Latrobe Magnesium

2023 Annual Report

Latrobe Magnesium Limited and its Controlled Entities

ABN 52 009 173 611

INDEX

COMPANY DIRECTORY

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

Chief Executive Officer
David Paterson

Secretary
John Lee

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Auditors
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Sydney NSW 2000

Solicitors
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Share Registry
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Sydney NSW 2000
Telephone: 1 300 850 505

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Australian Securities Exchange
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Sydney NSW 2000

ASX CODE: LMG

www.latrobemagnesium.com

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:

- Construction of the administration building, security gatehouse and carpark were completed in December 2022 to allow mobilisation for major construction contractors.
- Project activities remain on Budget ($41.75m) and all equipment packages were fully awarded before 30 June 2023 with all equipment fully tested and dry commissioned.
- Continued test work undertaken with CSIRO for the detailed design and modelling of the reduction furnaces, briquette loading and product unloading and production of supplementary cementitious material (SCM) and other products. Testing of vertical retort, metal melting, refining and casting were also conducted.
- Updating the process flowsheet and the mass and energy balance to incorporate new test work and vendor data.
- Upgrading the 2019 distribution agreement with Metal Exchange Corporation in USA to incorporate the Company's expansion plans of its 10,000+ tpa plant.
- Reviewing GHD proposal for work required on the Yallourn landfill. The work undertaken by GHD will determine the amount of ash that can be economically extracted, to determine the optimum size and mine life for the project, potentially beyond 10,000 tpa.
- A pre-feasibility study Stage A for the 100,000 tpa magnesium plant using ferro-nickel slag as feed stock was prepared by Bechtel comparing three locations, two in the Middle East and Malaysia.
- A binding memorandum of understanding was executed with Société Le Nickel for the supply of ferro-nickel slag for 20 years.
- In March 2023, Sarawak in Malaysia was selected as a preferred location due to the local production of ferrosilicon, a modern port, workforce capacity and supporting services. A wholly owned subsidiary, Latrobe Magnesium Sarawak Sdn Bhd was established in May 2023 for the development of this 100,000 tpa plant.
- In April 2023, the construction loan of $23 million secured in May 2022 was increased by $3 million to $26 million. As at 30 June 2023, a total of $20 million was drawn and $1,464,163 was repaid in December 2022. The balance of $6 million will be drawn as required in FY2024.
- In May 2023, a placement of 70 million shares at $0.06 was completed raising $4.2 million to provide working capital for operating the 1,000 tpa magnesium demonstration plant.
- Regional Development Grant Agreement with the State of Victoria was signed for the provision of funding to support the demonstration plant. The first $250,000 instalment of the grant of $1 million was received in August 2023.

2. Magnesium Markets

In the calendar year ended 31 December 2022, the primary world production of magnesium continued at 1.085 million tonnes. China's estimated primary production for the calendar year 2022 was approximately 90% 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 2027 when it is projected the market will require some 2 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.

REVIEW OF OPERATIONS

During the year, the magnesium price traded in the range between US$3,000 to US$ 3,500. The spot prices as at 30 June 2023 were, as follows:

		30-Jun-23	30-Jun-22
FOB China	US$ per tonne	3,000	3,500

Owing to United States anti-dumping duties, the USA delivered price is greater than double the FOB China price per tonne. During the year, magnesium prices in the USA decreased from US$8.50 to US$4.00 per lb.

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. Stage 1 - Demonstration Plant 1,000 tpa

Construction

The main civil and concrete works are ending, with the following areas having been completed:

- Motor Control Centre (MCC)
- SCM Silo & Dust Collector
- Magnesite Silo Mixing and Holding Tanks
- Reverse Osmosis (RO) Plant
- Scrubber
- Quicklime Iso Tankers

Figure: SCM Silo (left) and Magnesite Silo Mixing Tank (right)

The remaining large scale civil works, only include the filtration area which has commenced with rebar and formwork complete ready for concrete pouring. Remaining work involves small miscellaneous concrete foundations and pedestals.

REVIEW OF OPERATIONS

Figure: Filtration Area Formwork (left) and Filtration Area Excavation (right)

The EPCM contractor's construction team has been fully mobilised to site to support early and upcoming major construction works with recruitment completed for two Structural, Mechanical & Piping supervisors, an Electrical & Instrumentation supervisor, a Commissioning Manager and Field Engineer, complimenting the Construction Manager, Health Safety and Environment (HSE) Manager and Logistics Manager positions already established. Focus has been on hiring local personnel for roles and will continue to be a theme of the project and the eventual Operations phase.

The original construction strategy of fixed price Structural, Mechanical, Piping, Electrical and Instrumentation (SMPEI) packages has been replaced by a self-perform labour hire strategy. This will have the benefit of removing construction contractor overhead costs and profit margins, reducing construction costs. This will require additional resources from the EPCM contractors' construction team to lead the works but overall will result in construction cost savings and help reduce upward pressure on the project cost. The labour hire solutions identified have split the construction works into two main areas, Structural, Mechanical and Piping (SMP) and Electrical & Instrumentation (E&I).

The work to develop an alternative construction strategy and find labour solutions has not surprisingly taken time and impacted the schedule. The project team has elected to focus on reducing costs at the expense of the overall program and the impact of this is further explained below. This strategy was critical to ensure the project continued to meet its budget.

Schedule

The project schedule has undergone an extensive review over the last few weeks to identify the impact of the change in construction strategy. Additionally with the change to self-perform construction, the EPCM contractor has had to develop a detailed Level 5 schedule to be able to manage the works, when typically, this work would have been undertaken by the construction contractors. Some 2,000 activities were added to the schedule, necessitating time to complete.

The construction completion date is now the end of December 2023 with Stage 3 commissioning targeted to commence in January 2024. First magnesium is targeted for March 2024.

Commissioning

LMG has a five-stage commissioning process that commences upon Mechanical Completion of a system and sub system. The stages in the commissioning process and the typical activities undertaken are:

1. **Pre-Commissioning** – Low Voltage cable testing, Megger test motors, point to point checks, pressure tests etc.
2. **Dry-Commissioning** – energisation of equipment, motor direction testing, functional testing of equipment starts etc.

REVIEW OF OPERATIONS

3. **Wet-Commissioning** – water runs, loop testing, run tests of dry equipment, reagent loading, spares in place etc.
4. **Ore-Commissioning** – introduce ash, equipment integrity checks, interlock and loop confirmation, continuous running of the plant etc.
5. **Ramp Up** – production ramp up

Systems and sub systems are sections of the physical scope that are broken down into blocks to allow the commissioning team to commence commissioning even whilst construction is still occurring in other sections. This allows for a faster startup and the operations team to start to gain familiarity with plant systems prior to Stage 4 when they take control.

The project schedule is continuously under review and optimisation, taking into account vendor, supplier, and contractor timelines. Recent changes in construction strategy and contractor negotiations have introduced risk to achieving the target of commencement of commissioning the process plant by the end of September. Given the 5-stage commissioning process, the commissioning team are working diligently on commissioning as many areas of the plant in advance as possible to mitigate any schedule impacts. The project team are confident that the plant will still be commissioned in Q1 2024.

Engineering

The engineering and design phase is rapidly approaching completion, with efforts directed towards supporting the construction team, remaining suppliers during fabrication activities and closeout of equipment vendor documentation. The engineering team will demobilise by the end of September with only supporting works from the EPCM contractor's head office. The preparation of handover and commissioning documentation from the EPCM contractor has commenced.

Process engineering is closing out the piping and instrumentation diagrams for design and the process control philosophy is completed. Mechanical engineering is finalising the remaining suppliers during vendor engineering with documentation reviews, final fabrication of individual equipment parts, and close-out. Civil and Structural engineering is now largely focused on miscellaneous pedestals and supporting the site construction team with any technical queries. Electrical and Instrumentation engineering is supporting vendors and miscellaneous non-process infrastructure (NPI) such as the control room.

Even though the engineering team is beginning to demobilise, the remainder of the team are focused on delivering the project on budget and continuing to identify cost reduction opportunities during construction and commissioning.

Procurement

All procurement packages tendered have been awarded. A total of $17.5M has been committed to over 35 suppliers around the world with a total approximate value of up to $600,000 saving achieved by sourcing equipment from low-cost countries, where value add was found with equipment packaged together and modularised off-site.

The procurement team has ensured the timely delivery of the equipment packages to site, managing the completion of QA/QC third party inspections and timely invoicing to avoid any delays with releasing freight.

The site team with the help from our logistics and freight forwarding partner, Customs Agency Services (CAS), a division of Mondiale VGL, have received over 103 TEU (Twenty-foot Equivalent Units) and 138 tonnes of freight moved to site in the last quarter including Vacuum Pumps, Reduction Furnace, Cooling Tower, Retort Tubes, Steam Boiler, SCM Handling System, Material Handling Equipment, Dust Collectors, Screw Conveyor, Scrubber, Reverse Osmosis Plant, MCC & PCS Hardware, Main Switch Board, MCC Switch Rooms & Cable Trays etc.

Over 40 truck deliveries alone have been received for fabricated and purchased supplier sub-components related to critical long lead equipment, including the Spray Roaster, which were receipted before the end of the financial year.

The Structural, Mechanical, Piping (SMP) and Electrical & Instrumentation (E&I) construction packages have been awarded.

REVIEW OF OPERATIONS

Spray Roaster Structural Steel Erection and Level 1 Erection

Equipment received on-site has been promptly installed in position and commissioned, by the Commissioning Manager, as per LMG's commissioning procedure. This equipment includes Vacuum Pumps, Process Pumps, Reduction Furnace, MCC Switch rooms, Spray Roaster sub-component equipment, Hydromet FRP Tanks, Steam Boilers, Cooling Tower, Acid Area Scrubber, RO Plant & SCM Screw Conveyor.

Workshop Fabrication of Spray Roaster Reactor Shell and Oxide Bin

Ash Handling Hopper

Reduction Furnace Module

REVIEW OF OPERATIONS

Process Control Software (PCS) Panel Delivery **Motor Control Centre (MCC) & Cable Trays**

4. Stage 2 - Australian Commercial Plant 10,000+tpa

LMG is reviewing the proposal received from GHD for work required on the Yallourn landfill. The scope of work involves several crucial aspects, including:

- Calculating a JORC resource for the Yallourn landfill after drilling.
- Assessing geotechnical stability of the landfill to determine the amount of ash that can be extracted in a safe and stable manner.
- Preparing a mine plan; and
- Developing a new mine rehabilitation plan.

This comprehensive work is expected to take approximately 6 months to complete and will commence once terms and conditions and pricing has been agreed between the parties. On completion, LMG will determine the size of its Stage 2 commercial plant. The current plant size is set at 10,000tpa, based on the ash supply generated from Yallourn until its closure in 2028. This supply of ash feedstock alone can operate a 10,000tpa plant for 20 years. There is substantially more ash supply available than what will be generated, and the work undertaken will determine the amount of ash that can be economically extracted, to determine the optimum size and mine life for the project, potentially beyond 10,000 tpa.

Following the assessment of the expanded plant's size, LMG will conduct a feasibility study using real data from the demonstration plant. This bankable feasibility study is planned to be complete by the middle of 2024. The projected timeline for operating the 10,000tpa plant is currently set for December 2025, contingent on timely approval processes from the Victorian Government.

LMG's offtake agreement with Metal Exchange Corporation for the USA market allows for funding of the +10,000tpa plant by government institutions. The floor price in this agreement is expected to ensure the repayment of funding over a 15-year period, given the critical nature of magnesium as a mineral in both Australia and the USA. During the year this agreement was upgraded to include floor prices and minimum quantities.

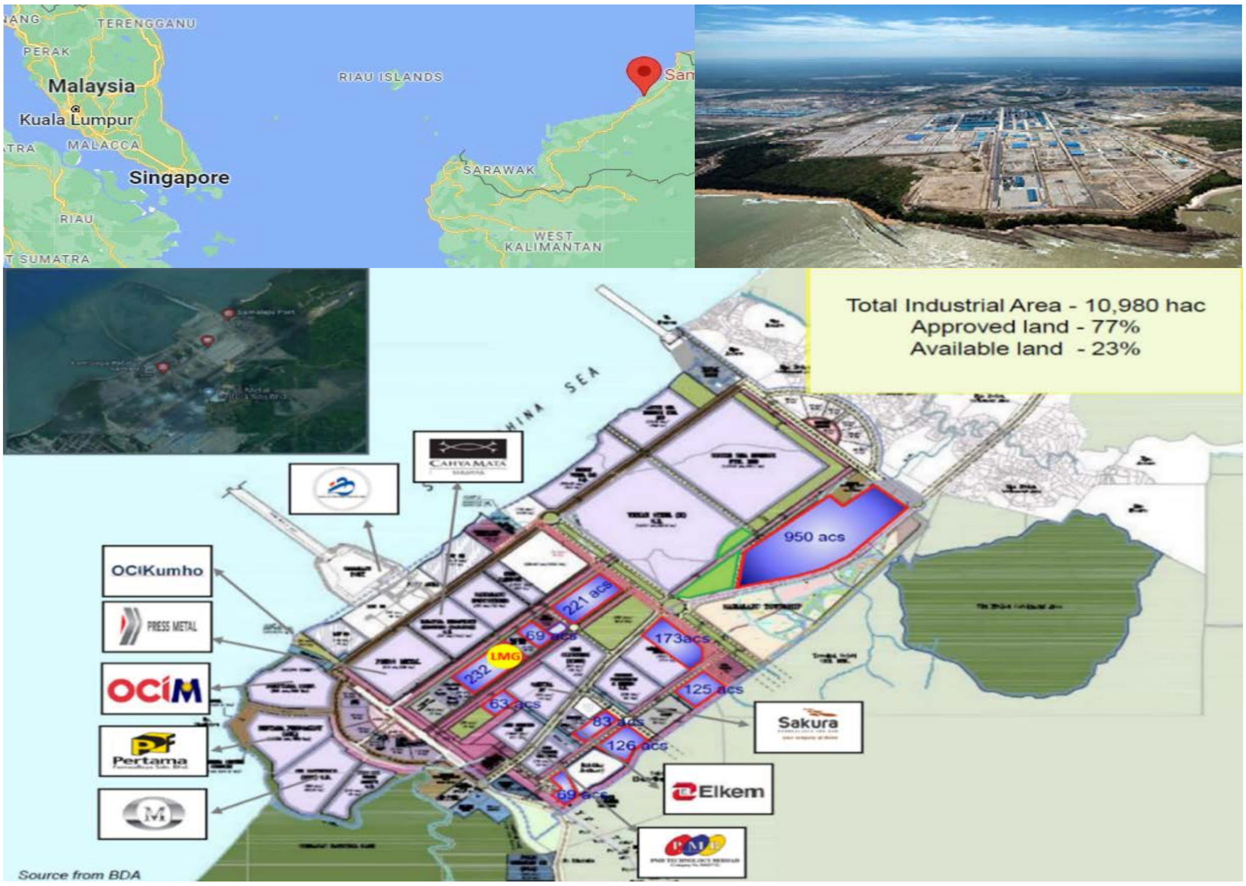
5. Stage 3 – Magnesium Plant Project 100,000tpa: PFS – A Study

LMG's proposed 100,000tpa plant in Samalaju, in the Sarawak state of Malaysia, is strategically located near the Samalaju Port, facilitating logistics as well as being close to ferro-silicon providers and essential resources.

LMG is actively engaged in discussions with various international investors regarding potential joint venture participation in the Stage 3 project. LMG anticipates signing non-binding Memorandum of Understanding (MoU's) with potential equity partners within the next quarter. These MoU's will outline clauses requiring partners' commitment to contribute development funding proportionate to their equity holdings in the project. Preliminary discussions with government sponsored banks indicate that the desired level of debt funding for the project is feasible in both size and tenure.

REVIEW OF OPERATIONS

Stage 3, 100,000tpa Plant Project Proposed Samalaju Site



As a prelude to commencing the PFS-B activity, LMG has now registered a Malaysian company, Latrobe Magnesium Sarawak Sdn Bhd. This new entity enables the submission of the respective land and project applications with local authorities by the end of 2023. Now that the selected site has been chosen, the opportunity to include the site location into the PFS-B, further enhancing the accuracy of the PFS-B deliverables, necessitated a delay to the commencement of the PFS-B, but was seen as a strategic value adding exercise to the quality of the cost estimate at the end of PFS-B, as opposed to waiting until the Feasibility Study.

The PFS-B study is projected to commence in the second quarter of 2024, following the execution of the MoU's noted above. The completion of PFS-B is expected to take approximately 6 months.

A Feasibility Study will follow on the completion of the PFS and upon the completion of the Feasibility Study in 2024, a financial investment decision for the project will be made in the middle of 2025. The design, engineering, and construction phase is estimated to span up to 3 years, with operations for the Stage 3, 100,000tpa plant scheduled to commence at the end of 2028.

6. 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 10,000tpa capacity.

REVIEW OF OPERATIONS

7. Community Briefings

During the year, LMG updated its website so that it is more interactive with all stakeholders. It also has Linkedin and Twitter sites for the provision of information.

On 9 November 2022, LMG held a community briefing about the development of the project and report on the emissions and other matters. It is currently planning another briefing on completion of construction of the demonstration plant. LMG believes in having a social licence with the Community in which it operates.

8. 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 1,000tpa of magnesium.

LMG will need to get an additional approval 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.

9. 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 12 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.

10. Warrant Issue

Under the October 2019 funding agreement with RnD Funding Pty Ltd, 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 drawdown date. All warrants were exercised by RnD Funding as follows:

Warrant Amount	Exercise Price	Exercise Date
12,666,000	$0.03	18/11/21
8,373,199	$0.03	15/11/22
14,850,000	$0.03	27/06/23
35,889,199		

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	Exercise Price	Expiry Date
8,888,889	$0.18	31/03/25
8,888,889	$0.18	30/06/25
8,888,889	$0.18	30/09/25
8,888,889	$0.24	31/12/25
8,888,889	$0.24	31/03/26
8,888,889	$0.24	30/06/26
8,888,889	$0.30	30/09/26
8,888,889	$0.30	31/12/26
8,888,899	$0.30	30/06/27

REVIEW OF OPERATIONS

11. Capital Raisings

On 24 May 2023, the Company issued 70,000,000 fully paid ordinary shares at $0.06 per share to sophisticated and professional investors pursuant to a private placement, raising gross proceeds of $4.2 million to provide working capital for operating the Demonstration Plant.

On 24 May 2023, the Company issued 15 million unlisted options at an exercise price of 10 cents for a term of 2 years payable on or before 23 May 2025 for payment of promotors fees associated with the capital raising.

12. Project Funding

On 13 December 2021, LMG signed a binding term sheet with RnD Funding Pty Ltd ("RnD Funding") for the provision of $23 million of loan funding and the facility agreement was signed on 16 May 2022. On 26 April 2023, the facility was increased by $3 million to $26 million. A total of $20 million has been drawn as below and the balance of $6 million will be drawn as required.

		$	$
Total Facility			26,000,000
Drawdown	24-Jun-22	(10,000,000)	
	24-Apr-23	(2,500,000)	
	26-Apr-23	(4,500,000)	
	23-Jun-23	(3,000,000)	
			(20,000,000)
Balance undrawn			6,000,000

Mandate fee - 1.25% and establishment fee is 1% which were paid in LMG shares on 30 June 2022.

Facility fee - 15 million LMG shares issued on 26 April 2023 for the increased facility without increase in interest on loan.

Interest rate remains at 12% per annum up to 31 October 2023 and conditionally 14% per annum for the rest of the term.

The term of the loan is five years from the date of the first drawdown and the interest rate chargeable is 12% per annum to 31 October 2023. It is LMG's intention to repay the loan before 31 October 2024 from R&D refundable tax offsets and refinancing of the residual amount of the facility.

The 2021-22 R&D tax rebate of $1,464,198 was used to repay part of this facility on 19 December 2022.

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.

13. Regional Development Grant

Regional Development Grant Agreement with the State of Victoria was signed for the provision of funding to support the demonstration plant. The grant of $1 million payable in 3 instalments has been approved, the first instalment of $250,000 was paid on 30 August 2023.

DIRECTORS' REPORT

The Directors present their report together with the financial report of Latrobe Magnesium Limited ("Company") and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2023 and the auditor's report thereon.

DIRECTORS

The following persons were Directors of Latrobe Magnesium Limited during the financial year and up to the date of this report unless otherwise stated.

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 (appointed on 1 September 2022)
P C Church	Non Executive Director (appointed on 24 April 2023)

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of completing the test work so that the design and engineering of the demonstration plant could be completed, the equipment ordered, delivered to site, tested and dry commissioned before 30 June 2023.

OPERATING RESULTS

The consolidated net loss of the Group after providing for income tax amounted to $2,438,497 compared to a loss of $3,205,891 for the previous corresponding period. The loss was mainly due to the costs incurred in expanding the team management, ongoing test work on Yallourn fly-ash and a pre-feasibility study of 100,000 tpa magnesium plant.

Further information on review of operations of the Group is shown separately in the Directors' Review of Operations on Page 4 to 12 of this report.

Dividends

The Directors have not recommended the payment of a final dividend.

Significant Changes in the State of Affairs

The significant change in the state of affairs of the Group during the financial year is an increase in the contributed equity of $5,621,686 from $48,527,484 to $54,149,170 as a result of issuing the following fully paid ordinary shares:

Date	Purpose	Shares Issues	$/Share	Amount $
26-Sep-22	Exercise of listed options	1,141,855	0.04	45,674
16-Nov-22	Exercise of unlisted warrants	8,373,199	0.03	251,196
21-Nov-22	Exercise of listed options	1,351,000	0.04	54,040
11-Jan-23	Exercise of listed options	539,000	0.04	21,560
02-Feb-23	Exercise of listed options	1,271,575	0.04	50,863
26-Apr-23	Payment of financial costs pursuant to lending agreement	15,000,000	0.07	1,050,000
3-23 May-23	Exercise of listed options	1,491,250	0.04	59,650
31-May-23	Private placement	70,000,000	0.06	4,200,000
	Placement fees at 3.39%			(142,500)
	Promotors fees 15M options at $0.10, valued by Black-Scholes			(417,097)
27-Jun-23	Exercise of listed options	70,000	0.04	2,800
30-Jun-23	Exercise of unlisted warrants	14,850,000	0.03	445,500
		114,087,879		5,621,686

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO BALANCE DATE

There is no matter or circumstance that has arisen since 30 June 2023 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2023, of the Group;
(b) the results of those operations; or
(c) the state of affairs, in financial years subsequent to 30 June 2023, of the Group.

On 27 September 2023, the financial report was authorised to be signed by a resolution of Directors.

LIKELY DEVELOPMENTS

Key external and business risks which could impact the Group's ability to deliver its strategy are:

Availability of Finance - The Group has no material operating revenue and is unlikely to generate any material operating revenue unless and until the demonstration plant is successfully commissioned and production commences. The Group intends to raise additional capital by completing a sale and lease back of its Tramway Road property to meet its obligations and implement its strategy. Magnesium being a critical mineral allows the Group to raise additional funding from a variety of both Federal and State Government sources.

Commodity prices – The global magnesium market is subject to demand and supply fluctuations. These fluctuations, along with fluctuations in the A$:US$ exchange rate, will affect the project economics of the Group's projects. Climate change risk creates additional demand for magnesium as a means to reduce emissions as part of global 'decarbonisation' strategies. Such additional demand may create upside pressure on magnesium prices in the future.

Management retention – The Group relies on its employees and consultants. There is a risk that the Group may not be able to retain those key personnel or be able to find effective replacements for those key personnel in a timely manner. The loss of such personnel or any delay in their replacement, could have a negative impact on the Group's ability to achieve its strategy. To address this risk, the Group continues to refine its remuneration framework to provide competitive remuneration to retain key personnel.

Government approvals/environmental standards – Advancing the Group's stage 2 commercial plant is dependent on obtaining approvals from government agencies. To date the Group owing to its new low emissions technology and it's no waste policy has been able to meet increasing government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent.

Except for information disclosed on certain developments and the expected results of those developments included in this report under review of operations, further information on likely developments in the operations of the Group and the expected results of those operations have not been disclosed in this report because the Directors believe these matters to be commercial in confidence.

ENVIRONMENTAL REGULATIONS

The Group's operations will be subject to normal State and Federal Environmental Regulations. There were no breaches of these regulations during the year or to the date of this report.

INFORMATION ON DIRECTORS

John Stephen Murray AO – Non-Executive Chairman

Mr Murray studied economics and history with the Royal Military College at Duntroon before studying engineering management at the Royal Military College of Science in the UK. He also holds qualifications in international politics from Deakin University. Prior to his foray into business, Mr Murray had a distinguished military career over almost 30 years before retiring as a Colonel in 1994. He brings a wealth of senior management and directorship experience with a particular focus on infrastructure, project management and freight logistics.

DIRECTORS' REPORT

He managed numerous projects in his role with NSW Department for Transport including the production of a ten-year development plan for the State's transport infrastructure and services and chairing the $2 billion Parramatta Rail Link Company project. He acted as an adviser for operational planning and infrastructure for the Sydney, Beijing, and London Olympic Games. In addition to these roles, he held numerous directorships including non-executive chairman of Omni Tanker Holding Pty Ltd, The Hills Motorway (M2) Limited and Country Pipelines Pty Ltd. He was on the board of Terminals Australia for five years. Roles currently held by Mr Murray include strategic adviser for law firm, King & Wood Mallesons in the government infrastructure sector.

Date of appointment as Director	1 May 2015
Other current public company directorships	None
Former public company directorships in last 3 years	None
Special responsibilities	Chairman of the Board of Directors
Interests in securities	17,715,559 ordinary shares in Latrobe Magnesium Limited, registered in the name of MurraySetter Pty Limited as trustee for the MurraySetter Trust.

<u>David Oliver Paterson – Chief Executive Officer</u>

Mr Paterson is a qualified Chartered Accountant and a graduate from the University of Queensland. Prior to forming Europacific in 1990, he was a group manager of the Corporate Services Division of Tricontinental Corporation Limited responsible for NSW and Queensland. He also worked for Coopers & Lybrand in Brisbane and Sydney in their Corporate Services Division.

He has been involved in a wide range of corporate advisory assignments and underwritings for both debt and equity for a number of public and private companies. Mr Paterson has experience in the property and mining industries in relation to project financing, financial analysis, valuations; and the raising of debt and equity.

Date of appointment as Director	23 August 2002
Other current public company directorships	None
Former public company directorships in last 3 years	None
Special responsibilities	Chief Executive Officer
Interests in securities	132,538,284 ordinary shares in Latrobe Magnesium Limited, 22,553,969 held as a direct interest and 109,984,315 registered in the name of Rimotran Pty Limited as trustee for the David Paterson Super Fund.

<u>Philip Francis Bruce – Non-Executive Director</u>

Mr Bruce is a director of P F Bruce & Associates, which provides corporate and project management services. He is a mining engineer with over thirty years resource industry experience in Australia, South Africa, West Africa, South America and Indonesia in project development and corporate management. He was the CEO of PT BHP Indonesia and managing director of Triako Resources Limited and Pure Alumina Limited.

He also held Board positions with Ausmelt Limited, Buka Minerals Limited, Bassari Resources Limited and Archean Star Resources Inc. He was general manager of development for Plutonic Resources Limited and was technically responsible for acquisition and development of resource projects in its growth from $35 million to over $1 billion market capitalisation.

Date of appointment as Director	4 September 2003
Other current public company directorships	None
Former public company directorships in last 3 years	Director of Ora Gold Limited
Special responsibilities	Chairman of Nomination & Remuneration Committee
Interests in securities	13,665,986 ordinary shares in Latrobe Magnesium Limited, registered in the name of Diazill Pty Limited as trustee for the PB Superannuation Fund.

DIRECTORS' REPORT

John Robert Lee – Non-Executive Director

Mr Lee has a broad range of commercial skills and experiences in both the public and private sectors. He has held senior management roles in the Federal Department of Employment and Industrial Relations. He was also senior private secretary and principal adviser to Tony Street, a senior federal cabinet minister. In the private sector, Mr Lee has held a number of senior management positions with a number of major corporations including Henry Jones IXL, Elders Building Supplies and Woolworths Limited. He is the founder of Stockholder Relations Pty Ltd, a management consultancy specialising in corporate advisory, investor relations and corporate governance.

Date of appointment as Director	10 December 2010
Other current public company directorships	None
Former public company directorships in last 3 Years	None
Special responsibilities	Chairman of Audit & Risk Committee
Interests in securities	500,000 ordinary shares in Latrobe Magnesium Limited held as direct interest and 7,274,297 ordinary shares registered in the name of Stockholder Relations Pty Limited of which Mr Lee is a Director.

Michael Frederick Wandmaker – Non-Executive Director

Mr Wandmaker has recently been the Managing Director of Melbourne Water for more than 7 years. Prior to that he was the COO and Acting CEO of publicly listed UGL. He has also held leadership positions as CEO of Silcar, Vice President of Siemens Canada and President of FT Services as well as senior roles within other Utilities and Engineering/construction companies. He is an experienced senior executive with a strong track record of success in building and implementing corporate strategies to deliver operational excellence and profitable growth in large, complex asset intensive organisations.

Mr Wandmaker brings a breadth and depth of leadership and operational experience at chief executive level covering a wide range of public and private industry sectors. He has had significant M&A experience, and successfully integrating large complex (unionised) construction, engineering, infrastructure, defence and utility businesses. Graduated from Monash University with a Bachelor of Engineering, Mechanical and Computing, he has worked both internationally and in Australia managing large scale engineering projects. He is a Fellow of the Institute of Engineers and has qualified as a GAICD, providing a depth of engineering expertise to complement LMG's skill-based Board.

Date of appointment as Director	1 April 2022
Other current public company directorships	None
Former public company directorships in last 3 years	None
Special responsibilities	Member of Audit & Risk Committee and Safety, Health & Environment Committee
Interests in securities	None

Michelle Leanne Blackburn – Non-Executive Director

Michelle brings a breadth and depth of corporate advice experience, covering a wide range of public and private industry sectors. She has had extensive experience in complex environmental law and has represented Australian States and Federal governments and local and international legal entities over more than 20 years. Her early experience was in legal roles in the Victorian Government; before practicing for many years as a solicitor, including as a Senior Associate at Minter Ellison Lawyers; principal of her own legal practice in Gippsland and as a Partner at Corrs Chambers Westgarth, managing Victoria and Western Australian environment and planning teams.

Graduating from Melbourne University with a Bachelor of Laws (hons), with a Masters in Social Science (Planning and Environment) from RMIT University and having been an Honorary Senior Fellow at the University of Melbourne designing and delivering a Juris Doctor subject, Michelle has significant academic credentials.

Michelle has been a Director of South Gippsland Water, Chairman of Lifeline Gippsland and a Director of Interchange Gippsland. She has also served as a Member of the Victorian Civil and Administrative Tribunal sitting in its planning and environment list. With significant environmental law experience and as an Accredited Mediator and a Graduate of the AICD, Michelle broadens the skills and experiences of LMG's skill-based Board.

DIRECTORS' REPORT

Date of appointment as Director	1 September 2022
Other current public company directorships	None
Former public company directorships in last 3 Years	None
Special responsibilities	Chair of the Safety Health & Environment Committee & member of Nomination / Remuneration Committee
Interests in securities	254,870 ordinary shares in Latrobe Magnesium Limited held as direct interest.

Peter Campbell Church – Non-Executive Director

Peter is the Executive Chairman of AFG Venture Group, an Australian and Asian corporate advisory firm with activities throughout Australia, South East Asia and India. He is a senior adviser to Stephenson Harwood, an English law firm with operations in multiple jurisdictions including, London, Hong Kong, Myanmar, and Singapore. Previously, Peter also served as the Asian Managing Partner of Freehills, Non Executive Director of Northern Iron Limited, Non Executive Director of The George Institute of Global Health, President of Australia Indonesia Business Council, and a member of several Federal Government Boards such as the Trade Policy advisory Committee.

Peter served as a Director of OM Holdings Limited (OMH) for a period of 10 years which included the development and then operation of its Sarawak smelter operations. He retired from that role in 2021. His experience gained from developing OMH's activities in Sarawak will be of great advantage to LMG.

Peter was awarded the Medal of the Order of Australia in 1994 by the Australian Government for promotion of business between Australia and South East Asia. He is a Fellow of the Australian Institute of Directors. He graduated from NSW University with a Bachelor of Commerce, Sydney University with a Bachelor of Commerce and Master of Law from University of London.

Peter brings a breadth and depth of leadership, corporate advisory, legal and directorship experience in ten South East Asian countries, in particular Malaysia and the State of Sarawak. He provides a depth of operating expertise to complement LMG's skill-based Board for its proposed 100,000tpa magnesium plant in Malaysia.

Date of appointment as Director	24 April 2023
Other current public company directorships	None
Former public company directorships in last 3 Years	None
Special responsibilities	None
Interests in securities	None

Company Secretary

Mr John Lee who has been a Director to the Company since 10 December 2010 became Company Secretary on 1 July 2013.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2023 and the number of meetings attended by each Director was:

	Directors' Meetings		Audit Committee Meetings	
Director	**Attended**	**Held Whilst in Office**	**Attended**	**Held Whilst in Office**
J S Murray	9	9	-	-
D O Paterson	9	9	2	2
J R Lee	9	9	2	2
P F Bruce	9	9	-	-
M F Wandmaker	9	9	-	-
M L Blackburn	7	7	-	-
P C Church	2	2	-	-

DIRECTORS' REPORT

Retirement, Election and Continuation in Office of Directors

Mr P F Bruce is the Director retiring by rotation at the next Annual General Meeting of the Company. Mr Bruce being eligible in accordance with Article 12.2 of the Company's constitution offers himself for re-election. His background, experience and qualifications are detailed on Page15.

Mr P C Church, appointed during the year, and being eligible, offers himself for election. His background, experience and qualification are detailed on Page 17.

REMUNERATION REPORT - AUDITED

This report outlines the Remuneration Arrangements in place for each key management person of Latrobe Magnesium Limited. Principles used to determine the nature and amount of remuneration are:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Appropriateness for level of operations

Remuneration Committee

In July 2023, a Nomination and Remuneration Committee was formed to advise and make recommendations to the Board on recruitment policies and level of remuneration.

Key Management Personnel

The Nomination and Remuneration Committee formed in July 2023 advises and recommends to the Board of Directors on remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Executive remuneration and other terms of employment are reviewed annually having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation.

Directors and executives are also able to participate in an Employee Share Acquisition Plan. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Remuneration of Non-Executive Directors is determined by the Board within the maximum amount approved by shareholders from time to time. The Board undertakes an annual review of its performance and the performance of the Board Committees against goals set at the start of the year.

Details of the nature and amount of each element of the emoluments of each Director of Latrobe Magnesium Limited and each specified officer of the Company and the Group receiving the highest emoluments are set out in the following tables.

The information which follows through to the section titled "Share Options Granted to Key Management Personnel" is subject to audit by the external auditors.

2023 Directors	Base Emoluments	Equity Options	Bonuses	Total	Performance Related
	$	$	$	$	%
J S Murray	80,000	-	-	80,000	-
D O Paterson	400,000	-	-	400,000	-
J R Lee	70,000	-	-	70,000	-
P F Bruce	50,000	-	-	50,000	-
M F Wandmaker	50,000	-	-	50,000	-
M L Blackburn	41,667	-	-	41,667	-
P C Church	-	-	-	-	-
	691,667	-	-	691,667	-

DIRECTORS' REPORT

2022 Directors	Base Emoluments	Equity Options	Bonuses	Total	Performance Related
	$	$	$	$	%
J S Murray	62,500	-	-	62,500	-
D O Paterson	355,802	-	150,000	505,802	30%
K A Torpey	21,737	-	-	21,737	-
P F Bruce	38,404	-	-	38,404	-
J R Lee	48,404	-	20,000	68,404	29%
M F Wandmaker	12,500	-	-	12,500	-
	539,347	-	170,000	709,347	24%

There are no additional management executives employed by Latrobe Magnesium Limited who are identified as Key Management Personnel other than those already disclosed.

Service Agreements

There are currently no service agreements in place formalising the terms of remuneration of Directors or the CEO of the Company and the Group. The Board reviewed all Directors' emoluments in 2021, the recommendations were approved by shareholders in the 2021 Annual General Meeting.

Shareholdings

Number of shares held by Directors and Other Key Management Personnel of Parent Entity

Directors & Other Key Management Personnel	Balance at 1 July 2022	Acquired under Share Purchase Plan for Shareholders	Acquired Under Debt Conversion to Equity	Net Change - Other	Balance at 30 June 2023
J S Murray	17,715,559	-	-	-	17,715,559
D O Paterson	132,538,284	-	-		132,538,284
P F Bruce	13,665,986	-	-	-	13,665,986
J R Lee	7,274,297	-	-	-	7,274,297
M F Wandmaker	-	-	-	-	-
M L Blackburn	-	-	-	254,870	254,870
P C Church	-	-	-	-	-

Share Options Granted to Key Management Personnel

Granted - No options were granted to key management personnel over unissued shares during the financial year.

Exercised - No options were exercised by key management personnel during or in the period since the end of the financial year and up to the date of this report.

Expiry - No options expired during or since the end of the financial year.

Balance - No options outstanding as at 30 June 2023.

END OF AUDITED REMUNERATION REPORT

UNLISTED WARRANTS

Under the October 2019 funding agreement with RnD Funding Pty Ltd, LMG issued 35,889,199 unlisted warrants. The exercise price of the warrants is $0.03 and exercisable for a period up to 3 years post the drawdown date. All warrants were exercised by RnD Funding as follows:

DIRECTORS' REPORT

Warrant Amount	Exercise Price	Exercise Date
12,666,000	$0.03	18/11/21
8,373,199	$0.03	15/11/22
14,850,000	$0.03	27/06/23
35,889,199		

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

Unlisted Warrants	
Total warrants outstanding at beginning of the period	103,223,200
Granted in the period	-
Exercised in the period	(23,223,199)
Lapsed in the period	-
Outstanding at the end of the period	80,000,001

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.

As at 30 June 2023, twelve shareholders had exercised a total of 5,864,680 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	(5,864,680)
Lapsed in the period	-
Outstanding at the end of the period	111,002,137

DIRECTORS' REPORT

UNLISTED OPTIONS

On 24 May 2023, the Company issued 15,000,000 unlisted options at the exercise price of $0.10 expiring 23 May 2025 to the promoters of the 24 May 2023 private placement being part of the capital raising costs. The value calculated by Black-Scholes method is $417,097.

Unlisted Options	
Total options outstanding at beginning of the period	-
Granted in the period	15,000,000
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	15,000,000

INDEMNIFICATION

During or since the end of financial year, the Company has not been indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or any related body corporate against liability incurred as such an officer or auditor. The Company maintains a Directors and Officers Liability Insurance, including company securities cover.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

ENVIRONMENTAL REGULATIONS

The consolidated entity is subject to and is compliant with all aspects of environmental regulations of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to Nexia Sydney Audit Pty Ltd and related entities for services provided during the year are set out below:

	$
Audit and Review of Financial Reports	68,000
Taxation and Other Services	10,000
	78,000

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*.

DIRECTORS' REPORT

AUDITORS' INDEPENDENT DECLARATION

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on Page 23 and forms part of this report.

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

J S Murray	**D O Paterson**
Chairman	**Chief Executive Officer**

Sydney

27 September 2023

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To the Board of Directors of Latrobe Magnesium Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Latrobe Magnesium Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Dated: 27 September 2023
Sydney

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

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

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001.*

On behalf of the directors

D. Paterson

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

27 September 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Note	GROUP 2023 $	GROUP 2022 $
Revenue			
Finance income		26,336	16,412
Other income		1,909,510	1,329,952
	3	1,935,846	1,346,364
Expenses			
Administration expenses		(2,575,737)	(2,992,678)
Employee benefit expenses		(783,720)	(672,866)
Finance cost		-	(31,976)
Research and evaluation expenses		(1,014,886)	(854,735)
Total expenses	3	(4,374,343)	(4,552,255)
Loss before Income Tax		(2,438,497)	(3,205,891)
Income tax expense	4	-	-
Loss/(profit) attributable to members of the parent entity		(2,438,497)	(3,205,891)
Other Comprehensive Income			
Other Comprehensive Income for the year		-	-
Total Comprehensive Income		(2,438,497)	(3,205,891)

	Note	GROUP 2023	GROUP 2022
Basic and diluted loss per share (cents per share)	20	(0.15)	(0.22)

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	GROUP 2023 $	2022 $
CURRENT ASSETS			
Cash and cash equivalents	5	6,891,733	15,246,819
Trade and other receivables	6	13,893,983	3,499,352
Total Current Assets		20,785,716	18,746,171
NON-CURRENT ASSETS			
Trade and other receivables	6	94,977	85,973
Plant and equipment	7	28,149	13,753
Demonstration plant	8	31,439,516	6,262,575
Right-of-use asset	9	34,945	80,333
Intangible assets	10	6,951,093	6,916,460
Land and Property	11	3,132,240	5,282,390
Total Non-Current Assets		41,680,920	18,641,484
TOTAL ASSETS		62,466,636	37,387,655
CURRENT LIABILITIES			
Trade and other payables	12	4,232,561	1,962,297
Borrowings	13	12,627,502	-
Lease liabilities	9	26,090	9,731
Income Tax Payable		-	1,647,756
Total Current Liabilities		16,886,153	3,619,784
NON CURRENT LIABILITIES			
Borrowings	13	2,703,450	5,507,314
Lease liabilities	9	11,414	72,190
Deferred income	8	16,558,312	5,481,346
Total Non Current Liabilities		19,273,176	11,060,850
TOTAL LIABILITIES		36,159,329	14,680,634
NET ASSETS		**26,307,307**	**22,707,021**
EQUITY			
Issued capital	14	54,149,170	48,527,484
Reserves	15,16,17	7,586,088	7,383,847
Accumulated losses		(35,427,951)	(33,204,310)
TOTAL EQUITY		**26,307,307**	**22,707,021**

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

GROUP	Note	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2021		33,943,635	382,240	(30,165,804)	4,160,071
Exercise of warrants		-	(167,385)	167,385	-
Reserves recognised	15, 16	-	7,168,992	-	7,168,992
Total comprehensive income		-	-	(3,205,891)	(3,205,891)
Shares issued during the period	14	14,583,849	-	-	14,583,849
Balance at 1 July 2022		48,527,484	7,383,847	(33,204,310)	22,707,021
Exercise of warrants		-	(214,856)	214,856	-
Reserves recognised	17	(417,097)	417,097	-	-
Total comprehensive income		-	-	(2,438,497)	(2,438,497)
Shares issued during the period	14	6,038,783	-	-	6,038,783
Balance at 30 June 2023		**54,149,170**	**7,586,088**	**(35,427,951)**	**26,307,307**

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

STATEMENT OF CASHFLOWS
For the year ended 30 June 2023

	Note	GROUP 2023 $	GROUP 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		3,152,582	814,413
Payments to suppliers and employees		(5,794,025)	(4,569,889)
Interest and other financial costs paid		(46,052)	-
Interest received		26,336	16,412
Income tax paid		(1,647,756)	-
Net cash used in operating activities	18b	(4,308,915)	(3,739,064)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of office equipment and FFF		(24,292)	-
Payment to acquire Demonstration Plant		(17,225,190)	(3,363,636)
Payment to acquire property		(730,850)	(2,302,238)
Payment of International Patent expenditure		(20,420)	(10,609)
Rent and deposit bonds		(39,003)	(15,973)
Net cash used in investing activities		(18,039,755)	(5,692,456)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,200,000	14,788,100
Transaction costs related to issue of shares		(142,500)	(870,000)
Proceeds from exercise of warrants and options		931,283	621,908
Repayment of Borrowing		(1,464,198)	-
Proceeds from Borrowing		10,517,500	9,500,000
Transaction costs related to borrowings		-	(100,000)
Repayment of lease liabilities		(48,501)	(198,418)
Short term lending		-	(17,500)
Net cash from financing activities		13,993,584	23,724,090
Net (decrease) / increase in cash and cash equivalents held		(8,355,086)	14,292,570
Cash and cash equivalents at beginning of the financial year		15,246,819	954,249
Cash and cash equivalents at end of financial year	18a	6,891,733	15,246,819

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 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. These new Standards have not had a material financial impact on its financial statements:

AASB 2020-3: Annual Improvements to IFRS Standards 2018–2020 and Other Amendments

Application Date: 1 January 2022, applies to financial year ended 30 June 2023`

This Standard amends:

a. the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
b. AASB 3 to update references to the Conceptual Framework for Financial Reporting;
c. AASB 9 to clarify when the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
d. AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
e. AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and
f. the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Basis of Preparation

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 and judgements

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(w).

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 27.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

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 exposure to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. 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 20 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

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 are 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, once the project is complete and ready to use, being their finite life of 20 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. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

<u>Lease liabilities</u>

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

g. Government grants

Government grants relating to assets are deferred and recognised in profit or loss over the period necessary to match them with the assets that they are intended to compensate. Grants relating to expense items are recognised as income immediately.

h. 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.

i. 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 all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all a financial asset, its 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 based on 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.

j. 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.

k. 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.

l. 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.

m. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

n. 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.

o. 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.

p. 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.

q. 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.

r. Comparative Figures

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

s. Contributed equity

Ordinary shares are classified as equity (refer Note 14).

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.

t. 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.

u. 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.

v. 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.

w. 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 and the demonstration plant under construction for the year ended 30 June 2023. Refer to Note 10 for details of assumptions used in the value in use impairment model."

x. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

The Group is still assessing but does not currently expect these new Standards to have a material financial impact on its financial statements:

AASB 2021:2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

Application Date: 1 January 2023, applies to financial year ended 30 June 2024

This Standard amends:

a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Additional conforming amendments to AASB 1049, AASB 1054, and AASB 1060 were made by AASB 2021-6.

AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Application Date: 1 January 2023, applies to financial year ended 30 June 2024

The amendment narrowed the scope of the recognition exemption in paragraphs 15 and 24 of AASB 112 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendment applies to transactions that occur on or after the beginning of the earliest comparative period presented.

AASB 2020-1 and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants

Application Date: 1 January 2024, applies to financial year ended 30 June 2025

The amendments to AASB 101 specify that conditions (covenants) to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, an entity discloses information about these conditions in the notes to the financial statements.

Where AASB 2022-6 is adopted before its mandatory application date, AASB 2020-1 must also be applied at the same date.

AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback

Application Date: 1 January 2024, applies to financial year ended 30 June 2025

The Standard amends AASB 16 Leases to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 Revenue from Contracts with Customers to be accounted for as a sale.

AASB 16 already requires a seller-lessee to recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The amendments ensure that a similar approach is applied by also requiring a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss related to the right of use it retains.

AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

Application Date: 1 January 2025, applies to financial year ended 30 June 2026

Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2025 by AASB 2021-7.

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 conducted 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 monthly.

(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 monthly 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 and borrowings at balance date. The Group's exposure to interest rate risk at 30 June 2023 and 30 June 2022 is set out in the following tables:

CONSOLIDATED

Year ended 30 June 2023	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	0.3	2,604,460	-	-	-	4,287,273	6,891,733
Trade & other receivables		-	-	-	-	13,988,959	13,988,959
Total Financial Assets		2,604,460	-	-	-	18,276,232	20,880,692
Financial liabilities							
Borrowings	12.0	-	-	(15,498,665)	-	-	(15,498,665)
Trade and other payables		-	-	-	-	(4,169,371)	(4,169,371)
Net financial assets		2,604,460	-	(15,498,665)	-	14,106,861	1,212,656

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For the year ended 30 June 2023

Year ended 30 June 2022	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	0.3	1,130,412	-	-	-	14,116,407	15,246,819
Trade & other receivables		-	-	-	-	3,585,325	3,585,325
Total Financial Assets		1,130,412	-	-	-	17,701,732	18,832,144
Financial liabilities							
Borrowings	12.0	-	-	(5,507,314)	-	-	(5,507,314)
Trade and other payables		-	-	-	-	(1,962,297)	(1,962,297)
Net financial assets		1,130,412	-	(5,507,314)	-	15,739,435	11,362,533

(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 because the Group had purchased some Euro and USD currencies.

(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 2023 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: LOSS FROM ORDINARY ACTIVITIES

		GROUP	
		2023	2022
		$	$
The following revenue and expense items are relevant in explaining the financial performance for the period.			
(i)	**Revenue**		
	Finance Income	26,336	16,412
	Other Income		
	Research and development tax rebate 2021-22	325,009	1,329,952
	Research and development tax rebate 2022-23	1,550,536	-
	Gain on foreign exchange	33,965	-
		1,935,846	1,346,364
(ii)	**Expenses**		
	Depreciation – Office equipment & FFF	9,896	7,406
	Depreciation – Lease	45,389	191,647
	Research and evaluation expenses	1,014,886	854,735
	Directors and CEO fees	691,666	709,347

NOTE 4: INCOME TAX EXPENSE

	GROUP	
	2023	2022
	$	$
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:		
Loss from ordinary activities before income tax	(2,438,497)	(3,205,891)
Prima facie tax benefit/(expense) on loss from ordinary activities before income tax at 30% (2022: 30%)	731,549	961,768
Permanent differences relating to R&D claim	(959,094)	(917,208)
Decrease / Increase in income tax benefit due to timing differences	620,870	449,481
Tax losses not brought to account as deferred tax asset	(393,325)	(494,041)
Recognition of tax losses as deferred tax asset	-	-
Income tax (expense) / 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	
	2023	**2022**
	$	**$**
Benefit of unrecognised tax losses carried forward:		
Revenue losses	1,242,975	849,651
Capital losses	818,514	818,514
	2,061,489	1,668,165

The deferred tax asset will only be recognised 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	
	2023	**2022**
	$	**$**
Cash at bank	6,891,733	15,246,819

NOTE 6: TRADE AND OTHER RECEIVABLES

	GROUP	
	2023	**2022**
CURRENT	**$**	**$**
R&D tax concession rebate	12,627,502	2,827,574
GST recoverable	1,187,670	59,617
RND Funding loan receivable	-	517,500
Rent bond	30,000	46,123
Refundable prepayment	48,810	48,538
	13,893,982	3,499,352
NON-CURRENT		
Rent and deposit bonds	94,977	158,037

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

NOTE 7: OFFICE EQUIPMENT AND FURNITURE FIXTURES & FITTINGS

	GROUP	
	2023	**2022**
	$	**$**
Office equipment & FFF at cost	47,470	23,178
Accumulated depreciation	(19,321)	(9,425)
Total Office Equipment & FFF	28,149	13,753

Movements in Carrying Amounts

Between the beginning and the end of the current financial year, movements in the carrying amounts of plant, equipment and furniture fixtures & fittings are:

	GROUP	
	2023	**2022**
	$	**$**
Balance at 1 July	13,753	22,054
Additions	24,292	-
Disposal	-	(896)
Depreciation expense	(9,896)	(7,405)
Carrying amount at 30 June	28,149	13,753

NOTE 8: DEMONSTRATION PLANT

	GROUP	
	2023	**2022**
	$	**$**
Capitalised costs of the Demonstration Plant (i)	26,182,508	6,224,403
Crane equipment (ii)	2,881,000	-
Capitalised borrowing costs (iii)	2,376,008	38,172
	31,439,516	6,262,575

(i) Engineering studies and design work has been completed, construction contracts awarded and all equipment was on site as at 30 June 2023, tested and dry commissioned. Construction work of the initial 1,000 tpa magnesium plant will be completed by December 2023. These costs have been capitalised as demonstration plant asset of $26,182,508.

(ii) Ten cranes were purchased from the Tramway Road vendor as part of the total purchase price valued at $2,881,000 (refer Note 11.) They were reconditioned and are now operational to assist in construction of the equipment and in the plant's operations specifically to automate the loading and unloading of the smelters and plant maintenance.

(iii) The construction loan facility of $23 million (refer to Note 13) was finalised on 16 May 2022 with an approximately five year loan term. The facility was increased by $3 million to $26 million on 21 April 2023. As at 30 June 2023, a total of $20 million has been drawn. The first loan repayment instalment is not due until 12 July 2024 with repayment permitted without penalty from 31 October 2023. The Company will repay the lender $12,627,502 after 31 October 2023 on receipt of the R&D Tax Incentive rebate.

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. 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 loan finance cost on the increased facility of $3 million with no increase on loan interest was structured by issuing 15 million LMG shares at $0.07 per share.

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 $9.4 million of future capital expenditure on the Demonstration Plant at 30 June 2023 to Mincore and other suppliers.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

Deferred Income Liability

As the plant is expected to be completed by 31 December 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.

	GROUP	
	2023	**2022**
	$	**$**
R&D Tax Concession Refund	5,481,346	3,983,724
Plus R&D claim in 2023	11,076,966	1,497,622
	16,558,312	5,481,346

NOTE 9: LEASING COMMITMENTS

Right of Use Assets - the Company is committed on following leases:

	GROUP	
	2023	**2022**
	$	**$**
Right of Use Asset	74,000	462,726
Accumulated Depreciation	(39,055)	(382,393)
	34,945	80,333
Lease Liability	74,000	462,726
Interest Expense for the year	4,062	16,537
Lease Payments during the year	(40,599)	(397,342)
Lease Liability at end of year	37,503	81,921
Current Lease Liability	26,090	9,731
Non Current Lease Liability	11,413	72,190
Total Lease Liability	37,503	81,921

Lease Commitments	Clarence St Sydney	Traralgon	Total
Right of use of assets	Dec-21 to Nov-24	May-22 to May-23	
Value of Lease	74,000	-	74,000
Accumulated Depreciation	(39,055)	-	(39,055)
	34,945	-	34,945
Lease Liability	74,000	-	74,000
Interest Expense	4,062	-	4,062
Lease Payment	(40,559)	-	(40,559)
	37,503	-	37,503
Current Liability	26,090	-	26,090
Non Current Liability	11,413	-	11,413
	37,503	-	37,503

- Sydney Lease – Administration Office

Term:	1 December 2021 to 30 November 2024.
Monthly rent	$3,077 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 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 1 May 2022 to measure lease liability

NOTE 10: INTANGIBLE ASSETS

	GROUP	
	2023	**2022**
	$	**$**
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	166,673	152,460
New patent applications	20,420	-
Total Intangible Assets	6,951,093	6,916,460

Since June 2023, the Company is in the process of applying Australian provisional patents for the processes of improved ferro-nickel slag leaching and pro-hydrolysis of calcium chloride.

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. This impairment test involves the comparison of the recoverable amount calculated from a discounted cash flow value in use impairment model with the carrying value of the cash generating unit (CGU) at 30 June 2023. The CGU has been determined to comprise the demonstration plant under construction of $31,439,516 set out in Note 8, the intangible assets of $6,951,093 set out above and the land and property of $3,132,239 set out in Note 11.

The key assumptions underlying this impairment test have been based on data provided in the Company's 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 1,000 tonnes per annum increasing to 10,000 tonnes;
- magnesium metal price of US$3,500 per tonne is used which represents the price FOB China. The United States market is currently approximately double this price;
- market information for forward exchange rates;
- operating costs based upon third party consultant's estimates;
- capital costs based upon the detailed feasibility study; and
- pre-tax discount rate of 10% used in both 1,000tpa and 10,000tpa models.

NOTE 11 LAND AND PROPERTY

The purchase price together with capitalised costs are summarised below:

	GROUP	
	2023	**2022**
320 Tramway Road, Hazelwood North, VIC 3840	$	$
Land and property	2,119,000	2,119,000
Crane equipment	-	2,881,000
Stamp duty	150,875	150,875
Administration building improvement	862,364	131,515
Total	3,132,239	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:

	$		$
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

The cranes will be used to automate the loading and unloading of the smelters during the production process. It is now classified as crane equipment in the demonstration plant in Note 8.

NOTE 12: TRADE AND OTHER PAYABLES

	GROUP	
	2023	**2022**
	$	**$**
Trade creditors and accrued expenses	4,169,370	1,927,561
Employee annual leave entitlements	63,190	34,736
Total	4,232,560	1,962,297

NOTE 13: BORROWINGS - SECURED

	GROUP	
	2023	**2022**
	$	**$**
Loan balance at 1 July	10,023,333	-
Loan Drawdown	10,000,000	10,000,000
Interest accrued	1,331,130	23,333
Loan repayment	(1,464,198)	-
Loan balance at 30 June	19,890,265	10,023,333
Less transaction costs	(5,580,858)	(4,530,866)
Plus transaction costs amortisation	1,021,545	14,847
Carrying value as at 30 June 2023	15,330,952	5,507,314

Borrowings	**$**	**$**
Current	12,627,502	-
Non-Current	2,703,450	5,507,314
Total	15,330,952	5,507,314

The construction loan facility of $23 million secured on 16 June 2022 was increased by $3 million to $26 million on 21 April 2023. The terms and conditions are as follows:

Lender	RnD Funding Pty Ltd
Loan Term	Four years and nine months expiring 31 March 2027
Interest Rate	12% per annum up to 31 October 2023, 1.4% per annum thereafter
Loan Drawdown	$20 million has been drawn, the balance of $6 million will be drawn as required
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.
	15 million LMG shares at $0.07 were issued as financing costs of the $3 million increase in the facility. Interest rate remains unchanged.
Loan Repayments:	Loan principal and interest repayments are scheduled to start from 12 July 2024. All R&D grant refunds received subsequent to the loan commencement are required to be utilised as additional loan repayments.

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.

NOTE 14: ISSUED CAPITAL

			GROUP	
			2023	**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%	- -	3,000,000 (180,000)
	18 Nov 2021	12,666,000 shares issued at $0.03 - 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 @ $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 - exercise of unlisted warrants	-	83,300
	23 Dec 2021	969,434 shares issued @ $0.04 - exercise of listed options	-	38,777
	08 Feb 2022	22,500,000 shares issued at $0.10 being payment for 50% of the purchase price of 320 Tramway Road	-	2,250,000
	08 Feb 2022	8,319,809 shares issued at $0.095 being payment of crane equipment	-	788,100
	14 Feb 2022	913,750 shares issued @ $0.04 - exercise of listed options	-	36,550
	29 Mar 2022	4,165,000 shares issued at $0.02 - exercise of unlisted warrants	-	83,300
	30 Jun 2022	6,917,191 shares issued at $0.0784 being financing costs pursuant to lending agreement	-	517,500

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

26-Sep-2022	1,141,855 shares issued at $0.04 - exercise of listed options	45,674	
16-Nov-2022	8,373,199 shares issued at $0.03 - exercise of unlisted warrants	251,196	
21-Nov-2022	1,351,000 shares issued at $0.04 - exercise of listed options	54,040	
11-Jan-2023	539,000 shares issued at $0.04 - exercise of listed options	21,560	
02-Feb-2023	1,271,575 shares issued at $0.04 - exercise of listed options	50,863	
26-Apr-2023	15,000,000 shares issued at $0.07 for finance cost pursuant to amended lending agreement of 21 April 2023	1,050,000	
3-23 May-23	1,491,250 shares issued at $0.04 - exercise of listed options	59,650	
31-May-2023	70,000,000 shares issued at $0.06 pursuant to a private placement	4,200,000	
	Placement fees at 3.39%	(142,500)	
	15,000,000 options at $0.10 expiring 23 May 2025, valued by Black-Scholes, for capital raising costs	(417,097)	
27-Jun-2023	70,000 shares issued at $0.04 - exercise of listed options	2,800	
30-Jun-2023	14,850,000 shares issued at $0.03 - exercise of unlisted warrants	445,500	
		54,149,170	48,527,484

(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
• 18 November 2021	-	12,666,000
• 19 November 2021	-	115,000,000
• 15 December 2021	-	4,165,000
• 23 December 2021	-	969,434
• 08 February 2022	-	22,500,000
• 08 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	-
• 11 January 2023	539,000	-
• 2 February 2023	1,271,575	-
• 26 April 2023	15,000,000	-
• 3-23 May-23	1,491,250	-
• 31 May 2023	70,000,000	-
• 27-Jun-23	70,000	-
• 30-Jun-23	14,850,000	-
Balance at end of reporting period	1,724,696,621	1,610,608,742

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.

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 24: 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. During FY2023, the Group:

- Completed a capital raising by placements in May 2023 raising $4.2 million to fund the magnesium project.
- Negotiated an increase in a $23 million loan facility secured in May 2022 by $3 million to $26 million.
- Completed the first milestone of a Regional Development Grant agreement with the State of Victoria for a grant of up to $1 million entered in June 2022, approved to be paid in 3 instalments commencing August 2023.

NOTE 15: UNLISTED WARRANTS

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. All warrants have been exercised by RnD Funding as follows:

Warrant Amount	Exercise Price	Exercise Date
12,666,000	$0.03	18/11/21
8,373,199	$0.03	15/11/22
14,850,000	$0.03	27/06/23
35,889,199		

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

Unlisted Warrants	
Total warrants outstanding at beginning of the period	103,223,200
Granted in the period	-
Exercised in the period	(23,223,199)
Lapsed in the period	-
Outstanding at the end of the period	80,000,001

Warrant Reserves

The value of 80,000,001 unlisted warrants issued to RnD Funding Pty Ltd under the funding agreement of 16 May 2022 is $3,913,358 calculated by Black-Scholes method.

NOTE 16: 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. A further 25,500,000 listed options for the balance of fees owing 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.

As at 30 June 2023, twelve shareholders had exercised a total of 5,864,680 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	(5,864,680)
Lapsed in the period	-
Outstanding at the end of the period	111,002,137

Option Reserve

The value of 30,000,000 listed options issued on 19 November 2021 and in January 2022 to Peak Assets Management is $3,255,634 calculated by Black-Scholes method.

NOTE 17. UNLISTED OPTIONS

On 24 May 2023, the Company issued 15,000,000 unlisted options at the exercise price of $0.10 expiring 23 May 2025 to the promoters of the 24 May 2023 private placement being part of the capital raising costs.

Unlisted Options	
Total options outstanding at beginning of the period	-
Granted in the period	15,000,000
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	15,000,000

Option Reserve

The value of 15,000,000 unlisted options to the promoters calculated by Black-Scholes method is $417,097.

NOTE 18: CASH FLOW INFORMATION

		GROUP 2023 $	GROUP 2022 $
a.	**Reconciliation of Cash**		
	Cash at the end of the financial year as shown in the statement of cash flow is reconciled to items in the statement of financial position as follows:		
	Cash at Bank	6,891,733	15,246,819
b.	**Reconciliation of cash flow from operating activities to operating loss after income tax:**		
	Net loss	(2,438,497)	(3,205,891)
	Profit / Loss Adjustment of non-cash items:		
	Depreciation of equipment & FFF	9,896	7,406
	Depreciation of leases	45,389	191,647
	Loss on disposal of assets	-	895
	Interest expense to measure lease liabilities	2,682	(623)
	Changes in Assets and Liabilities:		
	(Increase) in receivables and other assets	(1,342,910)	(2,111,488)
	Increase in trade and other payables	1,062,281	1,378,990
	Decrease in tax payable	(1,647,756)	-
	Net Cash used in Operating Activities	(4,308,915)	(3,739,064)

c. Acquisition and Disposal of Entities

There was no disposal of controlled entities during the 2023 or 2022 financial years. On 19 May 2023, Latrobe Magnesium Sarawak Sdn Bhd, a 100% owned company, was registered in Malaysia.

d. Non-cash Financing and Investing Activities

2022-23	Fully Paid Ordinary Shares	$
26-Apr-23	15,000,000 shares issued at $0.07 to pay for financing costs	1,050,000
	Increase in issued capital	1,050,000
	Decrease in trade and other payables	1,050,000
24-May-23	Options	
	15,000,000 unlisted options issued at exercise price of $0.10 to pay for capital raising costs, fair valued at $417,097, refer to Note 17	417,097
2021-22	Fully Paid Ordinary Shares	
14-Oct-21	1,155,306 shares issued at $0.0277 to pay for transaction costs	31,976
8-Feb-22	22,500,000 shares issued at $0.10 to pay for 50% of the property purchase price	2,250,000
30-Jun-22	6,917,191 shares issued at $0.0784 to pay for transaction costs	517,500
	Increase in issued capital	2,799,476
	Decrease in trade and other payables	2,799,476
	Options and Warrants	
Oct-Nov 21	88,750,000 listed options issued at $0.04 expiring 26-Oct-23 issued under share placement	
19-Nov-21	30,000,000 listed options issued at $0.04 expiring 23-Oct-23 to pay capital raising costs, fair valued at $3,255,634. Refer to Note 16	3,255,634
16-May-22	80,000,001 unlisted warrants issued at various exercise prices expiring at various dates to pay for financing costs, fair valued at $3,913,358. Refer to Note 15.	3,913,358

NOTE 19: LOSS PER SHARE

			GROUP	
			2023	2022
Reconciliation of loss to net loss:				
(a)	Basic and diluted loss per share	cents per share	(0.15)	(0.22)
(b)	Loss used in the calculation of LPS	$	(2,438,497)	(3,205,891)
(c)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted LPS	share	1,627,382,205	1,490,473,832

There were 80,000,001 unissued shares under warrants at 30 June 2023 (2022: 103,223,200) and 126,002,137 unissued shares under options at 30 June 2023 (2022: 116,866,817). The warrants and options issued have not been considered for the diluted LPS calculation as their effect would be anti-dilutive.

NOTE 20: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2023	2022
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
Latrobe Magnesium Sarawak SDN BHD	Malaysia	100	-

NOTE 21: SEGMENT REPORTING

AASB 8: *Operating Segments* 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 management's 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 consists of one business segment being the development of its Latrobe magnesium project.

NOTE 22: 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:

(i) 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;

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

(ii) 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

(iii) are not 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 2023	GROUP 2022
		$	$
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	80,000	62,500
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	70,000	68,404
(iv)	Director's fees were paid to Wandmaker Consultants Pty Ltd of which M F Wandmaker is a principal	50,000	12,500

Key Management Personnel compensation

Disclosure details relating to key management personnel including remuneration are provided in the Remuneration Report contained within the Directors' Report. Remuneration is entirely comprised of short-term benefits (salaries and fees) totaling $691,667 (2022: $709,347).

NOTE 23: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets for the year ended 30 June 2023 (2022: Nil).

NOTE 24: EMPLOYEE BENEFITS

Employees Share Acquisition Plan

The Shareholders approved at the 2021 AGM changes to the Group's Share Acquisition Plan. The Plan provides for eligible participants to purchase shares in the Company tax effectively through salary sacrifice and for the Board to issue shares to its employees as long term incentive bonuses.

NOTE 25: 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.

NOTE 26: GOING CONCERN

For the year ended 30 June 2023, the Group reported a loss after tax of $2,438,497 (2022: $3,205,891) and net cash outflows from operating activities of $4,308,915 (2022: outflows $3,739,064).

The Company secured a construction loan facility of $26 million with an approximately four year loan term remaining. Part of the loan facility will be repaid from the 2023 R&D tax rebate of approximately $12.6 million.

The Group is able to pay its development plant costs and trade creditors from its cash on hand, further drawings from its undrawn loans, Regional Development Grant and GST refunds.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

Once the demonstration plant is operating successfully the Group will consider either an equity raise, a sale and leaseback of its property at 320 Tramway Road or other alternative sources of funding. The Group has a number of funding options from both the State and Federal Governments as magnesium has critical minerals status and in relation to assisting with the development of its Stage 2 and Stage 3 projects.

NOTE 27: PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2023 the parent entity of the Group was Latrobe Magnesium Limited.

	2023	2022
	$	$
Result of parent entity		
Loss for the period	(2,438,497)	(3,205,891)
Other comprehensive income	-	-
Total comprehensive income for the period	(2,438,497)	(3,205,891)
Financial position of the financial entity at year end		
Current assets	20,785,716	18,746,171
Non-current assets	41,680,920	18,702,823
Total assets	62,466,636	37,448,994
Current liabilities	16,886,153	3,619,785
Non-current liabilities	19,273,176	11,060,850
Total liabilities	36,159,329	14,680,635
Net Assets	26,307,307	22,768,359
Total equity of the parent entity comprising of		
Issued capital	54,149,170	48,527,484
Reserves	7,586,088	7,383,847
Accumulated Losses	(35,427,951)	(33,142,972)
Total equity	26,307,307	22,768,359

Parent entity contingencies

The parent entity has no material contingent liabilities.

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

The parent entity has has committed to $12.9 million of future capital expenditure on the Demonstration Plant at 30 June 2023 to Mincore and other suppliers.

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 13, to Latrobe Magnesium Limited.

NOTE 28: AUDITOR'S REMUNERATION

Details of the amounts paid or payable to Nexia Sydney Audit Pty Limited or related entities for services provided during the year are set out below.

	GROUP	
	2023	**2022**
	$	$
Audit and Review of Financial Reports	68,000	65,000
Taxation and other services	10,000	11,000
	78,000	76,000

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*.

Nexia Australia

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Independent Auditor's Report to the Members of Latrobe Magnesium Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Latrobe Magnesium Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Nexia Australia

Key audit matter	How our audit addressed the key audit matter
Latrobe Valley Magnesium Production Project • **Capitalised Development Costs $6,951,093 - Note 10** • **Capitalised Demonstration Plant Costs $31,439,516 - Note 8** • **Land and Property $3,132,240 - Note 11** *Refer to notes 8, 10 and 11 to the financial statements.* Included in the Group's total assets are capitalised development costs of $6,951,093 in respect of the acquired in-process research and development cost in relation to extracting magnesium from fly ash, capitalised demonstration plant costs of $31,439,516 and land and property of $3,132,240. Together, these assets comprise the cash generating unit (CGU) of the Group's Latrobe Valley Magnesium production project as identified in Note 10. The Group's accounting policy in respect of capitalised development costs is outlined in note 1(e), in respect of property, plant and equipment is outlined in note 1(d) and in respect of borrowing costs is outlined in note 1(j). This is a key audit matter because: ▪ The carrying value of the above assets is highly material to the financial statements, representing approximately 66% of the total assets of the Group; and ▪ the determination of whether the costs can be capitalised respectively in accordance with AASB 138 - *Intangible Assets* and AASB 16 – *Property, Plant and Equipment* and/or if an	Our audit procedures included, amongst others: ▪ We assessed the acquired in-process research and development costs against the requirements for capitalisation contained in AASB 138 *Intangible Assets*; ▪ We assessed the capitalised demonstration plant costs against the recognition requirements of AASB 116 *Property, Plant and Equipment* and assessed the capitalised borrowing costs component therein against the recognition requirements of AASB 123 *Borrowing Costs*; ▪ We verified a sample of the capitalised demonstration plant costs to supporting supplier invoices and checked the calculations of eligible borrowing costs allocated to the demonstration plant asset; ▪ We reviewed the company's management prepared development asset "value in use" impairment model and tested the capital investment and chemical components amounts included in the model for consistency with the internal and external data sources for these amounts; ▪ We assessed and challenged management's key assumptions and estimates used to determine the recoverable amount of the assets, including those relating to output pricing, input costs, growth assumptions and discount rates; ▪ We performed sensitivity analysis in relation to all the significant inputs to assess whether the carrying value of the Latrobe Valley Magnesium production project CGU exceeded its recoverable amount; ▪ We compared the net assets of the Group to the Group's market capitalisation; ▪ We tested the mathematical accuracy of the underlying 'value in-use' calculations; and ▪ We assessed whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report.

Key audit matter	How our audit addressed the key audit matter
impairment charge is necessary involves significant estimates and judgments made by management, including estimating future cash flows.	

Other information

The directors are responsible for the other information. The other information comprises the information in Latrobe Magnesium Limited's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Nexia Australia

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 19 of the directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Latrobe Magnesium Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Dated: 27 September 2023
Sydney

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 20 September 2023.

Range	Total holders	Units	% Units
1 - 1,000	248	95,006	0.01
1,001 - 5,000	615	2,262,417	0.13
5,001 - 10,000	1,256	10,271,497	0.59
10,001 - 100,000	3,615	149,547,934	8.66
100,001 Over	1,569	1,565,253,767	90.61
Total	**7,303**	**1,727,430,621**	**100.00**

b. Unmarketable Parcels as at 20 September 2023.

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.047 per unit	10,639	2,187	13,333,388

c. Substantial Shareholders as at 20 September 2023.

No.	Shareholder Name	Number of Fully Paid Ordinary Shares Held	Interest (%)
1	Rimotran Pty Ltd <DP Super A/C>	107,025,522	6.20
91	Rimotran Pty Ltd <DP Super A/C>	2,958,793	0.17
9	David Oliver Paterson	22,553,969	1.31
	Total	132,538,284	7.68
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	4.64
95	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	2,852,239	0.17
10	Famallon Pty Ltd	19,915,956	1.15
	Total	102,962,553	5.96

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 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 20 September 2023.

Rank	Top Shareholders	Number of Fully Paid Ordinary Shares Held	Holding %
1	Rimotran Pty Ltd <DP Super A/C>	107,025,522	6.20
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	4.64
3	RnD Funding Pty Limited	42,572,253	2.46
4	Gibbs Plumbing Services Pty Ltd <G Plumbing Ser PL SF A/C>	42,066,000	2.44
5	BNP Paribas Nominees Pty Ltd ACF Clearstream	35,431,562	2.05
6	CSH Engineering Pty Ltd	29,522,919	1.71
7	Ableside Pty Ltd	27,776,639	1.61
8	JJ Wolfe Holdings Pty Limited <Wolfe Super Fund A/C>	22,699,299	1.31
9	David Oliver Paterson	22,553,969	1.31
10	Famallon Pty Ltd	19,915,956	1.15
11	Murraysetter Pty Ltd	17,715,559	1.03
12	Citicorp Nominees Pty Limited	17,016,166	0.99
13	Mr Leslie Robert Knight + Mrs Heather Margery Knight + Mr Timothy Paul Knight <Knight Super Fund A/C>	14,000,000	0.81
14	Diazill Pty Limited <P B Superannuation Fund A/C>	13,665,986	0.79
15	HSBC Custody Nominees (Australia) Limited	13,547,252	0.78
16	RnD Funding Pty Limited	11,452,344	0.66
17	Mrs Carmela Adele Murray	10,480,777	0.61
18	Mrs Robyn Ann Lys	10,000,000	0.58
19	Mr John Charles Catterson + Mrs Margaret Catterson <Catterson Super Fund A/C>	9,885,846	0.57
20	Lesley House Pty Ltd <Gronow Super Fund A/C>	9,500,000	0.55
Total		**557,022,407**	**32.25**

CORPORATE GOVERNANCE STATEMENT

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

https://www.latrobemagnesium.com/investor-center/governance-documents