Latrobe Magnesium

2022 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

Chief Executive Officer
David Paterson

Secretary
John Lee

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Telephone: (02) 9279 2033

Bankers

National Australia Bank Limited
Mezzanine Level
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Sydney NSW 2000

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ASX CODE: LMG

REVIEW OF OPERATIONS

LATROBE MAGNESIUM PROJECT

1. Overview

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

- Officially awarded EPCM to Mincore, further detailed engineering of the demonstration plant commenced.
- Completed value engineering summary and trade-off study reports, adding value to the project.
- Completed site surveying and underground service location.
- Completed repairs of existing fences and construction of RTL subdivision fencing.
- Completed architectural drawings for the administration building refurbishment. Contract package for the administration building, security gatehouse and carpark were tendered and awarded for construction to allow mobilisation for major construction contractors. Construction works are expected to be completed in September 2022.
- Completed site clean-up, electrical services restoration and other remedial works to get ready for construction works of the demonstration plant.
- Completed HAZOP findings and electrical engineering has commenced with the power distribution and control system design.
- Tenders for the long lead items, Spray Roaster and Reduction Furnace, are partially awarded.
- Tender packages for other major equipment such as briquetting plant, filters, pumps, evaporator, automation, thickeners, agitators, non-metallic tanks, scrubber, RO Plant and cooling tower have been prepared.
- Continued test work undertaken with CSIRO for the detailed design and modelling of the reduction furnace area including briquette loading and product unloading.
- Finalising the process flowsheet and updating the mass and energy balance to incorporate new test work and vendor data.
- Completed sub-lease agreement with RTL Mining & Earthworks Pty Ltd to utilise 20,000 m² of Lot 6 of Hazelwood N site to establish a new base for its transport operation.
- Exercised option in December 2021 to purchase 320 Tramway Road site at the agreed price of $5 million, $2.25 million paid by cash, $2.25 million by LMG shares at 10 cents per share and $500,000 by LMG shares at 0.095 per share in February 2022. This included the crane purchase.
- Completed two capital raisings by placements in October and November 2021 raising a total of $14.5 million to fund the magnesium project.
- Completed facility agreement for $23 million in project funding plus capitalized interest, with $20 million to be drawn for construction purposes up to $39 million construction budget and a $3 million standby line available as a contingency to fund any construction cost over-run.
- Regional Development Grant Agreement with the State of Victoria and LMG was signed on 29th June 2022 for the provision of funding to support the demonstration plant. This funding will depend upon LMG reaching milestones in 2023.

2. Magnesium Markets

In the calendar year ended 31 December 2021, the primary world production of magnesium increased to 1.085 million tonnes. China's estimated primary production for the calendar year 2021 was approximately 88% 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.

REVIEW OF OPERATIONS

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

During the year, the magnesium price traded at all time high with prices FOB China hitting US$10,664 in September 2021. The spot prices as at 30 June 2022 were, as follows:

		30-Jun-22	30-Jun-21
FOB China	US$ per tonne	3,996	3,260

Owing to United States anti-dumping duties, the USA delivered price was in the order of double the FOB China price per tonne.

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. 100,000 PFS Study

In February 2022, LMG met with local suppliers and contractors at Town Hall for the major construction and equipment packages that needed to be issued, with the goal to prioritise local suppliers within the Latrobe Valley.

LMG has awarded a Pre-Feasibility Study (PFS) for its 100,000 tpa magnesium plant to Bechtel, a global engineering, construction, and project management company. The PFS will evaluate strategic options to leverage and develop the 100,000tpa plant at an overseas location, to be selected during the PFS. Upon completion of the PFS, LMG will hold discussions with potential joint venture partners who wish to participate in its project.

The project is expected to generate in order of $1B in annual revenue and an EBITDA is estimated to be in the order of $600M whilst generating net-zero CO_2 emissions using LMG's unique technology and a renewable energy source.

4. 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. Further Geotech work is required to be undertaken to determine the Yallourn ash supply that can be used. This work will be completed in 2022. Then the final size of the Latrobe Plant will be determined.

5. Community Briefings

LMG has also updated its website so that it is more interactive with all stakeholders. It also has a Linkedin and Twitter sites for the provision of information. In September 2021, LMG organised an investor webinar to update all stakeholders on the progress of the Latrobe magnesium project.

LMG has committed to hold two further Community briefings through the development of the project and report on the emissions and other matters. It is currently planning a Community briefing in early October 2022. LMG believes in having a social licence with the Community in which it operates.

REVIEW OF OPERATIONS

6. 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. LMG is currently investigating the use of renewables for its 10,000tpa plant from a nearby solar farm project.

7. EPA Planning Approval

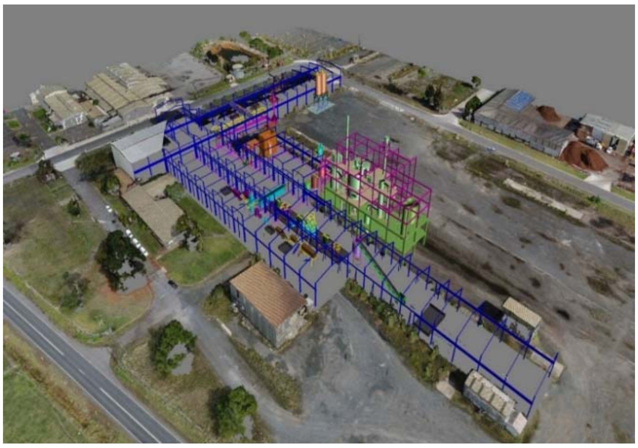
On 16 September 2020, LMG's application to the Environmental Protection Authority (EPA) for its research, development and demonstration application for its initial 3,000 tpa magnesium plant at 320 Tramway Road Hazelwood North was approved and a certificate issued. The approval allows LMG to operate the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

8. The Magnesium Metal Production Facility

Most of the site preparation work for the construction of the "demonstration-scale" magnesium metal production facility using ash from the Yallourn W power station as raw material, has been completed. Construction has commenced on site in the first quarter 2022.

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



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

The process is anticipated to have 62 percent reduction in carbon emissions compared to the usual normal magnesium Chinese industry performance. This is due to the lower concentration of carbonates in the fly ash, compared with the normal dolomite ore feedstock. Also, the key chemical consumable, ferrosilicon, is manufactured using hydro-electricity.

REVIEW OF OPERATIONS

9. Purchase of 320 Tramway Road, Hazelwood North

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. The total purchase price of the property and its cranes 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

RnD Equipment Pty Ltd were nominated as the purchaser of the 10 cranes from the Tramway Road's owners. These cranes will be used to automate the loading and unloading of the smelters and are eligible for the Company's Research and Development rebate.

320 Tramway Road property contains 14,000m² of buildings in the form of an administration building and a number of large industrial buildings which are 12 metres high. These buildings are ideal to house LMG's demonstration plant.

The site is close to rail, freeway, gas and water pipelines. In addition, the site is near to a new solar power development which has been permitted by the Latrobe City Council and the Victorian State Government. Given LMG can connect to this solar farm development, its magnesium and other products will produce zero or very little CO^2 emissions.

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

10. Warrant Issue

Under the October 2018 funding agreement with RnD Funding Pty Ltd, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the drawdown dates. All 12,495,000 unlisted warrants were exercised by RnD Funding Pty Ltd at $0.02 in October 2021, December 2021 and March 2022.

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. In November 2021, 12,666,000 warrants were exercised at $0.03 by RnD Funding Pty Ltd. The remaining 23,223,199 warrants are exercisable at $0.03 prior to 15 October 2022.

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

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

REVIEW OF OPERATIONS

11. Capital Raisings

On 19 October 2021, the Company issued 120,000,000 fully paid ordinary shares at $0.025 per share to sophisticated and professional investors pursuant to a private placement, raising gross proceeds of $3 million. 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 for a term of 2 years payable on or before 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, raising gross proceeds of $11.5 million. 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 for a term of 23 months payable on or before 26 October 2023.

On 19 November 2021, the Company issued 4.5 million options at an exercise price of 4 cents for a term of 23 months payable on or before 26 October 2023 for the payment of marketing costs associated with the November capital raising. An additional 25.5 million options were issued in January 2022 on the same terms and for the same reason.

The total proceeds of $14.5 million provides funding to continue the development of the Company's demonstration plant.

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. The facility agreement was signed on 16 May 2022 and is available to be drawn in three tranches:

(i) $10,000,000 in full, was drawn on 24 June 2022;

(ii) $10,000,000 in full, on or before 30 September 2022; and

(iii) standby line of $3,000,000 available to be drawn between 1 January 2023 and 30 June 2023.

Mandate fee is 1.25% and establishment fee is 1% which are paid in LMG shares.

Interest rate is 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 2023 from R&D refundable tax offsets and refinancing of the residual amount of the facility. If not repaid, the interest rate will be reset to higher levels.

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.

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 2022 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
K A Torpey	Non Executive Director (deceased on 8 February 2022)
P F Bruce	Non Executive Director
J R Lee	Non Executive Director
M F Wandmaker	Non Executive Director (appointed on 1 April 2022)
M L Blackburn	Non Executive Director (appointed on 1 September 2022)

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

- Contract packages for the administration building, security gatehouse and carpark were awarded for construction to allow mobilisation for major construction contractors. Construction works are expected to be completed in September 2022.
- Completed site clean-up, electrical services restoration and other remedial works to get ready for construction works of the demonstration plant.
- Tenders for the long lead items, Spray Roaster and Reduction Furnace, are partially awarded.
- Tender packages for other major equipment such as briquetting plant, filters, pumps, evaporator, automation, thickeners, agitators, non-metallic tanks, scrubber, RO plant and cooling tower are being awarded.
- Continued test work undertaken with CSIRO for the detailed design and modelling of the reduction furnace area including briquette loading and product unloading.
- Completed two capital raisings by placements in October and November 2021 raising a total of $14.5 million to fund the magnesium project.
- Exercised option in December 2021 to purchase 320 Tramway Road site at the agreed price of $5 million, $1.96 million paid by cash, $2.25 million by LMG shares at 10 cents per share and $0.79 million by LMG shares at 9.5 cents per share, both issues made in February 2022.
- Completed facility agreement in June 2022 for $23 million in project funding plus capitalized interest, with $20 million to be drawn in 2022 and a $3 million standby line available in 2023, as a contingency to fund any construction cost over-run.
- Finalising Regional Development Grant Agreement with the State of Victoria providing LMG up to $1 million grant.

OPERATING RESULTS

The consolidated net loss of the Group after providing for income tax amounted to $3,205,891 compared to a net profit of $120,256 for the previous corresponding period. The loss was mainly due to the costs incurred in expanding the owner's team management, ongoing test work on Yallourn fly-ash. The 2021 net loss reported in the prior year of $2,352,959 has been restated to a profit of $120,256 due to recognition of a tax losses deferred tax asset of $2,473,215 in relation to 2021 income tax liability amounting to $1,674,756, which is assessed resulting from a prior year adjustment to the 2021 income tax return.

Further information on review of operations of the Group is shown separately in the Directors' Review of Operations on Page 4 to 8 of this report.

DIRECTORS' 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 $14,583,849 from $33,943,635 to $48,527,484 as a result of issuing the following fully paid ordinary shares:

Date	Purpose	Shares Issues	$/Share	Amount $
14 Oct 2021	Payment of financial costs pursuant to lending agreement	1,155,306	0.0277	31,976
28 Oct 2021	Private Placement minus placement fees	120,000,001	0.025	3,000,000 (180,000)
18 Oct 2021	Exercise of unlisted warrants	12,666,000	0.03	379,980
19 Nov 2021	Private Placement minus placement fees minus financing costs, Black-Scholes value of 30,000,000 options @ $0.04	11,500,000	0.10	11,500,000 (690,000) (3,255,634)
15 Dec 2021	Exercise of unlisted warrants	4,165,000	0.02	83,300
23 Dec 2021	Exercise of listed options	969,434	0.04	38,777
08 Feb 2022	Payment of 50% 320 Tramway Rd purchase price Payment of crane equipment in 320 Tramway Rd	22,500,000 8,319,809	0.10 0.095	2,250,000 788,100
14 Feb 2022	Exercise of listed options	913,750	0.04	36,550
29 Mar 2022	Exercise of unlisted warrants	4,165,000	0.02	83,300
30 Jun 2022	Payment of financial costs pursuant to lending agreement	6,917,191	0.0784	517,500
				14,583,849

MATTERS SUBSEQUENT TO BALANCE DATE

On 2 September 2022, LMG executed the full contract with Tenova for the delivery of their spray roaster by May 2023 at a cost of $5.8 million.

There is no other matter or circumstance that has arisen since 30 June 2022 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2022, of the Group;
(b) the results of those operations; or
(c) the state of affairs, in financial years subsequent to 30 June 2022, of the Group.

On 25 August 2022, the financial report was authorised to be signed by a resolution of Directors.

LIKELY DEVELOPMENTS

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 it would be likely to result in unreasonable prejudice to the Group.

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

DIRECTORS' REPORT

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.

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.

David Oliver Paterson – Chief Executive Officer

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 Member of Audit Committee
Interests in securities	132,538,284 ordinary shares in Latrobe Magnesium Limited, 21,467,762 held as a direct interest and 111,070,522 registered in the name of Rimotran Pty Limited as trustee for the David Paterson Super Fund.

DIRECTORS' REPORT

Philip Francis Bruce – Non-Executive Director

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	Director of Ora Gold Limited
Former public company directorships in last 3 years	None
Special responsibilities	None
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.

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 Committee
Interests in securities	7,274,297 ordinary shares in Latrobe Magnesium Limited, 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	None
Interests in securities	None

DIRECTORS' REPORT

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.

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	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 2022 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	6	6	-	-
D O Paterson	6	6	2	2
K A Torpey	3	3	-	-
P F Bruce	6	6	-	-
J R Lee	6	6	2	2
M F Wandmaker	2	2	-	-

The Board has yet to appoint a Nomination and a Remuneration Committee. The matters that would normally be the responsibility of these committees are dealt with by the full Board of Directors.

Retirement, Election and Continuation in Office of Directors

Mr J R Lee is the Director retiring by rotation at the next Annual General Meeting of the Company. Mr Lee 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 Page 12.

Mr M F Wandmaker, appointed during the year, and being eligible, offers himself for election. His background, experience and qualification are detailed on Page 12.

Ms M L Blackburn, appointed during the year, and being eligible, offers herself for election. Her background, experience and qualification are detailed on Page 13.

DIRECTORS' REPORT

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

The Board has not yet formed a separate Remuneration Committee and all matters that would normally be the responsibility of a Remuneration Committee are dealt with by the full Board of Directors.

Key Management Personnel

The full Board of Directors sets 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.

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%

2021 Directors	Base Emoluments	Equity Options	Bonuses	Total	Performance Related
	$	$	$	$	%
J S Murray	45,000	-	-	45,000	-
D O Paterson	311,604	-	-	311,604	-
K A Torpey	26,808	-	-	26,808	-
P F Bruce	26,808	-	-	26,808	-
J R Lee	26,808	-	-	26,808	-
	437,028	-	-	437,028	-

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

DIRECTORS' REPORT

Service Agreements

There are currently no service agreements in place formalising the terms of remuneration of Directors or other key management personnel 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 2021	Acquired under Share Purchase Plan for Shareholders	Acquired Under Debt Conversion to Equity	Net Change - Other	Balance at 30 June 2022
J S Murray	17,715,559	-	-	-	17,715,559
D O Paterson	132,538,285	-	-	(1)	132,538,284
* K A Torpey	102,962,553	-	-	102,962,553*	-
P F Bruce	13,665,986	-	-	-	13,665,986
J R Lee	7,274,297	-	-	-	7,274,297
M F Wandmaker	-	-	-	-	-

* Deceased on 8 February 2022

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 2022

END OF AUDITED REMUNERATION REPORT

UNLISTED WARRANTS

Under the October 2018 funding agreement with RnD Funding Pty Ltd, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the drawdown dates. All 12,495,000 unlisted warrants were exercised by RnD Funding Pty Ltd at $0.02 in October 2021, December 2021 and March 2022.

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. In November 2021, 12,666,000 warrants were exercised at $0.03 by RnD Funding Pty Ltd. The remaining 23,223,199 warrants are exercisable at $0.03 prior to 15 October 2022.

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

DIRECTORS' REPORT

Unlisted Warrants	
Total warrants outstanding at beginning of the period	48,384,199
Granted in the period	80,000,001
Exercised in the period	(25,161,000)
Lapsed in the period	-
Outstanding at the end of the period	103,223,200

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 2022, five shareholders exercised a total of 1,883,184 options at $0.04.

Listed Options	
Total options outstanding at beginning of the period	-
Granted in the period	118,750,001
Exercised in the period	(1,883,184)
Lapsed in the period	-
Outstanding at the end of the period	116,866,817

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.

DIRECTORS' REPORT

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	65,000
Taxation and Other Services	11,000

	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*.

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 18 and forms part of this report.

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

D. Paterson

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

29 September 2022

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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 2022, 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: 29 September 2022
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 2022 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

29 September 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2022

	Note	GROUP 2022 $	GROUP 2021 $
Revenue			
Finance income		16,412	8,656
Other income		1,329,952	837,913
	3	1,346,364	846,569
Expenses			
Administration expenses		(2,992,678)	(1,248,616)
Employee benefit expenses		(672,866)	(379,526)
Finance cost		(31,976)	(904,645)
Research and evaluation expenses		(854,735)	(666,741)
Total expenses	3	(4,552,255)	(3,199,528)
Loss before Income Tax		(3,205,891)	(2,352,959)
Income tax benefit	4	-	2,473,215
Loss/(profit) attributable to members of the parent entity		(3,205,891)	120,256
Other Comprehensive Income			
Other Comprehensive Income for the year		-	-
Total Comprehensive Income		(3,205,891)	120,256

	Note	GROUP 2022	GROUP 2021
Basic and diluted loss per share (cents per share)	18	(0.22)	0.009

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	GROUP 2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	5	15,246,819	954,249
Trade and other receivables	6	3,499,352	2,255,701
Total Current Assets		18,746,171	3,209,950
NON-CURRENT ASSETS			
Trade and other receivables	6	85,973	158,037
Plant and equipment	7	13,753	22,054
Demonstration plant	8	6,262,575	1,322,570
Right-of-use asset	9	80,333	689,239
Intangible assets	10	6,916,460	6,905,851
Land, Property & Equipment	11	5,282,390	-
Total Non-Current Assets		18,641,484	9,097,751
TOTAL ASSETS		37,387,655	12,307,701
CURRENT LIABILITIES			
Trade and other payables	12	1,962,297	1,817,747
Lease liabilities	9	9,731	92,276
Income Tax Payable		1,647,756	1,647,756
Total Current Liabilities		3,619,784	3,557,779
NON CURRENT LIABILITIES			
Borrowings	13	5,507,314	-
Lease liabilities	9	72,190	606,127
Deferred income	8	5,481,346	3,983,724
Total Non Current Liabilities		11,060,850	4,589,851
TOTAL LIABILITIES		14,680,634	8,147,630
NET ASSETS		**22,707,021**	**4,160,071**
EQUITY			
Issued capital	14	48,527,484	33,943,635
Reserves	15, 16	7,383,847	382,240
Accumulated losses		(33,204,310)	(30,165,804)
TOTAL EQUITY		**22,707,021**	**4,160,071**

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

GROUP	Note	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2020		33,562,283	382,240	(30,286,060)	3,658,463
Total comprehensive income		-	-	120,256	120,256
Shares issued during the period	14	381,352	-	-	381,352
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 30 June 2022		**48,527,484**	**7,383,847**	**(33,204,310)**	**22,707,021**

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

STATEMENT OF CASHFLOWS
For the year ended 30 June 2022

	Note	GROUP 2022 $	GROUP 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		814,413	8,817,342
Payments to suppliers and employees		(4,569,889)	(1,711,321)
Interest and other financial costs paid		-	(1,227,970)
Interest received		16,412	8,656
Net cash (used in) / from operating activities	17b	(3,739,064)	5,886,707
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		-	(22,475)
Payment to acquire Demonstration Plant		(3,363,636)	(1,322,571)
Payment to acquire property		(2,302,238)	-
Payment of International Patent expenditure		(10,609)	(8,316)
Rent and deposit bonds		(15,973)	(184,873)
Net cash (used in) investing activities		(5,692,456)	(1,538,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		14,788,100	-
Transaction costs related to issue of shares		(870,000)	-
Proceeds from exercise of warrants and options		621,908	-
Repayment of Borrowing		-	(3,642,363)
Proceeds from Borrowing		9,500,000	310,000
Transaction costs related to borrowings		(100,000)	-
Repayment of lease liabilities		(198,418)	(100,389)
Short term lending		(17,500)	-
Net cash from / (used in) financing activities		23,724,090	(3,432,752)
Net increase in cash and cash equivalents held		14,292,570	915,720
Cash and cash equivalents at beginning of the financial year		954,249	38,529
Cash and cash equivalents at end of financial year	17a	15,246,819	954,249

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 2020-8: Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2

This Standard amends the Standards listed to help entities to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities' financial statements. As a result of these amendments, an entity: will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

AASB 2021-3 Amendment to AASB 16 Leases - COVID-19 rent concessions

Extends the practical expedient contained in AASB 2020-4 and permits lessees not to assess whether rent concessions as a direct consequence of the COVID-19 pandemic that reduce lease payments originally due on or before 30 June 2022 are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

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).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

Prior Period Error

Income Tax and Deferred Income Liability

As a result of a credit note of $15.85 million provided to the Company dated 25 June 2021 from Mincore, a taxable income was derived in the 2021 financial year, such that there is income tax payable of $1,647,756 at 30 June 2021 after recoupment of available tax losses. Due to the credit note not being delivered to the Company until towards the end of the 2022 financial year, the income tax payable was not recorded in the 2021 annual report or December 2021 half-year financial report. Consequential adjustments have been made in the 2022 annual report to correct in the comparative year presented the material prior period error to recognise:

i) income tax payable of $1,647,756 as at 30 June 2021
ii) income tax benefit of $2,473,215 for the year ended 30 June 2021 for previously unrecognised tax losses carried forward from prior period now utilised
iii) reduction of deferred income liability by $4,120,971 as at 30 June 2021, being $15.85 million assessable amount at 26% tax rate. As the credit note relates to amounts previously received in respect of research and development tax incentive for the demonstration plant design and construction, which funding had been recognised as deferred income liability, that liability has also been reduced to reflect its partial repayment through the utilised tax losses.

30 June 2021	Balance before correction $	Effect of correction $	Balance as presented $
Adjustments made to the statement of profit or loss and other comprehensive income year ended 30 June 2021:			
- Income tax (expense)/benefit	-	2,473,215	2,473,215
- Profit/(loss) attributable to members of the parent entity	(2,359,959)	2,473,215	120,256
- Total comprehensive income	(2,359,959)	2,473,215	120,256
- Basic and diluted loss per share (cents per share)	(0.26)	0.269	0.009
Adjustments made to the statement of financial position:			
- Income tax payable	-	1,647,756	1,647,756
- Deferred income liability	8,104,695	(4,120,971)	3,983,724
Adjustments made to the statement of changes in equity			
- Total comprehensive income	(2,352,959)	2,473,215	120,256

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 26.

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 19 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

<u>Functional and presentation currency</u>

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.

<u>Transaction and balances</u>

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

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

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

d. Plant and Equipment

Plant and equipment 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 10 years.

Patents

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

f. 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.

Lease liabilities

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 costs are deferred and recognised in profit or loss over the period necessary to match them with the costs 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

Interest

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.

Research and development tax rebate

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.

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 for the year ended 30 June 2022 because:

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

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

- budgeted cash flow period of 20 years, which approximates the project’s life, based on current inputs;
- initial production of 1,000 tonnes increasing to 10,000 tonnes;
- magnesium metal price of US$3,500 per tonne is used which represents the average price FOB China and double the price for the United States.

- market information for forward exchange rates;
- operating costs and inputs based upon third party consultant's estimates and the feasibility study;
- capital costs based upon the detailed feasibility study; and
- pre-tax discount rates of 10% and 15%.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the Consolidated Entity's business operations, supply chain and staffing. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently because of the Coronavirus (COVID-19) pandemic.

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 2022. 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 2020-3: Annual Improvements to IFRS Standards 2018–2020 and Other Amendments (applies from years commencing on or after 1 January 2022)

This Standard amends: 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; AASB 3 to update references to the Conceptual Framework for Financial Reporting; 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; 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; AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and AASB 141 to align the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current (applies from years commencing on or after 1 January 2023)

Amends AASB 101 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver, a breach of covenant, or settlement of the liability).

AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (applies from years commencing on or after 1 January 2023)

This Standard amends: AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and 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.

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

(ii) Interest Rate Risk

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

The Group's exposure to interest rate risk only extends to cash and cash equivalents and borrowings at balance date. The Group's exposure to interest rate risk at 30 June 2022 and 30 June 2021 is set out in the following tables:

CONSOLIDATED

Year ended	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest maturing in				Total
30 June 2022			1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	
	%	$	$	$	$	$	$
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

Year ended 30 June 2021	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing in Over 1 to 5 years	Fixed Interest maturing in More than 5 years	Non-interest bearing	Total
	%	$	$	$	$	$	$
Financial assets							
Cash & cash equivalents	0.3	900,736	-	-	-	53,513	954,249
Trade & other receivables		-	-	-	-	2,413,738	2,413,738
Total Financial Assets		900,736	-	-	-	2,467,251	3,367,987
Financial liabilities							
Borrowings		-	-	-	-	-	-
Trade and other payables		-	-	-	-	(1,817,747)	(1,817,747)
Net financial assets		900,736	-	-	-	649,504	1,550,240

(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 currency.

(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 2022 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 2022	GROUP 2021
		$	$
The following revenue and expense items are relevant in explaining the financial performance for the period.			
(i)	**Revenue**		
	Finance Income	16,412	8,656
	Other Income		
	Research and development tax rebate	1,329,952	814,413
	Government Grants	-	23,500
		1,346,364	846,569
(ii)	**Expenses**		
	Depreciation – Equipment	7,406	1,992
	Depreciation – Lease	191,647	133,953
	Research and evaluation expenses	854,735	666,741
	Directors and CEO fees	709,347	437,028

NOTE 4: INCOME TAX EXPENSE

	GROUP 2022	GROUP 2021
	$	$
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	(3,205,891)	(2,352,959)
Prima facie tax benefit/(expense) on loss from ordinary activities before income tax at 30% (2021: 26%)	961,768	611,769
Permanent differences relating to R&D claim	(917,208)	(486,776)
Decrease / Increase in income tax benefit due to timing differences	449,481	(124,993)
Tax losses not brought to account as deferred tax asset	(494,041)	-
Recognition of tax losses as deferred tax asset	-	2,473,215
Income tax (expense) / benefit attributable to loss from ordinary activities before income tax	-	2,473,325

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

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 2022	GROUP 2021
Benefit of tax losses carried forward:	$	$
Tax losses carried forward	849,651	296,342
Capital losses	818,514	682,095
	1,668,165	978,437
2021 Prior Year Adjustment - Assessable Income		
A credit note in respect of contract services not provided in 2021, which is treated as assessable income	-	15,849,888
Revenue losses to offset	-	(9,512,365)
Taxable amount to be assessed	-	6,337,523
Tax payable at 26%	-	1,647,756

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 2022	GROUP 2021
	$	$
Cash at bank	15,246,819	954,249

NOTE 6: TRADE AND OTHER RECEIVABLES

	GROUP 2022	GROUP 2021
CURRENT	$	$
R&D tax concession rebate	2,827,574	814,413
GST recoverable	59,617	40,704
RND Funding loan receivable	517,500	-
Rent bond	46,123	46,123
Refundable prepayment	48,538	1,354,461
	3,499,352	2,255,701
NON-CURRENT		
Rent and deposit bonds	85,973	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: PLANT AND EQUIPMENT

	GROUP	
	2022	**2021**
	$	**$**
Plant and equipment at cost	23,178	30,372
Accumulated depreciation	(9,425)	(8,318)
Total Plant and Equipment	13,753	22,054

Movements in Carrying Amounts

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

	Plant and Equipment	
	2022	**2021**
	$	**$**
Balance at 1 July	22,054	1,571
Additions	-	22,475
Disposal	(896)	-
Depreciation expense	(7,405)	(1,992)
Carrying amount at 30 June	13,753	22,054

NOTE 8: DEMONSTRATION PLANT

	GROUP	
	2022	**2021**
	$	**$**
Capitalised costs of the Demonstration Plant (i)	6,224,403	1,322,570
Capitalised borrowing costs(ii)	38,172	-
	6,262,575	1,322,570

(i) Engineering studies and design work has completed and tenders of the construction contracts and equipment have been awarded. Construction work of the initial 1,000 tpa magnesium plant has commenced. These costs have been capitalised as demonstration plant asset of $6,224,403.

(ii) 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 first $10 million was drawn on 24 June 2022. It is classified as a non current liability as the first loan repayment instalment is not due until 12 July 2024 with repayment permitted without penalty from 31 October 2023. The loan finance costs comprised of mandate fee and establishment fee of $517,500 were paid by issue of LMG shares and other transaction costs of $100,000 was paid in cash. Under the facility agreement, 80,000,001 unlisted warrants were issued with the value of $3,913,358 calculated by the Black-Scholes method. The finance costs and warrants fair value issued under the terms of the facility agreement are initially set-off against the loan facility proceeds as loan transaction costs but are eligible borrowing costs for capitalisation progressively to the demonstration plant asset (until its completion) as they are unwound to the loan carrying value over the loan term. The interest on the loan is also an eligible borrowing cost.

Capital Commitments

The Company has committed to $9.56 million of future capital expenditure on the Demonstration Plant at 30 June 2022 to Mincore.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

Deferred Income Liability

As the plant is now expected to be completed by 30 June 2023, the reduced 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.

The adjustment of the Deferred Income as a result of the receipt of a credit note of $15,849,888 against the Mincore invoice amount of $18,632,000 is summarised below.

	GROUP	
	2022	**2021**
	$	**$**
R&D Tax Concession Refund	3,983,724	8,104,695
Less assessable credit note of $15,849,888 at income tax rate of 26%	-	(4,120,971)
Plus R&D claim in 2022	1,497,622	-
	5,481,346	3,983,724

NOTE 9: LEASING COMMITMENTS

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

	GROUP	
	2022	**2021**
	$	**$**
Right of Use Asset	462,726	879,984
Accumulated Depreciation	(382,393)	(190,745)
	80,333	689,239
Lease Liability	462,726	879,984
Interest Expense for the year	16,537	17,160
Lease Payments during the year	(397,342)	(198,741)
Lease Liability at end of year	81,921	698,403
Current Lease Liability	9,731	92,277
Non Current Lease Liability	72,190	606,126
Total Lease Liability	81,921	698,403

Lease Commitments	George St Sydney	Clarence St Sydney	Tramway Road	Traralgon	Traralgon	Total
Right of use of assets	Jul-19 to Nov-21	Dec-21 to Nov-24	Apr-21 to Dec-21	May-21 to May 22	May-22 to May 23	
Value of Lease	154,976	74,000	184,017	24,867	24,867	462,726
Accumulated Depreciation	(154,976)	(14,389)	(184,017)	(24,867)	(4,144)	(382,393)
	-	59,611	-	-	20,722	80,333
Lease Liability	154,976	74,000	184,017	24,867	24,867	462,726
Interest Expense	10,526	1,751	3,483	613	164	16,537
Lease Payment	-165,501	-14,614	-187,500	-25,480	-4,247	(397,342)
	-	61,137	-	-	20,784	81,921
Current Liability	-	5,617	-	-	4,114	9,731
Non Current Liability	-	55,520	-	-	16,670	72,190
	-	61,137	-	-	20,784	81,921

- Sydney Lease – The George Street office lease expired on 30 November 2021.
  The new Administration Office is now at 80 Clarence Street, Sydney.

  Term: 1 December 2021 to 30 November 2024.
  Monthly rent $2,959 as at 1 December 2021.
  Rental increase 4% per annum
  Interest rate Incremental borrowing rate 4.52% at 1 December 2021 to measure lease liability

- Hazelwood North Lease – Magnesium Plant and associated facilities

  The Company purchased this site at 320 Tramway Road, Hazelwood North on 8 February 2022. The leasing commitment was cancelled on 16 December 2021 and lease liability adjusted.

- Traralgon Lease – Operation Unit

  Term: 21 May 2021 to 20 May 2022, renewed 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	
	2022	**2021**
	$	**$**
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.	152,460	141,851
Total Intangible Assets	6,916,460	6,905,851

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

- budgeted cash flow period of 20 years, which approximates the project's life, based on current inputs;
- initial production of 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 and double the price for the United States;
- market information for forward exchange rates;
- operating costs based upon third party consultant's estimates;
- capital costs based upon the detailed feasibility study; and
- pre-tax discount rates of 10% for the 1,000tpa plant and 15% for the 10,000tpa plant owing to the degree of design and engineering complete on each.

NOTE 11 LAND, PROPERTY & EQUIPMENT

The purchase price together with capitalised costs are summarised below:

	GROUP	
	2022	**2021**
320 Tramway Road, Hazelwood North, VIC 3840	$	$
Land and property	2,119,000	-
Crane equipment	2,881,000	-
Stamp duty	150,875	
Administration building improvement	131,515	
Total	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

NOTE 12: TRADE AND OTHER PAYABLES

	GROUP	
	2022	**2021**
	$	**$**
Trade creditors and accrued expenses	1,927,561	1,801,877
Employee annual leave accrued	34,736	15,870
Total	1,962,297	1,817,747

NOTE 13: BORROWINGS - SECURED

	GROUP	
	2022	**2021**
Non Current	**$**	**$**
First draw down on 24 June 2022	10,000,000	-
Interest accrued	23,333	-
Less transaction costs	(4,530,866)	
Plus transaction costs amortisation	14,847	
Carrying value as at 30 June 2022	5,507,314	-

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

Lender	RnD Funding Pty Ltd
Loan Term	Four years and nine months expiring 31 March 2027
Total Loan $23 million	$10,000,000 was drawn on 24 Jun 2022 $10,000,000 to be drawn around 30 September 2022 $ 3,000,000 standby line to be drawn between Jan-Jun 2023
Interest Rate	12% per annum up to 31 October 2023, 1.4% per annum thereafter
Financing Costs	Mandate fee 1.25% and establishment fee 1% totaling $517,500 paid by issue of LMG shares. Transaction costs $100,000 paid by cash. 80 million warrants issued to the lender at a fair value of $3,913,358. The financing costs are subtracted from the loan proceeds and unwound over the loan term of 4 years and 9 months to 31 March 2027.

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

NOTE 14: ISSUED CAPITAL

		GROUP 2022 $	GROUP 2021 $
(a) Ordinary Shares Issued and Fully Paid			
Balance at beginning of reporting period		33,943,635	33,562,283
12 Jan 2021	17,334,182 shares issued at $0.022 to convert outstanding fees owing to Directors and Project Director.	-	381,352
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 pursuant to exercise of unlisted warrants	379,980	-
19 Nov 2021	115,000,000 shares issued at $0.10 pursuant to a private placement, minus placement fees at 6%	11,500,000 (690,000)	-
19 Nov 2021	30,000,000 options @ $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 pursuant to exercise of unlisted warrants	83,300	-
23 Dec 2021	969,434 shares issued @ $0.04 pursuant to 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 pursuant to exercise of listed options	36,550	-
29 Mar 2022	4,165,000 shares issued at $0.02 pursuant to exercise of unlisted warrants	83,300	-
30 Jun 2022	6,917,191 shares issued at $0.0784 being financing costs pursuant to lending agreement	517,500	-
		48,527,484	33,943,635

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

(b) Shares on Issue	No.	No.
Balance at beginning of reporting period	1,313,837,251	1,296,503,069
Share on Issues:		
• 12 January 2021	-	17.334,182
• 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	
Balance at end of reporting period	1,610,608,742	1,313,837,251

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 23: 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.

- Completed two capital raisings by placements in October and November 2021 raising a total of $14.5 million to fund the magnesium project.
- Completed facility agreement for $23 million in project funding plus capitalized interest, $10 million was drawn on 24 June 2022, $10 million to be drawn in September 2022 and a $3 million standby line available in 2023, as a contingency to fund any construction cost over-run.
- Finalising a Regional Development Grant agreement with the State of Victoria for a grant of up to $1 million.

NOTE 15: UNLISTED WARRANTS

Under the October 2018 funding agreement with RnD Funding Pty Ltd, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the drawdown dates. All 12,495,000 unlisted warrants were exercised by RnD Funding Pty Ltd at $0.02 on October 21, December 21 and March 2022.

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. In November 2021, 12,666,000 warrants were exercised at $0.03 by RnD Funding Pty Ltd. The remaining 23,223,199 warrants are exercisable at $0.03 prior to 15 October 2022.

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

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

Unlisted Warrants	
Total warrants outstanding at beginning of the period	48,384,199
Granted in period	80,000,001
Exercised in the period	(25,161,000)
Lapsed in the period	-
Outstanding at the end of the period	103,223,200

Warrant Reserves

Calculated by Black-Scholes	Warrants	Value
Issued under funding agreement October 2019	23,223,199	$214,845
Issued under funding agreement May 2022	80,000,001	$3,913,358
Carrying value as at 30 June 2022	103,223,200	$4,128,213

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. 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.

As at 30 June 2022, five shareholders exercised a total of 1,883,184 options at $0.04.

Listed Options	
Total options outstanding at beginning of the period	-
Granted in the period	118,750,001
Exercised in the period	(1,883,184)
Lapsed in the period	-
Outstanding at the end of the period	116,866,817

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

Option Reserve

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

NOTE 17: CASH FLOW INFORMATION

		GROUP	
		2022	2021
		$	$
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	15,246,819	954,249
b.	**Reconciliation of cash flow from operating activities to operating loss after income tax:**		
	Net (loss) / profit	(3,205,891)	120,256
	Profit / Loss Adjustment of non-cash items:		
	Deferred tax asset recognized on tax losses	-	(2,473,215)
	Depreciation of equipment	7,406	1,992
	Depreciation of leases	191,647	133,954
	Loss on disposal of assets	895	-
	Interest expense to measure lease liabilities	(623)	11,898
	Convert directors' & consultant's outstanding fees to shares	-	381,352
	Changes in Assets and Liabilities:		
	Decrease / (Increase) in receivables and other assets	(2,111,488)	6,646,882
	Increase / (Decrease) in trade and other payables	1,378,990	1,063,588
	Net Cash (used in) / from Operating Activities	(3,739,064)	5,886,707

c. Acquisition and Disposal of Entities

There was no acquisition and disposal of controlled entities during the 2022 or 2021 financial years.

d. Non-cash Financing and Investing Activities

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
	Warrants and Options	
	Refer to Notes 15 and 16 for details of Warrants and Options issued during 2021-22.	
2020-21	Fully Paid Ordinary Shares	
12-Jan-21	17,334,182 shares issued at $0.022 to convert outstanding fees owing to Directors and officer.	$
	Increase in issued capital	381,352
	Decrease in trade and other payables	381,352

NOTE 18: LOSS PER SHARE

		GROUP 2022	GROUP 2021
Reconciliation of loss to net loss:			
(a) Basic and diluted earnings / (loss) per share	cents per share	(0.22)	0.009
(b) Earnings / (Loss) used in the calculation of EPS	$	(3,205,891)	120,256
(c) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	share	1,490,473,832	1,305,740,051

There were 103,223,200 unissued shares under warrants at 30 June 2022 (2021: 48,384,199) and 116,866,817 unissued shares under options at 30 June 2022 (2021: Nil). The warrants and options issued have not been considered for the diluted EPS calculation as their effect would be anti-dilutive.

NOTE 19: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2021	Percentage Owned 2020
Parent Entity:		%	%
Latrobe Magnesium Limited	Australia	-	-
Subsidiaries of Latrobe Magnesium Limited			
Money Management WA Pty Ltd	Australia	100	100
Gold Mines of WA Pty Ltd	Australia	100	100
Magnesium Investments Pty Ltd	Australia	100	100
Ecoengineers Pty Ltd	Australia	100	100

NOTE 20: 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 21: 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;

(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**	
		2022	**2021**
		$	**$**
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	62,500	45,000
(ii)	Director's fees were paid to Famallon Pty Ltd of which K A Torpey is a principal.	21,737	26,808
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	68,404	26,808
(iv)	Director's fees were paid to Wandmaker Consultants Pty Ltd of which M F Wandmaker is a principal	12,500	-
(v)	Director's loan provided by D O Paterson, principal loan plus fee and interest, repaid on 7 January 2021.	-	292,086
(vi)	Director's loan provided by Famallon Pty Ltd of which K A Torpey is a principal, principal loan plus fee and interest, repaid on 7 January 2021.	-	280,545

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 $709,347 (2021: $437,028).

NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As set out at Note 1, the company has incurred an income tax liability of $1,647,756 in respect of the year ended 30 June 2021 as a result of an amended income tax return to be lodged. It is possible that a shortfall tax penalty may be imposed by the Australian Taxation Office but any penalty amount is yet to be assessed.

There are no other contingent liabilities or contingent assets for the year ended 30 June 2022 (2021: Nil).

NOTE 23: EMPLOYEE BENEFITS

Employees Share Acquisition Plan

The Shareholders approved at the last 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 24: EVENTS SUBSEQUENT TO REPORTING DATE

On 2 September 2022, LMG executed the full contract with Tenova for the delivery of their spray roaster by May 2023 at a cost of $5.8 million.

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

NOTE 25: GOING CONCERN

For the year ended 30 June 2022 the Group reported a loss after tax of $3,205,891 (2021: profit after tax of $120,256) and net cash outflows from operating activities of $3,739,064 (2021: inflows $5,886,707). The Company has secured a construction loan facility of $23 million with an approximately five year loan term. It is able to repay its trade creditors from its cash on hand, Regional Development Grant (when received) and GST refund.

NOTE 26: PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2022 the parent entity of the Group was Latrobe Magnesium Limited.

	2022	2021
	$	$
Result of parent entity		
Profit / (Loss) for the period	(3,205,891)	120,256
Other comprehensive income	-	-
Total comprehensive income for the period	(3,205,891)	120,256
Financial position of the financial entity at year end		
Current assets	18,746,171	3,209,950
Non-current assets	18,702,823	9,150,090
Total assets	37,448,994	12,369,040
Current liabilities	3,619,785	3,557,779
Non-current liabilities	11,060,850	4,589,850
Total liabilities	14,680,635	8,147,630
Net Assets	22,768,359	4,221,410
Total equity of the parent entity comprising of		
Issued capital	48,527,484	33,943,635
Reserves	7,383,847	382,240
Accumulated Losses	(33,142,972)	(30,104,465)
Total equity	22,768,359	4,221,410

Parent entity contingencies

The parent entity has no significant contingent liabilities.

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

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

Parent entity guarantees in respect of the debts of the subsidiaries

The parent entity has entered into deed of guarantee with the effect that its subsidiaries guarantee the secured loan detailed in Note 13, to Latrobe Magnesium Limited.

NOTE 27: 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	
	2022	**2021**
	$	$
Audit and Review of Financial Reports	65,000	50,000
Taxation and other services	11,000	8,000
	76,000	58,500

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 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 2022 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.

Key audit matter	How our audit addressed the key audit matter
Capitalised Development Costs ($6,764,000) *Refer to note 10 to the financial statements* Included in the Group's intangible assets are capitalised development costs of $6,764,000 in respect of the acquired in-process research and development cost in relation to extracting magnesium from fly ash. The capitalised development costs are considered to be a key audit matter as they represent 18% of the total assets of the Group and the determination of whether the costs can be capitalised in accordance with AASB 138 - Intangible Assets and/or if an impairment charge is necessary involves significant estimates and judgments made by management, including estimating future cash flows.	Our audit procedures included, amongst others: ▪ We assessed the development costs against the requirements for capitalisation contained in AASB 138 Intangible Assets; ▪ 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 capitalised development costs 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.

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 2022, 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 15 of the directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Latrobe Magnesium Limited for the year ended 30 June 2022, 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: 29 September 2022
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 26 September 2022.

Range	Total holders	Units	% Units
1 - 1,000	239	94,009	0.01
1,001 - 5,000	673	2,519,857	0.16
5,001 - 10,000	1,354	11,038,910	0.69
10,001 - 100,000	3,854	158,428,969	9.83
100,001 Over	1,540	1,438,744,870	89.31
Total	**7,660**	**1,610,826,615**	**100.00**

b. Unmarketable Parcels as at 26 September 2022.

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.082 per unit	6,098	1,180	4,137,337

c. Substantial Shareholders as at 26 September 2022.

No.	Shareholder Name	Number of Fully Paid Ordinary Shares Held	Interest (%)
1	Rimotran Pty Ltd <DP Super A/C>	107,025,522	6.64
57	Rimotran Pty Ltd <DP Super A/C>	4,045,000	0.25
8	David Oliver Paterson	21,467,762	1.33
	Total	132,538,285	8.22
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	4.98
87	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	2,852,239	0.18
9	Famallon Pty Ltd	19,915,956	1.24
	Total	102,962,553	6.40

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 26 September 2022.

Rank	Top Shareholders	Number of Fully Paid Ordinary Shares Held	Holding %
1	Rimotran Pty Ltd <DP Super A/C>	107,025,522	6.64
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	4.98
3	Gibbs Plumbing Services Pty Ltd <G Plumbing Ser PL SF A/C>	42,066,000	2.61
4	CSH Engineering Pty Ltd	32,768,044	2.03
5	BNP Paribas Nominees Pty Ltd ACF Clearstream	30,307,146	1.88
6	Ableside Pty Ltd	27,776,639	1.72
7	JJ Wolfe Holdings Pty Limited <Wolfe Super Fund A/C>	24,385,969	1.51
8	David Oliver Paterson	21,467,762	1.33
9	Famallon Pty Ltd	19,915,956	1.24
10	Murraysetter Pty Ltd	17,715,559	1.10
11	Citicorp Nominees Pty Limited	16,900,860	1.05
12	HSBC Custody Nominees (Australia) Limited	13,669,206	0.85
13	Diazill Pty Limited <P B Superannuation Fund A/C>	13,665,986	0.85
14	Mr Leslie Robert Knight + Mrs Heather Margery Knight + Mr Timothy Paul Knight <Knight Super Fund A/C>	12,000,000	0.74
15	RND Funding Pty Limited	11,077,344	0.69
16	Mrs Carmela Adele Murray	10,580,777	0.66
17	RND Funding Pty Limited	10,578,710	0.66
18	Mrs Robyn Ann Lys	10,000,000	0.62
19	Mr John Charles Catterson + Mrs Margaret Catterson <Catterson Super Fund A/C>	9,885,846	0.61
20	Thackeray Pty Ltd	8,500,000	0.53
Total		**520,481,684**	**32.31**

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