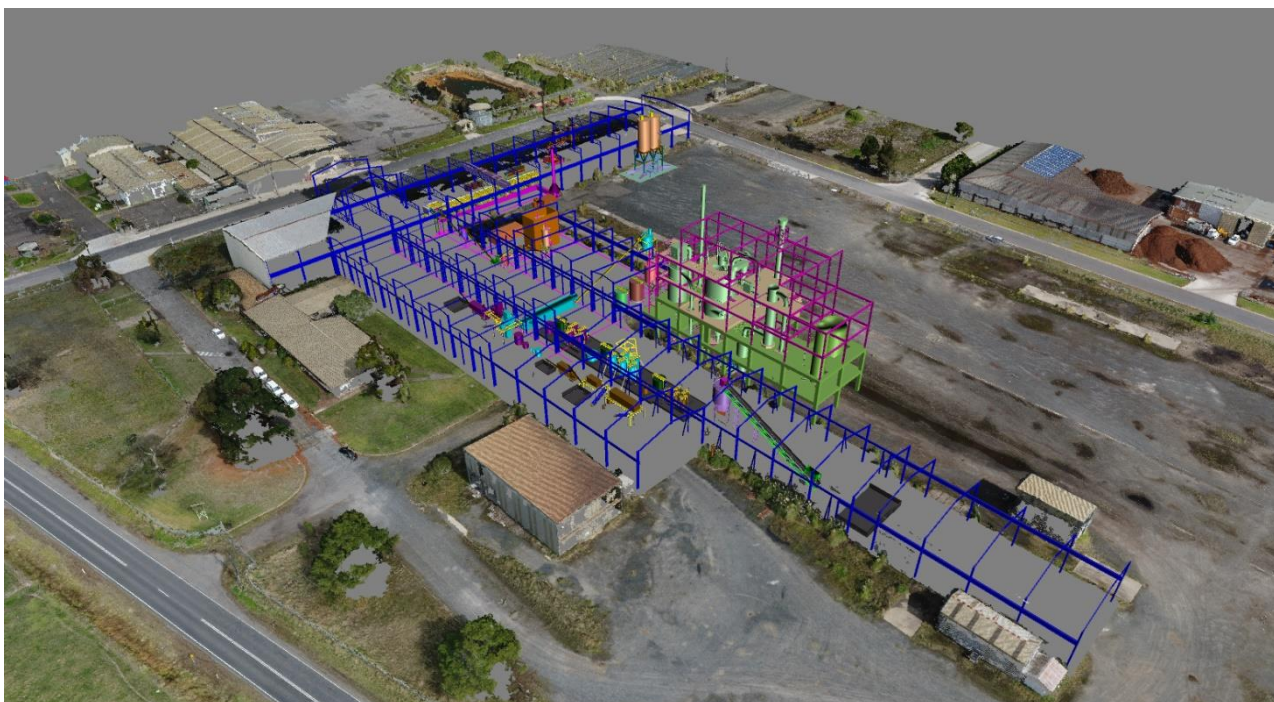


## LATROBE MAGNESIUM LIFTS REVENUE FORECASTS

### Highlights:

- \* Current magnesium price is **US\$6,150 per metric tonne** and expected to hold.
- \* LMG has a **signed binding offtake agreement** with Metal Exchange Corporation (MEC) and **memorandum of understanding** with Advanced Material Corporation of Japan (AMCJ).
- \* MEC (700 employees globally) will become the **exclusive distributor in the USA** with commitments of a minimum 4,000 tonnes of magnesium/year
- \* AMCJ is **one of the largest titanium and magnesium trading house in Tokyo** committing to a minimum 4,000 tonnes per year. It is also willing to provide funding to LMG to expand its plant.
- \* LMG is **exempt from import duties** under the USA-Australia fair trade agreement.



### 1. Current China Magnesium Market

Latrobe Magnesium Limited (ASX:LMG) has been receiving weekly advice from the International Magnesium Association (IMA), of which it is a member, on the developments in the Chinese magnesium market.

In the week from 8 November 2021 to 12 November 2021, the IMA reported that the magnesium price stopped falling and rebounded with downstream demand gradually being released. In the last week, there was increased demand coming from the Chinese downstream processing plants. As a result on 17 November 2021, the price rose back to US\$6,150 per metric tonne FOB China. Most producers expect to see increased pricing over the next week as strong demand continues.

Since the crisis in Chinese supply commenced, the magnesium price had risen to a high of US\$10,200 and then dropped to a low of US\$5,400. The previous high for the magnesium price in China was US\$6,000 just before the Global Financial Crisis in 2018.

LMG's revenue estimates are based upon US\$3,250 per tonne which was the magnesium price in June 2021, before the China supply shortage commenced in September 2021. If the current price of US\$6,150 per metric tonne held long term, it would increase LMG's estimate of EBITDA for its 10,000tpa plant by some \$56M's.

## 2. Offtake Agreements

LMG has long-term standing relationships with its offtake partners. LMG entered into an agreement with Metal Exchange Corporation (MEC) in June 2016 and Advanced Material Corporation of Japan (AMCJ) in March 2016 and these agreements remain on foot today.

### Metal Exchange Corporation

LMG signed an offtake agreement for MEC to be its exclusive USA distributor to sell its magnesium into North, Central and South America and the Caribbean in the aluminium market. The distributor has committed to purchase a minimum of 40% of the plant planned production which equates to 4,000 tonnes of magnesium a year from LMG's planned 10,000 tpa production facility in Morwell Victoria. The deal will deliver excellent prices to LMG due to an anti-dumping duty payable on Chinese imports into US markets.

MEC is headquartered in St. Louis, Missouri. Founded in 1974, MEC has grown from a regional aluminium scrap company to a global trader with offices in Switzerland, China, and Brazil. In the USA, MEC has six manufacturing plants employing over 700 employees. With a unique blend of marketing expertise and deep manufacturing excellence, MEC provides its customers an unparalleled array of products and services, directly supplying scores of aluminium and magnesium ingots under short and long term agreements.

North and Central America currently uses 160,000 tonnes of magnesium a year and this is projected to increase with greater use of magnesium by the motor vehicle industry. There is only one magnesium producer in North and Central America, with most magnesium imported from China.

In the USA, there is an anti-dumping duty payable on imported China magnesium. The result of this duty is that the magnesium price in the USA is usually double the FOB China magnesium price.

Under the USA-Australia fair trade agreement, magnesium produced in Australia is exempt from this import duty.

### Advanced Material Corporation of Japan

LMG has signed a Memorandum of Understanding with Advanced Material Corporation of Japan (AMCJ) committing to purchase up to 4,000 tonnes of magnesium per annum from the LMG planned 10,000 tpa production facility in Morwell Victoria.

The AMCJ is the largest titanium and magnesium trading house in Tokyo. AMCJ has also agreed to consider providing LMG with a deposit against its sales contract to assist with costs of acquiring, installing, and commissioning LMG's expanded plant. AMCJ will also assist LMG to obtain financial assistance from the Japanese government owned banks for the funding of its expanded plants.

The commitment is subject to LMG securing financial close for the plant's construction and LMG's magnesium passing standard magnesium industry specifications. As there are very few impurities in LMG's beneficiated fly ash, it currently produces 98% to 99% pure magnesium before the refinery stage. Normal dolomite production is in the order of 95%.

Japan currently uses 40,000 tonnes of magnesium per annum, and this is projected to increase with greater use of magnesium by the motor vehicle industry. Currently most of this magnesium is imported from China. The Japanese Magnesium Association has a stated objective to diversify their magnesium supply chain.

Should you have any queries in relation to this announcement please do not hesitate to contact the CEO on 042 1234 688.



David Paterson  
Chief Executive Officer

18 November 2021

## About Latrobe Magnesium

Latrobe Magnesium is developing a magnesium production plant in Victoria's Latrobe Valley using its world- first patented extraction process. LMG intends to extract and sell magnesium metal and cementitious material from industrial fly ash, which is currently a waste stream from the Yallourn brown coal power generation.

LMG has completed a feasibility study validating its combined hydromet / thermal reduction process that extracts the metal. Construction is estimated to start on site on its initial 1,000 tonne per annum magnesium plant in first quarter of 2022 with production commencing up to 12 months later in fourth quarter of 2022. The plant will then be expanded to 10,000 tonne per annum magnesium shortly thereafter. Further plant capacity expansion will be considered once the 10,000 tonne per annum is operating successfully. The plant will be in the heart of Victoria's coal power generation precinct, providing immediate access to feedstock, infrastructure, and labour.

LMG plans to sell the refined magnesium under long-term contracts to USA and Japanese customers. Currently, Australia imports 100% of the 8,000 tonnes annually consumed.

Magnesium has the best strength-to-weight ratio of all common structural metals and is increasingly used in the manufacture of car parts, laptop computers, mobile phones, and power tools.

The LMG project is at the forefront of environmental benefit – by recycling power plant waste, avoiding landfill and is a low CO<sub>2</sub> emitter. LMG adopts the principles of an industrial ecology system.