25,020,969	1.93
6	Ableside Pty Ltd	23,685,730	1.83
7	Arco Investment Group P/L <Ocramid Holdings Fam A/C>	21,893,534	1.69
8	Famallon Pty Ltd	19,915,956	1.54
9	Mr Brett Roy Morrison + Mrs Donna-Maree Earle Morrison <Badem Family A/C>	18,743,818	1.45
10	Murraysetter Pty Ltd <The Murraysetter A/C>	16,351,923	1.26
11	HSBC Custody Nominees (Australia) Limited	13,872,702	1.07
12	David Oliver Paterson	13,843,400	1.07
13	Diazill Pty Limited <P B Superannuation Fund A/C>	12,853,622	0.99
14	Mrs Robyn Ann Lys	11,559,096	0.89
15	Mr Leslie Robert Knight + Mrs Heather Margery Knight + Mr Timothy Paul Knight <Knight Super Fund A/C>	10,983,500	0.85
16	Lyndcote Super Pty Ltd <Lyndcote Super Fund A/C>	10,961,538	0.85
17	Mrs Carmela Adele Murray	10,580,777	0.82
18	Mr Antonino Galipo	10,310,000	0.80
19	Mr Neville Masterton Hall	10,257,500	0.79
20	Fantapants Pty Ltd <Macleod Family A/C>	10,000,000	0.77
20	Mr Neville Masterton Hall + Mrs Gwenda Aileen Hall <Hall Super Fund A/C>	10,000,000	0.77
Total		**521,143,807**	**40.20**

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement can be viewed at the following location on the Company's website:

http://latrobemagnesium.com/company/corporate-governance