Latrobe Magnesium Limited
And Its Controlled Entities

ABN 52 009 173 611

Half Year
Financial Report

31 December 2022

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COMPANY DIRECTORY

Directors
Jock Murray, Chairman
David Paterson
Philip Bruce
John Lee
Michael Wandmaker
Michelle Blackburn

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DIRECTORS' REPORT

The Directors submit the financial report of Latrobe Magnesium Limited ("the Company" or "LMG") and of the Group being the Company and its subsidiaries for the half-year ended 31 December 2022.

DIRECTORS

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

Jock Murray	Chairman
David Paterson	CEO & Executive Director
P F Bruce	Non Executive Director
J R Lee	Non Executive Director
M F Wandmaker	Non Executive Director
M L Blackburn	Non Executive Director

REVIEW OF OPERATIONS

The consolidated loss of the Group for the half-year after providing for income tax was $1,129,339 (2021: $1,250,473). The loss was mainly due to the costs incurred in operational expenses, ongoing test work in relation to the demonstration plant, and a pre-feasibility study for the 100,000 tpa magnesium plant.

During the half year ended 31 December 2022, the Company has made significant progress with:

1. Construction of the administration building, security gatehouse and carpark have been completed in December 2022 to allow mobilisation for major construction contractors.
2. Completed site clean-up, electrical services restoration and other remedial works and the construction of the demonstration plant started.
3. Tenders for the long lead items, Spray Roaster, Reduction Furnace and process control system have been awarded.

   Tender packages for other major equipment such as briquetting plant, filters, pumps, evaporator, non-metallic tanks, scrubber, retort tubes, RO plant, cooling tower, material handling equipment and safety showers are partially awarded.
4. Continued test work undertaken with CSIRO for the detailed design and modelling of the reduction furnace area including briquette loading and product unloading. Testing of vertical retort, metal melting, refining and casting are being conducted.
5. Updating the process flowsheet and the mass and energy balance to incorporate new test work and vendor data.
6. A pre-feasibility study Stage A for the 100,000 tpa magnesium plant using ferro-nickel slag as feed stock has been prepared by Bechtel comparing two locations – the Middle East and Malaysia. Further work is being undertaken to make an appropriate decision expected at the end of March 2023. A binding memorandum of understanding was executed with Société Le Nickel for the supply of ferro-nickel slag for 20 years.
7. Upgrading the 2019 distribution agreement with Metal Exchange Corporation in USA to incorporate the Company's expansion plans of its 10,000+ tpa plant.
8. The construction loan of $23 million was secured in May 2022, of which $10 million was drawn in June 2022 and $10 million is scheduled to be drawn in March 2023. The balance of $3 million will be drawn as required.
9. Regional Development Grant Agreement with the State of Victoria and LMG was signed for the provision of funding to support the demonstration plant. This funding will depend upon LMG reaching milestones in 2023.

DIRECTORS' REPORT

LATROBE MAGNESIUM PROJECT

1. 100,000 PFS Study

LMG awarded a Pre-Feasibility Study Stage A (PFS) for its 100,000 tpa magnesium plant to Bechtel, a global engineering, construction, and project management company. The PFS evaluated strategic options to leverage and develop the 100,000tpa plant at three overseas locations. Additional work is being conducted in March so a decision can be made by LMG's Board at the end of the month.

The project is expected to generate in order of $1 Billion in annual revenue and an EBITDA is estimated to be in the order of $500M whilst generating net-zero CO_2 emissions using LMG's unique technology and a renewable energy source.

Latrobe Magnesium and Société Le Nickel have executed a binding MoU for the supply of 450,000 tonnes per annum of ferro-nickel slag for 20 years for its 100,000tpa magnesium plant as its feedstock. The feedstock has nearly twice the Magnesium Oxide (MgO) content as Yallourn brown coal fly ash. This means that LMG can process less material to achieve the same amount of magnesium when compared to fly ash.

Société Le Nickel produces some 40,000 mtpa of ferro nickel and is one of the largest ferro-nickel producers in the world. It is 100% owned by Eramet SA (ERA.PA), a listed French company with some Euro 2.4B market capitalisation.

2. Ash Supply Agreement

On 10 March 2021, EnergyAustralia announced that they would be closing their Yallourn Power Station in mid 2028. LMG believes there is sufficient fly ash that can be mined from their current ash repository and the fly ash produced over the next seven years to provide sufficient feedstock to supply a 10,000 tpa magnesium plant for a period of 25 years. New agreements will need to be entered into between LMG and EnergyAustralia before the expansion of LMG's plant can take place.

LMG has announced that, once it has successfully operated its demonstration plant, it will be expanding the plant to a 10,000 tpa capacity. LMG has appointed GHD to undertake geo-tech work to determine how much Yallourn ash can be removed without destabilising the ash landfill. The amount of ash from this study will lead to a decision on the final size of the Latrobe Plant.

3. Community Briefings

On 9-10 November 2022, LMG organised meetings with the Community and Investors on site briefing to inform them of the progress made on the development of the project, report on the emissions and other matters. Another briefing will be planned in 2023 when the demonstration plant has been completed and commissioned. This is expected by the end of September 2023. LMG believes in having a social licence with the Community in which it operates.

4. Latrobe Council Planning Permit

On 5 June 2020, LMG's application to the Latrobe City Council for planning approval to use and develop the site for a 3,000 tpa magnesium plant at 320 Tramway Road Hazelwood North was approved and a certificate issued. It has since reduced the size of the demonstration plant to 1,000 tpa of magnesium.

LMG has started the approval process for the construction of a 10,000 tpa plant. LMG remains committed to progressing this project to safely re-process mining waste, generating jobs and developing a new clean magnesium industry in the Latrobe Valley. LMG is currently seeking sources of local renewable energy for its 10,000 tpa plant.

DIRECTORS' REPORT

5. EPA Planning Approval

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

The EPA's approval comes with mainly standard conditions which need to be fulfilled before construction and/or commissioning of the plant. An additional approval will be required for the 10,000 tpa plant.

6. The Magnesium Metal Production Facility

The site preparation work for the construction of the "demonstration-scale" magnesium metal production facility using ash from the Yallourn W power station as raw material, has been completed and construction has commenced on site.

The chosen site, at 320 Tramway Road, Hazelwood North, is part of an industrial zone, but still relatively close to the Yallourn Power Station, in order to minimise transport of the ash. The existing buildings have been re-purposed, 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 civil and concrete works have progressed well with formwork, reinforcement, concrete slab and bunker completed for the ash handling, leaching, impurity removal, brine and reduction furnace areas. The spray roaster footing excavation has started with concrete works to be completed by the end of March 2023.

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 62 percent reduction in carbon emissions compared to the usual normal magnesium Chinese 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.

7. 320 Tramway Road, Hazelwood North

The Company completed purchase of the 320 Tramway Road property including the crane equipment in February 2022. The property contains 14,000m^2 of buildings in the form of an administration building and a number of large industrial buildings which are 12 metres high. These buildings are ideal to house LMG's demonstration plant. The cranes are used to automate the loading and unloading of the smelters.

DIRECTORS' REPORT

The site is close to rail, freeway, gas and water pipelines. It is near to the new Morwell solar power farm, but from initial discussion the Company found its costs too high. The Company is seeking local sources of renewable energy so that its magnesium and other products will produce zero or very little CO^2 emissions.

The purchase of the site allows the company to plan its future expansions, obtain appropriate business insurance, save rent through the construction phase and benefit from its own site improvements.

The construction contract for the civil and concrete works has been awarded to Stirloch Constructions who are working on site since November 2022. The package was tendered to eight contractors with only three choosing to submit tenders, reflecting the market conditions and the unavailability of resources. The award to a local contractor in the Latrobe Valley is reflective of LMG's desire to work with the local community and contribute to the local economy.

The development of the Structural, Mechanical, Piping and Electrical and Instrumentation (SMPEI) construction packages has partially completed with award targeted for early 2023, awaiting vendor data from equipment packages.

The carpark and administration building have been completed, ready for the project team moving in to oversee the construction phase. Site security has been established with the completion of the security gatehouse and traffic management. The site is now ready for mobilisation of construction contractors.

The current project schedule indicates that most if not all the equipment will be on site before 30 June 2023 and it all being dry commissioned. The current budget is $41.7 million with $31.3 million having been contracted or committed and the remaining uncommitted $10.4 million mainly relating to construction and commissioning services. The bulk of these services will be finalised before 30 June 2023.

Considering the cost impact of inflation, oil price, labour issues and supply chain, LMG believes that its project team has performed very well.

8. Warrant Issue

Under the October 2019 funding agreement with RnD Funding, LMG has issued 35,889,199 unlisted warrants at the price of $0.03 and exercisable for a period up to 3 years post the drawdown date. RnD Funding exercised 12,666,000 warrants in November 2021 and 8,373,199 warrants in November 2022. RnD Funding advised that the remaining 14,850,000 warrants will be exercised at any time prior to 30 June 2023.

Under the 16 May 2022 funding agreement with RnD Funding, LMG issued 80,000,001 warrants at different strike prices and dates, as follows:

DIRECTORS' REPORT

Warrant Amount	Expiry Date	Exercise Price
8,888,889	31/03/25	$0.18
8,888,889	30/06/25	$0.18
8,888,889	30/09/25	$0.18
8,888,889	31/12/25	$0.24
8,888,889	31/03/26	$0.24
8,888,889	30/06/26	$0.24
8,888,889	30/09/26	$0.30
8,888,889	31/12/26	$0.30
8,888,889	30/06/27	$0.30

EVENTS SUBSEQUENT TO REPORTING DATE

At the date of completion of the financial report, the Group is continuing to monitor and respond to the effects of COVID-19 despite its restrictions having been relaxed. The Group has implemented appropriate COVID-19 policies designed to minimise the risk of transmission of COVID-19 among its workforce and local communities while minimising the risk of disruption to its ongoing activities.

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 9 for the half-year ended 31 December 2022 and forms part of this report.

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

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

10 March 2023

Nexia Australia

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

As lead audit director for the review of Latrobe Magnesium Limited and its controlled entities for the financial half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

(a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) No contraventions of any applicable code of professional conduct in relation to the review.

Nexia

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Sydney
Dated: 10 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 31 December 2022

	Note	Consolidated Entity 31-December 2022 $	31-December 2021 $
Revenue			
Finance income		16,022	5,573
Other income		1,156,853	577,758
	2	1,172,875	583,331
Expenses			
Administration expenses		(1,680,530)	(1,463,374)
Finance cost		-	(31,976)
Research and evaluation expenses		(621,684)	(338,454)
Total expenses	2	(2,302,214)	(1,833,804)
Loss before income tax expense		(1,129,339)	(1,250,473)
Income Tax Expense		-	-
Loss attributable to members of the parent entity		(1,129,339)	(1,250,473)
Other Comprehensive Income			
Other Comprehensive Income		-	-
Total Comprehensive Income		(1,129,339)	(1,250,473)

	No.	No.
Average weighted shares on issue	1,617,491,940	1,476,280,313
Losses per share (cents per share)	(0.07)	(0.09)
Diluted losses per share (cents per share)	(0.07)	(0.09)

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

STATEMENT OF FINANCIAL POSITION
For the half year ended 31 December 2022

	Note	Consolidated Entity 31-December 2022 $	 30-June 2022 $
CURRENT ASSETS			
Cash and cash equivalents		7,420,113	15,246,819
Trade and other receivables	3	3,897,841	3,499,352
Total Current Assets		11,317,954	18,746,171
NON-CURRENT ASSETS			
Trade and other receivables	3	85,973	85,973
Plant and equipment		11,346	13,753
Furniture Fixtures & Fittings		15,609	-
Demonstration plant	4	13,137,941	6,262,575
Right-of-use asset	5	55,567	80,333
Intangible assets	6	6,927,511	6,916,460
Land, Buildings & Cranes	7	5,772,009	5,282,390
Total Non-Current Assets		26,005,956	18,641,484
TOTAL ASSETS		37,323,910	37,387,655
CURRENT LIABILITIES			
Trade and other payables		1,926,681	1,962,297
Lease liabilities	5	10,305	9,731
Income Tax Payable	8	-	1,647,756
Total Current Liabilities		1,936,986	3,619,784
NON CURRENT LIABILITIES			
Borrowings	9	5,114,057	5,507,314
Lease liabilities	5	47,766	72,190
Deferred income	4	8,296,509	5,481,346
Total Non Current Liabilities		13,458,332	11,060,850
TOTAL LIABILITIES		15,395,318	14,680,634
NET ASSETS		21,928,592	22,707,021
EQUITY			
Issued capital	10	48,878,394	48,527,484
Warrant Reserves	11	4,050,746	4,128,213
Option Reserves	12	3,255,634	3,255,634
Accumulated losses		(34,256,182)	(33,204,310)
TOTAL EQUITY		21,928,592	22,707,021

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

STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2022

GROUP	Note	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2021		33,943,635	382,240	(30,165,804)	4,160,071
Share issue costs	10	(3,255,634)	-	-	(3,255,634)
Exercise of warrants	11	-	(150,651)	150,651	-
Option Reserves	12	-	488,345	-	488,345
Total comprehensive income				(1,250,473)	(1,250,473)
Shares issued during the period	10	14,164,033	-	-	14,164,033
Balance at 31 December 2021		44,852,034	719,934	(31,265,626)	14,306,342
Balance at 1 July 2022		48,527,484	7,383,847	(33,204,310)	22,707,021
Exercise of warrants	11	-	(77,467)	77,467	-
Total comprehensive income				(1,129,339)	(1,129,339)
Shares issued during the period	10	350,910	-	-	350,910
Balance at 31 December 2022		48,878,394	7,306,380	(34,256,182)	21,928,592

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

STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2022

	Consolidated Entity	
	31-December 2022 $	31-December 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	3,152,582	814,413
Payments to suppliers and employees	(4,444,586)	(2,175,156)
Interest received	16,022	5,573
Net cash used in operating activities	(1,275,982)	(1,355,170)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment to acquire demonstration plant	(5,245,527)	(1,545,454)
Payment to acquire property	(655,975)	(2,250,000)
Payment for furniture fixtures & fittings	(16,944)	-
Payment for international patent costs	(11,051)	(10,609)
Payment of rent and deposit bonds	-	(15,973)
Net cash used in investing activities	(5,929,497)	(3,822,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	15,002,057
Transaction costs related to issue of shares		(870,000)
Proceeds from exercise of warrants and options	350,910	-
Repayment of borrowings	(1,464,163)	-
Repayment of lease liabilities	(25,474)	(173,976)
Proceeds from borrowings	517,500	-
Net cash (used in) / from financing activities	(621,227)	13,958,081
Net (decrease) / increase in cash and cash equivalents held	(7,826,706)	8,780,875
Cash and cash equivalents at beginning of the financial year	15,246,819	954,249
Cash and cash equivalents at end of financial year	7,420,113	9,735,124

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

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2022

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Basis of preparation

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2022 and are not expected to have any significant impact for the full financial year ending 30 June 2023.

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

Going Concern

For the half year ended 31 December 2022 the consolidated entity recorded a net loss of $1,129,339 (2021: $1,250,473) and a net cash outflow from operating activities of $1,275,982 (2021: $1,355,170).

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

The construction loan facility for $23 million plus capitalized interest was signed on 16 May 2022, $10 million was drawn in June 2022 and $10 million will be drawn in March 2023. The remaining $3 million standby line is available and will be used to fund the construction cost over-run. The project funding stand by line means LMG is fully funded to complete the construction of its $41.7 million 1,000 tpa demonstration plant.

The R&D tax incentive receivable as at 31 December 2022 is calculated to be $3,647,008 and the estimated R&D tax incentive receivable over the next three years is estimated to be in the order of $26 million.

The Company has prepared cash flow forecasts for the above described base case scenario for the period up to March 2024. The Company is satisfied that it will be able to continue to operate as a going concern on this basis.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2022

NOTE 2 LOSS FROM ORDINARY ACTIVITIES

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

	Consolidated Entity	
	31 December 2022	**31 December 2021**
	$	**$**
(i) Revenue		
Finance Income	16,022	5,573
Other Income – R&D tax incentive 2021-22	325,009	577,758
R&D tax incentive 2022-23	831,844	-
	1,172,875	583,331
(ii) Expenses		
Depreciation	28,508	171,396
Research and evaluation expenses	621,684	338,454
Directors' fees	341,667	218,514

NOTE 3 OTHER RECEIVABLES

	Consolidated Entity	
	31 December 2022	**30 June 2022**
Current	**$**	**$**
GST refund	221,778	59,617
R&D tax incentive	3,647,008	2,827,574
Rent Bond	2,123	46,123
Refundable prepayment	26,932	48,538
RnD Funding loan receivable	-	517,500
	3,897,841	3,499,352
Non-Current		
Rent and deposit bonds	85,973	85,973

NOTE 4 DEMONSTRATION PLANT

	Consolidated Entity	
	31 December 2022	**30 June 2022**
	$	**$**
Capitalised costs of the demonstration plant (i)	12,028,864	6,224,403
Capitalised borrowing costs (ii)	1,109,077	38,172
	13,137,941	6,262,575

(i) Construction costs work of the initial 1,000 tpa magnesium plant have been capitalised as demonstration plant asset of $12,028,864.

(ii) The construction loan facility of $23 million was finalised on 16 May 2022 with an approximately five year loan term. The first $10 million was drawn on 24 June 2022. It is classified as a non current liability as the first loan repayment instalment is not due until 12 July 2024 with repayment permitted without penalty from 31 October 2023. The loan finance costs comprised of mandate fee and establishment fee of $517,500 were paid by issue of LMG shares and other transaction costs of $100,000 was paid in cash.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2022

Under the facility agreement, 80,000,001 unlisted warrants were issued with the value of $3,913,358 calculated by the Black-Scholes method. The finance costs and warrants fair value issued under the terms of the facility agreement are initially set-off against the loan facility proceeds as loan transaction costs but are eligible borrowing costs for capitalisation progressively to the demonstration plant asset (until its completion) as they are unwound to the loan carrying value over the loan term. The interest on the loan is also an eligible borrowing cost.

Capital Commitments

The Company has committed to $15.8 million of future capital expenditure on the Demonstration Plant at 31 December 2022.

Deferred Income Liability

As the plant is now expected to be completed by 30 June 2023, the deferred income from R&D incentive received for the demonstration plant design and construction continues to be classified as a non-current liability. Once the plant is constructed the deferred income will be reclassified as an offset against the non-current plant asset.

	Consolidated Entity	
	31 December 2022	**30 June 2022**
	$	**$**
R&D tax incentive refund at beginning of the period	5,481,346	3,983,724
Plus R&D claim for the period	2,815,163	1,497,622
	8,296,509	5,481,346

NOTE 5: LEASING COMMITMENTS

Right of Use Assets - the Company is committed on the leases summarised as below:

	Consolidated Entity	
	31 December 2022	**30 June 2022**
	$	**$**
Right of Use Asset	98,867	462,726
Accumulated Depreciation	(43,300)	(382,393)
	55,567	80,333
Lease Liability	98,867	462,726
Interest Expense for the period	3,448	16,537
Lease Payments during the period	(44,244)	(397,342)
Lease Liability at end of period	58,071	81,921
Current Lease Liability	10,305	9,731
Non Current Lease Liability	47,766	72,190
Total Lease Liability	58,071	81,921

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2022

Lease Commitments	Clarence St	Traralgon	Total
	2021-24	2022-23	
Right of use of assets			
Value of Lease	74,000	24,867	98,867
Accumulated Depreciation	(26,722)	(16,578)	(43,300)
	47,278	8,289	55,567
Lease Liability	74,000	24,867	98,867
Interest Expense	2,980	469	3,448
Lease Payment	(27,257)	(16,986)	(44,244)
	49,722	8,349	58,071
Current Liability	6,098	4,208	10,305
Non Current Liability	43,625	4,141	47,766
	49,722	8,349	58,071

- Sydney Lease - Administration Office
  Term: 1 December 2021 to 30 November 2024.
  Monthly rent $2,216 as at 1 December 2022.
  Rental increase 4% per annum
  Interest rate Incremental borrowing rate 4.52% at 1 December 2021 to measure lease liability
- Traralgon Lease – Operation Unit
  Term: 21 May 2021 to 20 May 2022 renewed to 21 May 2022 to 20 May 2023
  Monthly rent $2,123 as at 21 May 2022.
  Rental increase N/A
  Interest rate Incremental borrowing rate 4.52% at 21 May 2021 to measure lease liability

NOTE 6 INTANGIBLE ASSETS

	Consolidated Entity	
	31 December 2022	30 June 2022
	$	$
Research and Development in Progress	5,684,000	5,684,000
Ecoengineers Pty Ltd acquisition	1,080,000	1,080,000
	6,764,000	6,764,000
International Patent Costs	163,511	152,460
Total	6,927,511	6,916,460

NOTE 7 LAND AND PROPERTY ASSETS

	Consolidated Entity	
	31 December 2022	30 June 2022
320 Tramway Road, Hazelwood North, VIC 3840	$	$
Land and property	2,119,000	2,119,000
Crane equipment	2,881,000	2,881,000
Stamp duty	150,875	150,875
Administration building improvement	621,134	131,515
Total	5,772,009	5,282,390

On 16 December 2021, the Company exercised its option to purchase the site, where its magnesium production facility is situated, from the landlord for its fixed price of $5 million, which included the cost of the cranes. The settlement of the purchase was completed on 8 February 2022 and the final price of the property including its crane equipment was $5,000,000 paid as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2022

	$		$
Cash payment	1,961,900	Land and Property	2,119,000
Issue of 22.5 million LMG shares @ $0.10	2,250,000	Crane Equipment	2,881,000
Issue of 8.3 million LMG shares @ $0.095	788,100		
Total Purchase Price	5,000,000	Total Purchase Price	5,000,000

NOTE 8: INCOME TAX PAYABLE

	Consolidated Entity	
	31 December 2022	30 June 2022
A credit note in respect of contract services not provided in 2021, which is treated as assessable income	-	15,849,888
Revenue losses to offset	-	(9,512,365)
Taxable amount to be assessed	-	6,337,523
Tax payable at 26%	-	1,647,756

In December 2022, the 2021 income tax payable of $1,647,756 was deducted from the 2021-22 R&D tax incentive of $3,152,582 by the Australian Taxation Office. The balance of these funds received after interest charges of $1,464,163 was used to repay the RnD Facility – see Note 9 below.

NOTE 9: BORROWINGS - SECURED

	Consolidated Entity	
	31 December 2022	30 June 2022
Non Current	**$**	**$**
Beginning balance	5,507,314	10,000,000
Interest accrued	615,841	23,333
Less transaction costs	-	(4,530,866)
Less repayment on 19 December 2022	(1,464,163)	-
Plus transaction costs amortisation	455,065	14,847
Carrying value as at 31 December 2022	5,114,057	5,507,314

The construction loan facility was finalized on 16 June 2022, the terms and conditions are as follows:

Lender	RnD Funding Pty Ltd
Loan Term	Four years and nine months expiring 31 March 2027
Total Loan $23 million	$10,000,000 was drawn on 24 Jun 2022 $10,000,000 to be drawn on 1st quarter 2023 $ 3,000,000 standby facility
Interest Rate	12% per annum up to 31 October 2023, 14% per annum thereafter
Financing Costs	Mandate fee 1.25% and establishment fee 1% totaling $517,500 paid by issue of LMG shares. Transaction costs $100,000 paid by cash. 80 million warrants issued to the lender at a fair value of $3,913,358. The financing costs are subtracted from the loan proceeds and unwound over the loan term of 4 years and 9 months to 31 March 2027.

The facility is secured by a mortgage deed on the 320 Tramway Road, Hazelwood North property which has been valued at $8.3 million owned by Latrobe Magnesium Limited as the mortgagor, and the lender, RnD Funding Pty Ltd as the mortgagee.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2022

NOTE 10 ISSUED CAPITAL

			Consolidated Entity	
			31 December 2022	30 June 2022
(a)	**Ordinary Shares Issued and Fully Paid**		**$**	**$**
	Balance at beginning of reporting period		48.527,484	33,943,635
	14 Oct 2021	1,155,306 shares issued at $0.0277 to pay finance costs pursuant a lending agreement in 2019		31,976
	28 Oct 2021	120,000,001 shares issued at $0.025 pursuant to a private placement, minus placement fees at 6%		3,000,00 (180,000)
	18 Nov 2021	12,666,000 shares issued at $0.03 pursuant to exercise of unlisted warrants		379,980
	19 Nov 2021	115,000,000 shares issued at $0.10 pursuant to a private placement, minus placement fees at 6%		11,500,000 (690,000)
	19 Nov 2021	30,000,000 options at $0.04 expiring 26 Oct 2023, valued by Black-Scholes method, for capital raising costs		(3,255,634)
	15 Dec 2021	4,165,000 shares issued at $0.02 to convert unlisted warrants to shares		83,300
	23 Dec 2021	969,434 shares issued at $0.04 to convert listed options to shares		38,777
	8 Feb 2022	22,500,000 shares issued at $0.10 being payment for 50% of the purchase price of 320 Tramway Rd		2,250,000
	8 Feb 2022	8,319,809 shares issued at $0.095 being payment of crane equipment		788,100
	14 Feb 2022	913,750 shares issued at $0.04 pursuant to exercise of listed options		36,550
	29 Mar 2022	4,165,000 shares issued at $0.02 pursuant to exercise of unlisted warrants		83,300
	30 Jun 2022	6,917,191 shares issued at $0.07481 to pay finance cost pursuant a lending agreement in Jun-22		517,500
	26 Sep 2022	1,141,855 shares at $0.04 pursuant to exercise of listed options	45,674	
	16 Nov 2022	8,373,199 shares at $0.03 pursuant to exercise of unlisted warrants	251,196	
	21 Nov 2022	1,351,000 shares at $0.04 pursuant to exercise of listed options	54,040	
			48,878,394	48,527,484

		No.	No.
(b)	**Shares on Issue**	**No.**	**No.**
	Balance at beginning of reporting period	1,610,608,742	1,313,837,251
	Share on Issues:		
	• 14 October 2021		1,155,306
	• 28 October 2021		120,000,001
	• 19 November 2021		115,000,000
	• 19 November 2021		12,666,000
	• 15 December 2021		4,165,000
	• 23 December 2021		969,434
	• 8 February 2022		22,500,000
	• 8 February 2022		8,319,809
	• 14 February 2022		913,750
	• 29 March 2022		4,165,000
	• 30 June 2022		6,917,191
	• 26 September 2022	1,141,855	
	• 16 November 2022	8,373,199	
	• 21 November 2022	1,351,000	
	Balance at end of reporting period	1,621,474,796	1,610,608,742

NOTE 11 UNLISTED WARRANTS

Under the October 2019 funding agreement with RnD Funding Pty Ltd, LMG has issued 35,889,199 unlisted warrants at the price of $0.03 and exercisable for a period up to 3 years post the drawdown date. RnD Funding Pty Ltd exercised 12,666,000 warrants in November 2021 and 8,373,199 warrants in November 2022. The Company was advised that the remaining 14,850,000 warrants will be exercised any time prior to 30 June 2023.

Under the 16 May 2022 funding agreement with RnD Funding Pty Ltd, LMG has issued 80,000,001 warrants at different strike prices and dates, as follows:

Warrant Amount	Expiry Date	Exercise Price
8,888,889	31/03/25	$0.18
8,888,889	30/06/25	$0.18
8,888,889	30/09/25	$0.18
8,888,889	31/12/25	$0.24
8,888,889	31/03/26	$0.24
8,888,889	30/06/26	$0.24
8,888,889	30/09/26	$0.30
8,888,889	31/12/26	$0.30
8,888,889	30/06/27	$0.30

Unlisted Warrants	
Total warrants outstanding at beginning of the period	103,223,200
Granted in the period	-
Exercised in the period	(8,373,199)
Lapsed in the period	-
Outstanding at the end of the period	94,850,001

Warrant Reserves

Calculated by Black-Scholes	Warrants	Value
Issued under funding agreement October 2019	14,850,000	137,388
Issued under funding agreement May 2022	80,000,001	3,913,358
Carrying value as at 31 December 2022	94,850,001	4,050,746

NOTE 12 LISTED OPTIONS

On 19 October 2021, the Company issued 120,000,001 fully paid ordinary shares at $0.025 per share to sophisticated and professional investors pursuant to a private placement. In addition, the company issued 60,000,000 options, on a one for two free basis for each ordinary share issued under the placement. The options were issued at an exercise price of 4 cents expiring on 26 October 2023.

On 19 November 2021, the Company issued 115,000,000 fully paid ordinary shares at $0.10 per share to sophisticated and professional investors pursuant to a private placement. In addition, the company issued 28,750,000 options, on a one for four free basis for each ordinary share issued under the placement. The options were issued at an exercise price of 4 cents expiring 26 October 2023.

On 19 November 2021, the Company issued 4,500,000 listed options to Peak Assets Management Pty Ltd being part of the capital raising fees in lieu of cash payment. The balance of 25,500,000 listed options were issued in January 2022 after the AGM. The options were issued at an exercise price of 4 cents expiring 26 October 2023. The value of 30,000,000 options is $3,255,634 calculated by Black-Scholes method.

During the half year ended 31 December 2022, three shareholders exercised a total of 2,492,855 options at $0.04.

Listed Options	
Total options outstanding at beginning of the period	116,866,817
Granted in the period	-
Exercised in the period	(2,492,855)
Lapsed in the period	-
Outstanding at the end of the period	114,373,962

NOTE 13: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with and amounts receivable from and payable to Directors of related parties or their director related entities which:

a. occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable 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 directors if disclosed in the financial report only by general description; and

c. are trivial or domestic in nature;

must be excluded from the detailed disclosures required. Such transactions and amounts receivable or payable shall be disclosed in the financial report by general description.

		Consolidated Entity	
		31 December 2022	**31 December 2021**
Other related entities		**$**	**$**
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	40,000	22,500
(ii)	Director's fees were paid to Famallon Pty Ltd of which K A Torpey was a principal.	-	13,404
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	35,000	13,404
(iii)	Director's fees were paid to Wandmaker Consultants Pty Ltd of which M F Wandmaker is a principal.	25,000	-

NOTE 14 SEGMENT INFORMATION

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

NOTE 15 CONTINGENT LIABILITIES

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

NOTE 16 EVENTS SUBSEQUENT TO BALANCE DATE

At the date of completion of the financial report, the Group is continuing to monitor and respond to the effects of COVID-19 despite its restrictions have been relaxed. The Group has implemented appropriate COVID-19 policies designed to minimise the risk of transmission of COVID-19 among its workforce and local communities while minimising the risk of disruption to its ongoing business activities.

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

NOTE 17 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value calculations performed in determining recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of the intangible assets for the half year ended 31 December 2022 because:

- the Company's internal valuation indicates that the recoverable amount of the asset is greater than the book value of the assets;
- the magnesium price supports the sale price estimate used in this valuation;
- the Company is utilising a Hydromet Process and the proven Thermal Reduction Process in its process with estimates of its capital and operating costs which are based on its prefeasibility study; and
- the current market capitalisation of the Company as at 10 March 2023 is in the order of $112 million for this single project company.

DIRECTORS' DECLARATION
For the half-year ended 31 December 2022

In the Directors' opinion:

a) the financial statements and notes set out on pages 10 to 22 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

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

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

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

On behalf of the Directors

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

10 March 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Latrobe Magnesium Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Latrobe Magnesium Limited and its controlled entities, which comprises the consolidated Statement of Financial Position as at 31 December 2022, the consolidated Statement of Profit or Loss and Other Comprehensive Income, consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

i) giving a true and fair view of the Latrobe Magnesium Limited consolidated financial position as at 31 December 2022 and of its consolidated performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's consolidated financial position as at 31 December 2022 and its consolidated performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Nexia

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Sydney
Dated: 10 March 2023