2017 Annual Report

Latrobe Magnesium Limited and its Controlled Entities

ABN 52 009 173 611

INDEX

COMPANY DIRECTORY

Directors
Jock Murray, Chairman
David Paterson, CEO
Kevin Torpey
Philip Bruce
John Lee

Registered Office and Principal Place of Business
Suite 307
16-20 Barrack Street
Sydney NSW 2000
Telephone: (02) 8097 0250
Facsimile: (02) 9279 3854

Auditors
Nexia Australia
Level 16
1 Market Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: 1 300 850 505

www.latrobemagnesium.com

Chief Executive Officer
David Paterson

Secretary
John Lee

Bankers
National Australia Bank Limited
Mezzanine Level
255 George Street
Sydney NSW 2000

Solicitors
Minter Ellison
Level 19
88 Philip Street
Sydney NSW 2000

Stock Exchange
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ASX CODE: LMG

REVIEW OF OPERATIONS

LATROBE MAGNESIUM PROJECT

1. Overview

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

- completing its preliminary feasibility study;
- acquisition of the remaining 50% interest in its hydromet process;
- granting of the hydromet patents in Indonesia;
- execution of American distribution agreement; and
- progressing the detailed engineering and design of the experimental plant in the Latrobe Valley.

The Company plans to use its hydromet process together with the proven thermal reduction process to extract magnesium, char and to make a supplementary cementitious material (SCM) from the Latrobe Valley brown coal fly ash. The first stage of the project is planned to produce magnesium metal at 3,000 tonnes per annum then expand to 40,000 tonnes per annum.

2. Magnesium Markets

In the calendar year ended 31 December 2016, the primary world production of magnesium increased slightly to 900,000 tonnes. China's estimated primary production for 2016 was approximately 85% of the world's production. Some 50% of China's production is used locally. World growth in demand is expected to continue at an annual rate between 6% and 7% until 2024 when it is projected the market will produce some 1.7 million tonnes.

Australian and New Zealand consumption of magnesium has been recorded in the range between 7,000 tonnes to 10,000 tonnes per annum. All this magnesium is imported.

During the year, the magnesium price traded at a three year high in line with the rebound in many commodities. The spot prices as at 30 June were, as follows:

		30-Jun-17	30-Jun-16
FOB China	US$ per tonne	2,175	2,100

Owing to United States anti-dumping duties, the annual delivered price for 2016 was in the order of US$3,750 per tonne.

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

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

3. Feasibility Study.

In January 2017 LMG announced that it had successfully completed its preliminary feasibility study (PFS) of a plant to produce 3,000 tonnes of magnesium a year.

The PFS estimates the capital cost to be in the order of $37 million which includes contingencies of $4.5 million, and working capital requirements of $3 million. LMG intends to fund the project in the following manner:

	$m's
R&D funding	16
Victorian Government grant	12
Equity raising	12
Total	40

REVIEW OF OPERATIONS

On 9 August 2016, LMG received a certificate for Advance Finding under Section 28A of the Industry Research and Development Act 1986 (Act). Under the Act, LMG has been registered for the next three years (2016, 2017 and 2018) and it is entitled to receive a cash rebate for 43.5% of all eligible expenditure on eleven activities that have been registered and its operating costs for the first 12 months of its operations. The total rebate is estimated to be in the order of $16 million.

During the last quarter of 2017, LMG and its engineers designed a fast cycle vertical retort and furnace (FCR). It is believed that this FCR will be superior to existing horizontal retorts in the following areas:

- The retort charge will be larger;
- The reduction time will be greatly reduced;
- The energy usage will be less due to more efficient heat transfer within the retort;
- The retort will be made out of better quality material which will greatly increase the retort's life; and
- The FCR offers a competitive advantage over other vertical retort designs.

These benefits should produce reduced capital and operating costs for the project.

The test furnace which houses the retort has been built and was delivered to CSIRO in the week commenced 16 July 2017. The furnace has been reassembled, tested and the other equipment and retorts which are currently being made will be connected. The FCR should be fully operational by the end of August.

In August 2016, LMG produced a large sample of dolomite and RWE Power fly ash to put through the FCR in September 2017 with the results being available a month later.

With the successful completion of the FCR test work, LMG's engineers will be in the position to finalise the bankable feasibility study.

4. Hydromet acquisition

On 1 July 2016, LMG acquired the remaining 50% of the hydromet process by issuing 30 million LMG ordinary shares. These shares were escrowed for a period of six months until 31 December 2016.

Patents have been granted for the hydromet process in Australia, USA, China and Indonesia and patents are pending for India and EU. These patents are expected to be granted by the end of the 2017 calendar year.

In addition, Dr. Steve Short entered into a consultancy agreement so that LMG may retain his services to adapt the current hydromet process to process other brown coal fly ashes both in Victoria and overseas.

5. Indonesian Patents

In October 2016, LMG was informed that the Indonesian patent for its unique hydromet process was granted on 22 August 2016. The process involves the treatment of the spent fly ash from brown coal-powered electricity generation using chemicals to reduce sulphur, iron and silicon to acceptable levels so that the beneficiated material can be used as a feedstock in the thermal reduction process.

The Australian patent was granted on 26 September 2013 for 20 years starting from 27 August 2010. The United States and Chinese patents were granted in September 2015.

The progress of the patent applications in each of these countries is summarised in the table below:

Country/Region	Number	Status	Expected date of grant
Australia	2011293107	Granted	26 September 2013
United States	9139892 (13/818788)	Granted	22 September 2015
China	201180040099.2	Granted	23 September 2015
Indonesia	W00201300844	Granted	22 August 2016
Europe	11819208.7	Response filed to Search Opinion	Estimated end 2017
India	577/MUMNP2013	Examination requested	Estimated end 2017

REVIEW OF OPERATIONS

6. Distribution Agreement

In May 2017, LMG signed an American distribution agreement with Metal Exchange Corporation (MEC) to sell its magnesium into North, Central and South America and the Caribbean in the aluminium market. MEC has committed to purchase a minimum tonnage of magnesium a year from LMG's planned production facility in Morwell Victoria. The deal will deliver excellent prices to LMG due to an anti-dumping duty payable on Chinese imports into US markets.

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

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

In the USA, there is an anti-dumping duty payable on imported China magnesium. The result of this duty is that the spot magnesium price in the USA is currently US$1.50 per lb or in the order of US$3,308 per tonne, whereas the FOB China magnesium price is currently US$2,150 per tonne.

Under the USA-Australia fair trade agreement, magnesium produced in Australia is exempt from this import duty. LMG proposes to sell more than 50% of its production into the US market at this higher price.

MoU Agreement

In March 2016, LMG signed a Memorandum of Understanding with a Japan-based company, Advanced Material Corporation of Japan (AMCJ), committing to purchase magnesium from the LMG planned production facility in Morwell Victoria. AMCJ is the largest titanium and magnesium trading house in Tokyo.

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

7. Supplementary Cementitious Material

There is a major shortage of fly ash in Victoria. Victorian users import up to 300,000 tonnes per annum from New South Wales and Queensland and some users are starting to import fly ash from overseas.

In the next six months LMG will be completing a significant amount of larger scale test work. A large quantity of supplementary cementitious material (SCM) will be produced from the FCR work which will allow the properties of LMG's SCM to be analysed further.

LMG is in discussions with a number of major Australian cement companies in relation to selling them this material. These companies require their individual samples to conduct their own analysis before they will commit to any agreements.

8. RWE Power

In June, 2016 LMG signed a MoU with RWE Power AG to continue to develop a magnesium plant capable of producing approximately 30,000 tonnes per annum of magnesium from brown coal fly ash from its Hambach mine near Cologne, Germany.

The project involves four stages of development, being:

- Conduct process test work on the RWE fly ash
- Completion of a feasibility study
- Completion of engineering, procurement and permitting
- Construction and commissioning

REVIEW OF OPERATIONS

Each stage is conditional on the successful completion of the preceding stage.

In June 2017, LMG carried out a number of bench scale hydromet tests on RWE Power's Hambach brown coal fly ash. The results of these tests were very encouraging.

LMG completed a concept study on the Hambach fly ash in 2014 and concluded that the project was economically viable and worth developing further. German labour and gas costs are considerably lower than those currently in the Latrobe Valley.

LMG made a 100kg sample so that it had sufficient ash to process the sample through both its hydromet and reduction process and produce magnesium and supplementary cementitious material. This work was successful. LMG has made a large bulk sample to process through its newly constructed FCR in September. LMG will have the results a month later.

Under the MoU with RWE Power, the next step, following the successful completion of the above test work, in the development of the Hambach project, is the formulation of a cooperation agreement between the parties.

Europe imports in excess of 150,000 tonnes of magnesium per annum. There is currently no producer in Europe and magnesium metal has been listed as the fourth most critical raw material in the EU list of 20 metals.

RWE Power AG and LMG have identified the brown coal fly ash from RWE's Hambach mine as being the most suitable to commercially extract magnesium. RWE Power mines produce approximately 100 million wet tonnes of brown coal per annum (from which approximately 35 to 40 million tonnes per annum are produced from its Hambach mine) compared to some 50 million wet tonnes per annum from the two Latrobe Valley mines.

RWE Power AG is part of the RWE Generation SE. Since 1 January 2013, all generation in the RWE Group has been steered by RWE Generation SE, enabling the pooling of the generation and engineering expertise of RWE Power in Germany, RWE Essent in the Netherlands, and RWE Generation UK in the UK. RWE has some 14,000 employees in its generation business and more than 40,000 MW of power generation capacity.

9. Fund Raising

In October 2015, LMG raised $600,000 of debt funding from Platinum Road Pty Ltd to progress the development of its Latrobe Valley magnesium project. The key terms of the facility are:

Loan Amount:	$600,000 including capitalised interest
Interest Rate:	15% per annum.
Term:	12 months to 16 October 2016.
Repayment:	Cash in full from the 2016 R&D tax rebate refund.
Conversion:	The lenders have the right to convert any part of their loan to ordinary shares at $0.015 per share.

During the 12 months to 16 October 2016, all the lenders elected loan conversions and the total debt was converted into ordinary shares. The Company was therefore able to utilise the R&D tax incentive payment of $560,453 as it sees fit.

In December 2016, LMG secured a loan facility of up to $1,000,000 from Innovation Structured Finance Co LLC of New York, USA to assist with the funding of its detailed engineering and design work for its feasibility study and the initial plant in the Latrobe Valley. The key terms are:

Loan drawdown ratio	Maximum 85% of the estimated R&D tax rebate
Annual Interest Rate	12.95%
Repayment	Cash in full from the 2017 R&D tax rebate
Maturity Date:	30 November 2017
First drawdown:	1 May 2017

First drawdown	$485,000
Interest at 12.95%	$31,404

Amount repayable	$516,404
	=======

The estimated research and development tax rebate for 2017 is $932,118.

REVIEW OF OPERATIONS

10. Capital Raising

In July 2016, the Company raised $1,000,000 through a private placement to sophisticated and professional investors at an issue price of $0.026. In August 2016, LMG raised a further $1,800,000 from a Share Purchase Plan from existing shareholders at the same price.

The total funds raised was $2.8 million which was and is being used to complete the vertical retort testing, bankable feasibility study and provide working capital.

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 2017 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.

Jock Murray Chairman
David Paterson CEO
K A Torpey
P F Bruce
J R Lee

PRINCIPAL ACTIVITIES

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

- completing the preliminary feasibility study and the design and testing of the vertical retorts;
- acquiring the remaining 50% interest in the hydromet process;
- signing a MoU with RWE Power for the development of a project in Germany and subsequent test work;
- signing an American distribution agreement for the sale of magnesium; and
- raising $2.8 million to develop the project further.

OPERATING RESULTS

The consolidated net loss of the Group after providing for income tax amounted to $1,819,585 compared to a net loss of $1,087,123 for the previous corresponding period. The loss was mainly due to the costs of conducting the test work, feasibility study on the Latrobe Magnesium project and the engineering and design of the magnesium pilot plant in the Latrobe valley.

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.

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 $4,257,428, from $28,985,621 to $33,243,049 as a result of issuing the following fully paid ordinary shares:

Date	Purpose	Shares Issued	$/share	Amount
July 2016	Acquire remaining 50% of the Hydromet process	30,000,000	$0.036	$1,080,000
July 2016	Private Placement	38,461,538	$0.026	$1,000,000
	Placement fees			($60,000)
August 2016	Share Purchase Plan	70,353,862	$0.026	$1,829,200
August 2016	Convert unlisted convertible securities to shares	6,497,585	$0.015	$97,464
September 2016	Convert unlisted convertible securities to shares	10,000,000	$0.015	$150,000
October 2016	Convert unlisted convertible securities to shares	5,717,601	$0.015	$85,764
December 2016	Exercise of unlisted options	5,000,000	$0.015	$75,000
		166,030,586		$4,257,428

MATTERS SUBSEQUENT TO BALANCE DATE

There is no matter or circumstance that has arisen since 30 June 2017 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2017, of the Group;

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 30 June 2017, of the Group.

On 1 September 2017, 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.

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 – Non Executive Chairman

Experience and Expertise

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.

Roles currently held by Mr Murray include strategic adviser for law firm, King & Wood Mallesons in the government infrastructure sector. He managed numerous large projects in his role with NSW Department for Transport including the production of a 10 year development plan for the State's transport infrastructure and services as well as 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 has held numerous directorships including non-executive chairman of Omni Tanker Holding Pty Ltd for 8 years until retirement in July 2017 and for The Hills Motorway (M2) Limited prior to its takeover by Transurban in 2005 and also the non-executive chairman for Country Pipelines Pty Ltd for 3 years prior to its takeover by APA in 2008. He was on the board of Terminals Australia for five years up until its sale to Asciano in 2008.

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.

Appointed as a Director on 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

11,976,923 ordinary shares in Latrobe Magnesium Limited, these shares are registered in the name of MurraySetter Pty Limited as trustee for the MurraySetter Trust.

David Oliver Paterson – Chief Executive Officer

Experience and Expertise

Mr Paterson is a qualified non-practising Chartered Accountant and a graduate from the University of Queensland. He is the founding director of Europacific Corporate Advisory Pty Ltd and has held an Investment dealers licence since 1990. 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.

DIRECTORS' REPORT

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.

Appointed as a Director on 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

100,374,615 ordinary shares in Latrobe Magnesium Limited, of these shares 1,417,275 are held as a direct interest and 98,957,340 are registered in the name of Rimotran Pty Limited as trustee for the David Paterson Super Fund.

Kevin Anthony Torpey – Non Executive Director

Experience and Expertise

Mr Torpey is a chartered professional engineer and a graduate from Sydney University. Over the last 40 years he has been involved in the development of many diverse major projects involving oil, iron ore, aluminium, nickel, lead/zinc, uranium, magnesite, coal and gold, located locally, in Ireland and Indonesia. Generally these projects have been associated with major companies such as Consolidated Goldfields, EZ Industries, Alcan, International Nickel, Tara Minerals Limited (Ireland), Noranda, Denison Mines (Canada), Toyota, Mitsubishi and Iwatani. For the last 20 years his association has mainly been as a corporate officer initially as managing director of Denison Mines (Australia) and then managing director of Devex Limited. Over the last few years he has acted as a consultant to a number of companies involved in mining projects and new technologies.

Appointed as a Director on 11 April 2002

Other Current Public Company Directorships

None

Former Public Company Directorships in Last 3 Years

Empire Energy Group Ltd.

Special Responsibilities

None

Interests in Securities

100,610,314 ordinary shares in Latrobe Magnesium Limited, these shares are held by Famallon Pty Ltd and Famallon Pty Ltd ATF Famallon No.2 Super Fund. Mr Torpey is a principal of Famallon Pty Ltd and a beneficiary of the fund.

Philip Francis Bruce – Non Executive Director

Experience and Expertise

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 operations, project development and corporate management. He was the CEO of PT BHP Indonesia, managing director of Triako Resources Limited and was the general manager – development for Plutonic Resources Limited, where he was technically responsible for acquisition and development of resource projects during the Company's period of growth from $35 million to over $1 billion in market capitalisation.

Appointed as a Director on 4 September 2003

Other Current Public Company Directorships

Managing Director / Chairman of Hill End Gold Limited
Director of Bassari Resources Limited

DIRECTORS' REPORT

Former Public Company Directorships in Last 3 Years

Brimstone Resources Limited.

Special Responsibilities

None

Interests in Securities

11,263,747 ordinary shares in Latrobe Magnesium Limited, of these shares 704,250 are held as direct interest and 10,559,497 are registered in the name of Diazill Pty Limited as trustee for the PB Superannuation Fund.

John Robert Lee – Non Executive Director

Experience and Expertise

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.

Appointed as a Director on 10 December 2010

Other Current Public Company Directorships

None

Former Public Company Directorships in Last 3 Years

Mongolian Resources Corporation Limited

Special Responsibilities

Chairman of Audit Committee

Interests in Securities

4,872,058 ordinary shares in Latrobe Magnesium Limited, these shares are registered in the name of Stockholder Relations Pty Limited of which Mr Lee is a Director.

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 2017 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	7	8	-	-
D O Paterson	8	8	2	2
K A Torpey	8	8	-	-
P F Bruce	8	8	-	-
J R Lee	6	8	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 P F Bruce is the Director retiring by rotation at the next Annual General Meeting of the Company. Mr Bruce being eligible in accordance with Article 12.2 of the Company's constitution offers himself for re-election. His background, experience and qualification are detailed on Pages 11.

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 including 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.

2017 Directors	Base Emoluments	Super Contributions	Equity Options	Total	Performance Related
	$	$	$	$	%
J S Murray	60,000	-	-	60,000	-
D O Paterson	303,270	-	-	303,270	-
K A Torpey	21,804	-	-	21,804	-
P F Bruce	21,804	-	-	21,804	-
J R Lee	21,804	-	-	21,804	-
	428,682	-	-	428,682	-

2016 Directors	Base Emoluments	Super Contributions	Equity Options	Total	Performance Related
	$	$	$	$	%
J S Murray	60,000	-	-	60,000	-
D O Paterson	261,600	-	-	261,600	-
K A Torpey	35,427	-	-	35,427	-
P F Bruce	21,804	-	-	21,804	-
J R Lee	21,804	-	-	21,804	-
	400,635	-	-	400,635	-

There are no additional executives employed by Latrobe Magnesium Limited 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 increase in D O Paterson's emoluments during the year was approved by Board after conducting a detailed review and after taking into consideration that the CEO's salary had not been increased for over 4 years. It was agreed by the Board to review all Directors' emoluments once the project moved into the construction phase.

Shareholdings

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

Directors & Other Key Management Personnel	Balance at beginning of date of appointment	Acquired under Share Purchase Plan for Shareholders	Net Change Other	Acquired Under Debt Conversion to Equity	Balance at 30 June 2017
J S Murray	11,400,000	576,923	-	-	11,976,923
D O Paterson	35,933,333	11,717.948	6,412,399	46,310,935	100,374,615
K A Torpey	65,333,334	8,160,256	10,092,595	17,024,129	100,610,314
P F Bruce	3,441,490	1,692,308		6,129,949	11,263,747
J R Lee	-	1,692,308	-	3,179,750	4,872,058

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.

END OF AUDITED REMUNERATION REPORT

UNLISTED CONVERTIBLE SECURITIES

On 16 October 2015, the Company raised a debt facility of $600,000 including 12 months interest. On 20 October 2015, the Company issued up to 40,000,000 Unlisted Convertible Securities convertible at $0.015 at any time prior to 16 October 2016 should the lenders wish to convert into ordinary shares. Under the loan agreement, adjustments were made to interest owing on securities converted before 16 October 2016. The total debt was converted into ordinary shares prior to loan expiry date of 16 October 2016 as below.

		Shares	Shares
20 October 2015	Unlisted Convertible Securities issued		40,000,000
27 April 2016	Conversion @ $0.015 per shares	5,000,000	
7 June 2016	Conversion @ $0.015 per shares	5,000,000	
23 June 2016	Conversion @ $0.015 per shares	6,671,063	
9 August 2016	Conversion @ $0.015 per shares	6,497,585	
8 September 2016	Conversion @ $0.015 per shares	5,000,000	
28 September 2016	Conversion @ $0.015 per shares	5,000,000	
16 October 2016	Conversion @ $0.015 per shares	5,717,601	
	Total shares converted from debt		38,886,249
Interest reduction due to early conversion, hence reduction in shares issued			1,113,751

There were no unlisted convertible securities on issue as at 30 June 2017.

DIRECTORS' REPORT

UNLISTED OPTIONS

On 20 October 2015 the Company issued 5,000,000 Unlisted Options exercisable at $0.015 at any time prior to 16 December 2016 in respect of professional services provided for raising $600,000 loan under the terms of the loan facility. The value of the Options using the Black Scholes Option Value method is $7,633. The 5,000,000 unlisted options were exercised on 16 December 2016 at $0.015.

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.

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 Australia for services provided during the year are set out below:

	$
Audit and Review of Financial Reports	32,000
Assurances and Taxation Services	10,000

	42,000
	=====

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 16 and forms part of this report.

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

J S Murray
Chairman

D. Paterson

D O Paterson
Chief Executive Officer

Sydney

1 September 2017

Nexia Australia

To the Board of Directors of Latrobe Magnesium Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Latrobe Magnesium Limited

As lead audit partner for the audit of the financial statements of Latrobe Magnesium Limited for the financial year ended 30 June 2017, 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 Partnership

Joseph Santangelo
Partner

Sydney
Dated: 1 September 2017

Sydney Office
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. In the Directors' opinion, the consolidated financial statements and accompanying notes set out on Pages 18 to 44 are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date.

2. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

3. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in Page 13 and 14 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 295(4) of the *Corporations Act 2001* and is signed for and on behalf of the Directors by:

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

1 September 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	GROUP 2017 $	GROUP 2016 $
Revenue			
Finance Income		19,675	11,115
Other Income		932,118	560,453
	3	951,793	571,568
Expenses			
Administration expenses		(1,285,919)	(922,849)
Finance Cost		(80,687)	(60,228)
Research and evaluation expenses	3	(1,404,772)	(675,614)
Total expenses		(2,771,378)	(1,658,691)
Income tax expense	4	-	-
Loss attributable to members of the parent entity		(1,819,585)	(1,087,123)
Other Comprehensive Income			
Other Comprehensive Income for the year		-	-
Total Comprehensive Income		(1,819,585)	(1,087,123)

	Note	GROUP 2017	GROUP 2016
Basic and diluted loss per share (cents per share)	18	(0.15)	(0.10)

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	GROUP 2017 $	GROUP 2016 $
CURRENT ASSETS			
Cash and cash equivalents	5	1,131,913	13,946
Trade and other receivables	6	1,077,913	662,649
Total Current Assets		2,209,826	676,595
NON-CURRENT ASSETS			
Trade and other receivables	6	16,993	16,993
Property, plant and equipment	7	5,158	1,953
Intangible assets	8	6,848,180	5,754,617
Total Non-Current Assets		6,870,331	5,773,563
TOTAL ASSETS		9,080,157	6,450,158
CURRENT LIABILITIES			
Borrowings	9	495,468	324,094
Trade and other payables	10	302,224	281,442
Total Current Liabilities		797.692	605,536
TOTAL LIABILITIES		797,692	605,536
NET ASSETS		8,282,465	5,844,622
EQUITY			
Issued capital	11	33,243,049	28,985,621
Accumulated losses		(24,960,584)	(23,140,999)
TOTAL EQUITY		8,282,465	5,844,622

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

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STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

GROUP	Note	Issued Capital $	Accumulated Losses $	Total $
Balance at 1 July 2015		28,670,152	(22,053,876)	6,616,276
Total comprehensive income		-	(1,087,123)	(1,087,123)
Shares issued during the period	11	315,469	-	315,469
Balance at 1 July 2016		28,985,621	(23,140,999)	5,844,622
Total comprehensive income		-	(1,819,585)	(1,819,585)
Shares issued during the period	11	4,257,428	-	4,257,428
Balance at 30 June 2017		33,243,049	(24,960,584)	8,282,465

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

STATEMENT OF CASHFLOWS
For the year ended 30 June 2017

		GROUP	
		2017	2016
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		560,453	421,651
Payments to suppliers and employees		(2,758,048)	(1,409,946)
Interest received		17,675	9,193
Net cash used in operating activities	17b	(2,179,920)	(979,102)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of International Patent expenditure		(31,313)	(7,236)
Net cash used in investing activities		(31,313)	(7,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowing		-	(1,428)
Proceeds from Borrowing		485,000	386,957
Proceeds from Issue of Shares		2,904,200	-
Placement Fees		(60,000)	-
Net cash from financing activities		3,329,200	385,529
Net increase / (decrease) in cash and cash equivalent held		1,117,967	(600,809)
Cash and cash equivalent at beginning of the financial year		13,946	614,755
Cash and cash equivalent at end of financial year	17a	1,131,913	13,946

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report and covers Latrobe Magnesium Limited and its controlled Entities (the "Group") and Latrobe Magnesium Limited as an individual parent entity. Latrobe Magnesium Limited is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the ASX.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

It is also recommended that the financial report be considered together with any public announcements made by the Group during the year ended 30 June 2017, in accordance with continuous disclosure obligations arising under both the *Corporations Act 2001* and Australian Stock Exchange Listing Rules.

The financial report is presented in the Australian currency.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS') in their entirety.

A summary of significant accounting policies of the Group under AIFRS are disclosed below. The accounting policies have been consistently applied, unless otherwise stated.

a. **Principles of Consolidation**

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

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

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

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

A list of controlled entities is contained in Note 12 to the financial statements.

b. **Income Tax**

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

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

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

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

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

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

c. **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transaction and balances

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

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

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

d. **Plant and Equipment**

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

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

Depreciation

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

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

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

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

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

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

e. **Intangibles**

Research and development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised only if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

f. **Impairment of Non Financial Assets**

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

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

g. **Investments and other financial assets**

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;

The classification depends on the purposes for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 6) in the balance sheet.

After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through amortisation process.

(iii) Recognition and de-recognition

Regular purchase and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expenses in profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Details on how the fair value of financial instruments is determined are disclosed in Note 2d.

(v) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost; the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

h. **Finance Costs**

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

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

i. **Cash and Cash Equivalents**

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

j. **Revenue**

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the cost they are compensating.

k. **Trade and Other Payables**

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

l. **Interest bearing liabilities**

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

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

m. **Other liabilities**

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

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

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

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

n. **Provisions**

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

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

o. **Share-based payments**

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

p. **Comparative Figures**

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

q. **Contributed equity**

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

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

r. **Dividends**

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

s. **Earnings per share**

<u>Basic earnings per share</u>

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.

<u>Diluted earnings per share</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

t. **Goods and Services Tax (GST)**

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

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

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

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

u. **Critical Accounting Estimates and Judgments**

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

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

<u>Impairment</u>

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 2017 because:

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

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

- budgeted cash flow period of 20 years, which approximates the project's life, based on current inputs;
- initial production of 3,000 tonnes increasing to 40,000 tonnes;
- magnesium metal price of US$3,346 per tonne is used which represents the current weighted average price between China and the United States.
- market information for forward exchange rates;
- operating costs based upon third party consultant's estimates;
- capital costs based upon the preliminary feasibility study; and
- a pre-tax discount rate of 18%.

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's risk management policy sets out the Company's overall risk management framework and policies, including regular reviews by the Board of the Company's financial position and financial forecasts.

a. Principal financial instruments

The principal financial instruments are as follows:

(i) Cash
(ii) Trade and other receivables
(iii) Inter Company balances
(iv) Trade and other payables
(v) Borrowings

The Group does not use derivative financial instruments, and has no off-balance sheet financial assets and liabilities at year-end.

b. Financial instrument risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. These main risks, arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange currency risk, share market risk, credit risk and commodity risk. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

c. General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives bimonthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

<u>(i) Liquidity risk</u>

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.

<u>(ii) Interest Rate Risk</u>

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

The Group's exposure to interest rate risk only extends to cash and cash equivalents at balance date. The Group's exposure to interest rate risk at 30 June 2017 and 30 June 2016 is set out in the following tables:

CONSOLIDATED

Year ended 30 June 2017	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	%	$	$	$	$	$	$
Financial assets							
Cash and cash equivalents	1	1,121,016	-	-	-	10,897	1,131,913
Trade & other receivables	4	-	51,095	-	-	1,026,818	1,077,913
Total Financial Assets		1,121,016	51,095	-	-	1,037,715	2,209,826
Financial liabilities							
Borrowings	13	-	(495,468)	-	-	-	(495,468)
Trade and other payables		-	-	-	-	(302,224)	(302,224)
Net financial assets		1,121,016	(444,373)	-	-	735,491	1,412,134

Year ended 30 June 2016	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	%	$	$	$	$	$	$
Financial assets							
Cash and cash equivalents	1	13,946	-	-	-	-	13,946
Trade & other receivables	4	-	49,095	-	-	613,554	662,649
Total Financial Assets		13,946	49,095	-	-	613,554	676,595
Financial liabilities							
Borrowings	15	-	(324,094)	-	-	-	(324,094)
Trade and other payables		-	-	-	-	(281,442)	(281,442)
Net financial assets		13,946	(274,999)	-	-	332,112	71,059

(iii) Foreign exchange currency risk

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

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

(iv) Share market risk

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

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

(v) Credit risk

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

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

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

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

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

(vi) Commodity risk

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

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

(vii) Market risk

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

As the financial assets held by the company as at 30 June 2017 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.

d. 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	
		2017	**2016**
		$	**$**
The following revenue and expense items are relevant in explaining the financial performance for the period.			
(i)	**Revenue**		
	Finance Income	19,675	11,115
	Other Income		
	Research and development tax rebate	932,118	560,453
		951,793	571,568
(ii)	**Expenses**		
	Depreciation	1,021	1,051
	Research and evaluation expenses	1,404,772	675,614
	Directors Fees	428,682	400,635

NOTE 4: INCOME TAX EXPENSE

	GROUP 2017	GROUP 2016
	$	$
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	1,819,585	1,087,123
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5%	500,386	326,137
Permanent differences relating to R&D claim	(332,938)	(205,499)
Increase in income tax benefit due to timing differences	22,061	5,354
Tax losses not brought to account as future income tax benefit.	(189,509)	(125,992)
Income tax benefit attributable to loss from ordinary activities before income tax	-	-

Net deferred tax asset not taken to account

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

	GROUP 2017	GROUP 2016
	$	$
Benefit of tax losses carried forward:		
Tax losses carried forward	1,959,391	1,930,780
Capital losses	750,305	818,514
	2,709,696	2,749,294

The deferred tax asset will only be released if:

i. the Group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
ii. the Group continues to comply with the conditions for deductibility imposed by the law; and
iii. no changes in tax legislation adversely affect the Group in realising the benefit.

NOTE 5: CASH AND CASH EQUIVALENTS

	GROUP 2017	GROUP 2016
	$	$
Cash at bank	1,131,913	13,946

NOTE 6: TRADE AND OTHER RECEIVABLES

	GROUP 2017	GROUP 2016
	$	$
CURRENT		
R&D tax concession	932,118	560,453
GST recoverable	83,325	45,102
Promissory Note	51,095	49,095
Prepayment	11,375	7,999
	1,077,913	662,649
NON-CURRENT		
Rent Bond held in bank deposit	16,993	16,993
	16,993	16,993

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

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	GROUP 2017	GROUP 2016
	$	$
Plant and equipment at cost	7,565	4,777
Accumulated depreciation	(2,407)	(2,824)
Total Property, Plant and Equipment	5,158	1,953

Movements in Carrying Amounts

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

	Plant and Equipment 2017	Plant and Equipment 2016
	$	$
Balance at 1 July	1,953	1,295
Additions	4,369	1,709
Disposal	(143)	-
Depreciation expense	(1,021)	(1,051)
Carrying amount at 30 June	5,158	1,953

NOTE 8: INTANGIBLE ASSETS

	GROUP 2017	GROUP 2016
	$	$
Acquired in-process research and development, at cost	5,684,000	5,684,000
Acquired during the year with the Ecoengineers Pty Ltd acquisition	1,080,000	-
Closing balance	6,764,000	5,684,000

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

- budgeted cash flow period of 20 years, which approximates the project's life, based on current inputs;
- initial production of 3,000 tonnes per annum increasing to 40,000 tonnes;
- magnesium metal price of US$3,346 per tonne is used which represents the weighted average price between China and the United States;
- market information for forward exchange rates;
- operating costs based upon third party consultant's estimates;
- capital costs based upon the preliminary feasibility study; and
- a pre-tax discount rate of 18%.

International Patent for the Hydromet Process.	84,180	70,617
Total Intangible Assets	6,848,180	5,754,617

NOTE 9: BORROWINGS

	GROUP 2017	GROUP 2016
	$	$
CURRENT		
Secured Loan	495,468	324,094

On 16 October 2015, the company raised a loan of $600,000 including capitalised interest for 12 months to progress the Latrobe magnesium project. Repayment was to be made by R&D Tax Incentive refund. Under the loan agreement, the lenders had the right to convert any part of their loan to shares at $0.015 per shares. On 16 October 2016, the total loan was repaid in full by conversion of loans to ordinary shares.

In December 2016, LMG secured a loan facility of up to $1,000,000 from Innovation Structured Finance Co LLC of New York, USA to fund its feasibility study, detailed engineering and design work for the initial plant in the Latrobe Valley, and provide working capital. The key terms are:

Loan drawdown ratio	Maximum 85% of the estimated R&D tax rebate.
Annual Interest Rate	12.95%
Repayment	Cash in full from the 2017 R&D tax rebate.
Maturity Date:	30 November 2017

First drawdown on 1 May 2017	$485,000
Interest accrued at 30 June 2017	$10,468

Loan as at 30 June 2017	$495,468
	=======

NOTE 10: TRADE AND OTHER PAYABLES

	GROUP	
	2017	2016
	$	$
CURRENT		
Trade creditors and accrued expenses	302,234	281,442

NOTE 11: ISSUED CAPITAL

			GROUP	
			2017	2016
			$	$
(a)	**Ordinary Shares Issued and Fully Paid**			
	Balance at beginning of reporting period		28,985,621	28,670,152
	09 Oct 2015	6,540,300 shares issued at $0.010 to convert unlisted convertible securities to shares	-	65,403
	27 Apr 2016	5,000,000 shares issued at $0.015 to convert unlisted convertible securities to shares	-	75,000
	08 & 23 Jun 2016	11,671,063 shares issued at $0.015 to convert unlisted convertible securities to shares	-	175,066
	01 Jul 2016	30,000,000 shares issued at $0.036 to acquire the remaining 50% of the Hydromet process	1,080,000	-
	14 Jul 2016	38,461,538 shares issued at $0.026 pursuant to a private placement	1,000,000	-
		Placement Fees	(60,000)	-
	09 Aug 2016	70,353,862 shares issued at $0.026 pursuant to a Share Purchase Plant	1,829,200	-
	09 Aug 2016	6,497,585 shares issued at $0.015 to convert unlisted convertible securities to ordinary shares	97,464	-
	08 & 28 Sep 2016	10,000,000 shares issued at $0.015 to convert unlisted convertible securities to ordinary shares	150,000	-
	17 Oct 2016	5,717,601 shares issued at $0.015 to convert unlisted convertible securities to ordinary shares	85,764	-
	16 Dec 2016	5,000,000 shares issued at $0.015 pursuant to exercise of unlisted options	75,000	-
			33,243,049	28,985,621

		No.	No.
(b)	**Shares on Issue**	**No.**	**No.**
	Balance at beginning of reporting period	1,090,568,232	1,067,356,869
	Share on Issues:		
	• 09 October 2015	-	6,540,300
	• 27 April 2016	-	5,000,000
	• 08 & 27 June 2016	-	11,671,063
	• 01 July 2016	30,000,000	-
	• 14 July 2016	38,461,538	-
	• 09 August 2016	70,353,862	-
	• 09 August 2016	6,497,585	-
	• 08 & 28 September 2016	10,000,000	-
	• 16 October 2016	5,717,601	-
	• 16 December 2016	5,000,000	
	Balance at end of reporting period	1,256,598,818	1,090,568,232

Fully paid ordinary shares

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

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

Options

The 5,000,000 unlisted options were exercised at $0.015 on 16 December 2016. At the date of this report, there were no unissued shares under option.

Employee Share Plan Scheme

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

Capital Management

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

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

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

- In July and August 2016, the Group raised a total of $2.8 million through private placement and share purchase plan to fund the development of the Latrobe Magnesium Project and working capital.
- In October 2016, the short-term loan of $600,000 was fully repaid by conversion to ordinary shares.
- In October 2016, the company was able to utilise its R&D Tax Incentive refund of $560,453.
- In December 2016, the Group secured a loan facility of up to $1 million including interest. As at balance date, it had drawn $495,468 of this facility.

NOTE 12: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2017	2016
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	-

NOTE 13: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

The Company's office lease expired on 30 September 2016 and is currently on month to month basis. The Company has been discussing with the property manager to renew the lease for a further 3 years at the current rent. The monthly rent and outgoings of $4,992 is payable monthly in advance.

Future non-cancellable operating lease rentals not provided for and payable:

	GROUP 2017	2016
	$	$
Not later than one year	-	14,976
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	14,976

The Company extended its option agreement to lease a property at 320 Tramway Road, Morwell, Victoria for a further 4 months from May 2017. This agreement expires in September 2017. This site is intended for the installation of the future magnesium plant and associated facilities.

NOTE 14: SEGMENT REPORTING

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

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

NOTE 15: REMUNERATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Names and positions held of parent entity Directors at any time during the financial year are:

Jock Murray	Chairman - Non Executive
David Paterson	Chief Executive Officer
Kevin Torpey	Director - Non Executive
Philip Bruce	Director - Non Executive
John Lee	Director - Non Executive

Directors & Other Key Management Personnel	Base Emolument $	Superannuation $	Total $	Performance Related %
2017	428,682	-	428,682	-
2016	400,635	-	400,635	-

Shareholdings

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

Directors & Other Key Management Personnel	Balance at beginning of date of appointment	Acquired under Share Purchase Plan for Shareholders	Net Change Other	Acquired Under Debt Conversion to Equity	Balance at 30 June 2016
J S Murray	11,400,000	576,923	-	-	11,976,923
D O Paterson	35,933,333	11,717,948	6,412,399	46,310,935	100,374,615
K A Torpey	65,333,334	8,160,256	10,092,595	17,024,129	100,610,314
P F Bruce	3,441,490	1,692,308	-	6,129,949	11,263,747
J R Lee	-	1,692,308	-	3,179,750	4,872,058

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Option holdings

There were no options over unissued shares in the Company held during the financial year by any Director or key management personnel of the Company including their related entities.

NOTE 16: RELATED PARTY TRANSACTIONS

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

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

a. occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is resonable to expect the entity would have adopted if dealing with the director or director related entities at arms length in the same circumstances;

b. do not have the potential to adversely affect decisions about the allocations of scarce resources made by users of the financial report, or the discharge of accountability by the director's if disclosed in the financial report only by general description; and

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

	Other related entities	**GROUP**	
		2017	**2016**
		$	**$**
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	60,000	60,000
(ii)	Director's fees were paid to Famallon Pty Ltd of which K A Torpey is a principal.	21,804	35,427
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	21,804	21,804
(iv)	Administration and accounting fees were paid to Europacific Corporate Advisory Pty Ltd of which D O Paterson is a principal.	-	12,000

NOTE 17: CASH FLOW INFORMATION

		GROUP	
		2017	**2016**
		$	**$**
a.	**Reconciliation of Cash**		
	Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
	Cash at Bank	1,131,913	13,946
b.	**Reconciliation of cash flow from operating activities to operating loss after income tax:**		
	Net loss	(1,819,585)	(1,087,123)
	<u>Adjustment of non cash items</u>:		
	Depreciation	1,021	1,051
	Loss on disposal of assets	143	-
	Interest on loan paid by shares	9,134	23,778
	<u>Changes in Assets and Liabilities</u>:		
	(Increase)/Decrease in receivables and other assets	(419,633)	(147,847)
	Increase/(Decrease) in trade and other payables	49,000	231,039
	Net Cash used in Operating Activities	(2,179,920)	(979,102)

c. Acquisition and Disposal of Entities

On 1 July 2016, the Company acquired Ecoengineers Pty Ltd which owned 50% of the hydromet process. As a result of this acquisition, the Company now owns 100% of the hydromet process.

There was no disposal of controlled entities during the 2017 or 2016 financial years.

d. Non-cash Financing and Investing Activities

2016-17	Fully Paid Ordinary Share	
July 2016	30,000,000	issued at $0.036 to acquire remaining 50% of the Hydromet process
August 2016	6,497,585	issued at $0.015 to convert unlisted convertible securities to shares
September 2016	10,000,000	issued at $0.015 to convert unlisted convertible securities to shares
October 2016	5,717,601	issued at $0.015 to convert unlisted convertible securities to shares
2015-16		
October 2015	6,540,300	issued at $0.010 to convert unlisted convertible securities to shares
April 2016	5,000,000	issued at $0.015 to convert unlisted convertible securities to shares
June 2016	11,671,063	issued at $0.015 to convert unlisted convertible securities to shares

NOTE 18: LOSS PER SHARE

			GROUP	
			2017	**2016**
Reconciliation of loss to net loss:				
(a)	Basic and diluted loss per share	cents per share	(0.15)	(0.10)
(b)	Loss used in the calculation of EPS	$	(1,819,585)	(1,087,123)
(c)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		1,240,381,833	1,073,347,734

There were no unissued shares under option at 30 June 2017.

NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities for the year ended 30 June 2017 (2016 : Nil).

NOTE 20: EMPLOYEE BENEFITS

Employees Share Acquisition Plan

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

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

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

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

NOTE 21: UNLISTED CONVERTIBLE SECURITIES

On 16 October 2015, the Company raised a debt facility of $600,000 including 12 months interest. On 20 October 2015, the Company issued up to 40,000,000 Unlisted Convertible Securities convertible at $0.015 at any time prior to 16 October 2016 should the lenders wish to convert into ordinary shares. Under the loan agreement, adjustments were made to interest owing on securities converted before 16 October 2016. The total debt was converted into ordinary shares prior to loan expiry date of 16 October 2016 as below.

		Shares	Shares
20 October 2015	Unlisted Convertible Securities issued		40,000,000
27 April 2016	Conversion @ $0.015 per shares	5,000,000	
7 June 2016	Conversion @ $0.015 per shares	5,000,000	
23 June 2016	Conversion @ $0.015 per shares	6,671,063	
9 August 2016	Conversion @ $0.015 per shares	6,497,585	
8 September 2016	Conversion @ $0.015 per shares	5,000,000	
28 September 2016	Conversion @ $0.015 per shares	5,000,000	
16 October 2016	Conversion @ $0.015 per shares	5,717,601	
	Total shares converted from debt		38,886,249
Interest reduction due to early conversion, hence reduction in shares issued			1,113,751

There are no unlisted convertible securities on issue as at 30 June 2017.

NOTE 22: UNLISTED OPTIONS

On 20 October 2015, the Company issued 5,000,000 Unlisted Options exercisable at $0.015 at any time prior to 16 December 2016 in respect of professional services provided for raising $600,000 loan under the terms of the loan facility. These Options were fully exercised on 16 December 2016.

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTE 24: GOING CONCERN

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. The assessment is based on a cash on hand balance at balance date, the collection of trade and other receivables after year end and the funding alternatives available to the Company.

The Directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the company and consolidated group, including the ability to reduce the level of cash expenditure if required to do so.

Directors have initiated discussions with a number of parties that have expressed interest in supporting the Company with its working capital requirements. At this time no financial commitment is contracted but discussions are continuing. The Company does have the ability to raise extra funds through a placement if required. However, should sufficient and appropriate capital not be available to the company on a timely basis the Directors will require the cessation of the magnesium project and a further reduction in expenditure on staff and Directors. The business would, under this scenario, continue to operate on existing capital reserves.

The Company has prepared cash flow forecasts for this base case scenario and the Directors are therefore satisfied that the Company will be able to continue to operate as a going concern on this basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

NOTE 25: PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the Group was Latrobe Magnesium Limited.

	2017	2016
	$	$
Result of parent entity		
Profit/(loss) for the period	(1,819,585)	(1,087,123)
Other comprehensive income	-	-
Total comprehensive income for the period	(1,819,585)	(1,087,123)
Financial position of the financial entity at year end		
Current assets	2,209,826	676,595
Non-current assets	6,931,670	5,834,901
Total assets	9,141,496	6,511,496
Current liabilities	797,692	605,536
Non-current liabilities	-	-
Total liabilities	797,692	605,536
Net Assets	8,343,804	5,905,960
Total equity of the parent entity comprising of		
Issued capital	33,243,049	28,985,621
Accumulated Losses	(24,899,245)	(23,079,661)
Total equity	8,343,804	5,905,960

Parent entity contingencies
The parent entity has no significant contingent liabilities.

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

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

NOTE 26: AUDITOR'S REMUNERATION

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

	GROUP	
	2017	2016
	$	$
Audit and Review of Financial Reports	32,000	32,000
Assurances and Taxation Services	10,000	3,000
	42,000	35,000

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*.

NOTE 27: NEW AND REVISED STANDARDS THAT ARE EFECTIVE FOR THESE FINANCIAL STATEMENTS

The discussion of the initial application of AASBs / IFRSs needs to be disclosed only in the first financial statements after the new or revised requirements have been adopted by the entity

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2016. Information on the more significant standard(s) is presented below.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

The amendments to AASB 11 Joint Arrangements state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

AASB 2014-3 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AASB 2014-4 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants

AASB 2014-6 defines bearer plants and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 Property, Plant and Equipment instead of AASB 141 Agriculture.

The produce growing on bearer plants will remain within the scope of AASB 141.

AASB 2014-6 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

AASB 2014-9 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AA0SB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various AASB's, which are summarised below.

The amendments to AASB 5 introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held for distribution accounting is discontinued.

The amendments to AASB 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to AASB 119 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments apply to annual periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy.

AASB 2015-2 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

NOTE 28: ACCOUNTING STANDARDS NOT YET EFFECTIVE AND NOT BEEN ADOPTED EARLY BY THE GROUP

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The following existing group accounting policies will change on adoption of these pronouncements:

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

Amends AASB 107 'Statement of Cashflows' to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments apply to annual periods beginning on or after 1 January 2017. The directors of the Company do not anticipate that the application of these amendments to will have a material impact on the Group's consolidated financial statements.

AASB 9 Financial Instruments, and the relevant amending standards

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 'Financial Instruments: Recognition and Measurement', the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

AASB 15 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 until the Group performs a detailed review.

AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors of the Company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a detailed review.

Nexia Australia

Independent Auditor's Report to the Directors 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 2017, 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 2017 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 entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 8 (Intangible Assets) to the financial report.* 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	Our audit procedures included, amongst others: ▪ We assessed the development costs against the requirements for capitalisation contained in *AASB 138 Intangible Assets*. ▪ We tested material additions acquired during the year and checked that they were appropriately allocated to the development cost asset.

Sydney Office
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

Key audit matter	How our audit addressed the key audit matter
development costs are considered to be a key audit matter as they represent 74% 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.	▪ We evaluated management's key assumptions and estimates used to determine the recoverable amount of the assets, including those relating to magnesium pricing, input costs, production volumes, growth assumptions, capital expenditure, 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 checked the mathematical accuracy of the cash flow models. ▪ Assessing 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 2017, 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 entity'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 entity 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/auditors_responsibilities/ar1.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 13 to 14 of the directors’ Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Latrobe Magnesium Limited for the year ended 30 June 2017, 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 Partnership

Joseph Santangelo
Partner

Dated: 1 September 2017

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 31 August 2017.

Range	Total holders	Units	% of Issued Capital
1 - 1,000	198	85,971	0.01
1,001 - 5,000	294	964,134	0.08
5,001 - 10,000	218	1,858,437	0.15
10,001 - 100,000	723	33,524,605	2.67
100,001 - 9,999,999,999	798	1,220,165,672	97.09
Total	**2,231**	**1,256,598,819**	**100.00**

b. The number of shareholdings held in less than $500 unmarketable parcels is 1,067.

c. Substantial Shareholders

The names of the substantial shareholders listed in the holding Company's register as at 31 August 2017

No.	Shareholder Name	Number of Ordinary Fully Paid Shares Held	Interest (%)
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	6.38
284	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	750,000	0.06
8	Famallon Pty Ltd	19,915,956	1.59
	Total	100,860,314	8.03
1	Rimotran Pty Ltd <DP Super A/C>	98,957,340	7.88
159	David Oliver Paterson	1,417,275	0.11
	Total	100,374,615	7.99

d. Voting Rights

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

Ordinary shares

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

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

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

ADDITIONAL INFORMATION

e. Twenty largest shareholders as at 31 August 2017:

Rank	Top Shareholders – Ungrouped	Number of Ordinary Fully Paid Shares Held	Holding %
1.	Rimotran Pty Ltd <DP Super A/C>	98,957,340	7.88
2.	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	6.38
3.	CSH Engineering Pty Ltd	47,283,873	3.76
4.	Gibbs Plumbing Services Pty Ltd <Superannuation Fund A/C>	36,000,000	2.86
5.	S A Short Pty Ltd <The Short Super Fund A/C>	29,000,000	2.31
6.	JJ Wolfe Holdings Pty Limited <JJ Wolfe Super Fund A/C>	25,020,969	1.99
7.	Arco Four Investments Pty Ltd <The Ocramid Holdings Fam A/C>	21,650,000	1.72
8.	Famallon Pty Ltd	19,915,956	1.58
9.	Mr Brett Roy Morrison + Mrs Donna-Maree Earle Morrison <Badem Family A/C>	18,020,283	1.43
10.	Ableside Pty Ltd	15,647,230	1.25
11.	Stefan Group Pty Ltd <Stefan Superannuation A/C>	14,660,794	1.17
12.	Murraysetter Pty Ltd <The Murraysetter A/C>	11,976,923	0.95
13.	HSBC Custody Nominees (Australia) Limited	11,559,925	0.92
14.	Mrs Robyn Ann Lys	11,559,096	0.92
15.	Lyndcote Super Pty Ltd <Lyndcote Super Fund A/C>	10,961,538	0.87
16.	Mrs Carmela Adele Murray	10,580,777	0.84
17.	Diazill Pty Limited <P B Superannuation Fund A/C>	10,559,497	0.84
18.	Mr Neville Masterton Hall + Mrs Gwenda Aileen Hall <Hall Super Fund A/C>	10,038,445	0.80
19.	Mr Leslie Robert Knight + Mrs Heather Margery Knight + Mr Timothy Paul Knight <Knight Super Fund A/C>	10,000,000	0.80
20.	Wiljoeana Pty Ltd <Morrison Investment A/C>	9,063,333	0.72
		502,650,337	40.00