2021 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 Sydney Audit Pty Limited
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 40
1 Farrer Place
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:

- continuing test work and completing value engineering exercise;
- secured Advance Finding under the Section 28A of the Industry Research and Development Act for its 3,000 tpa magnesium plant;
- achieved Latrobe Council and EPA approval to develop the project in the Latrobe Valley;
- engaging GHD undertaking ongoing environmental and traffic assessment;
- commencing detailed engineering and design of the demonstration plant, and the tendering of the spray roaster, the long lead time equipment item;
- exercised option to lease 320 Tramway Road, Hazelwood North, the site has been surveyed and early upgrade work will be tendered; and
- awarded Engineering, Procurement and Construction Management Contract to construct the demonstration plant.

2. Magnesium Markets

In the calendar year ended 31 December 2020, the primary world production of magnesium increased to 1 million tonnes. China's estimated primary production for the calendar year 2020 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 2027 when it is projected the market will produce some 2 million tonnes.

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

During the year, the magnesium price traded at a higher level that the previous year's high in line with many commodities, owing to the effects of the corona virus on the reduction in the worldwide production of cars. The spot prices as at 30 June were, as follows:

		30-Jun-21	30-Jun-20
FOB China	US$ per tonne	3,260	2,207

Owing to United States anti-dumping duties, the annual delivered price for 2020 was in the order of US$2.30 per lb or US$5,071 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 the introduction of environmental regulations.

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.

REVIEW OF OPERATIONS

3. Upgraded Study

Following the completion of the value engineering studies, LMG updated its feasibility study for its 3,000 tpa magnesium plant to incorporate various changes. The updated estimate for its capital costs are in the range between $60 million to $64 million and its EBITDA is in the range between $4.0 million to $4.5 million per annum when it is operating at its name plate capacity. These ranges will be refined once the design and engineering has progressed and the various equipment packages been tendered later in 2021.

The initial plant is estimated to still employ up to 54 on-going direct employees and contractors and 50 to 75 construction jobs.

4. Ash Supply Agreement

In October 2019, Latrobe Magnesium Limited signed an agreement with EnergyAustralia Yallourn Pty Ltd (Yallourn) to secure ash supply to LMG's initial 3,000 tonnes per annum (tpa) magnesium plant for the next ten years. The agreement requires certain approvals and conditions to be satisfied. It also deals with the principal issues in relation to Yallourn increasing its supply of ash to LMG's 40,000 tpa planned expanded magnesium plant.

On 10 March 2021, EnergyAustralia announced that they would be closing its Yallourn Power Station in mid 2028. LMG believes there is sufficient fly ash that can be mined from their current ash repository and the fly ash produced over the next seven years to provide sufficient feedstock to supply a 30,000 tpa magnesium plant for a period of 20 years. New agreements will need to be entered into between LMG and EnergyAustralia before the expansion of LMG's plant can take place.

During the next 20 years LMG is hopeful that the Hazelwood HAP4 ash dam may become available to be processed through their expanded plant. Should this not become available LMG has identified an alternative supply of feedstock that could be processed by its expanded plant.

5. Community Briefing

Due to COVID-19 restrictions on public gatherings, LMG could not hold a second public meeting during this year. LMG placed two advertisements in the Latrobe Valley Express notifying the public that project information in relation to the EPA reports was available.

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

LMG has committed to hold two further Community briefings through the development of the project and report on the emissions and other matters. LMG believes in having a social licence with the Community in which it operates.

6. Latrobe Council Planning Permit

On 5 June 2020, LMG.s application to the Latrobe City Council for planning approval to use and develop the site for its initial 3,000 tpa magnesium plant at 320 Tramway Road Hazelwood North was approved and a certificate issued.

LMG remains committed to progressing this project to safely re-process mining waste, generating jobs and developing a new industry in the Latrobe Valley.

REVIEW OF OPERATIONS

7. EPA Planning Approval

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

The EPA's approval comes with mainly standard conditions which need to be fulfilled before construction or commissioning of the plant.

8. The Magnesium Metal Production Facility

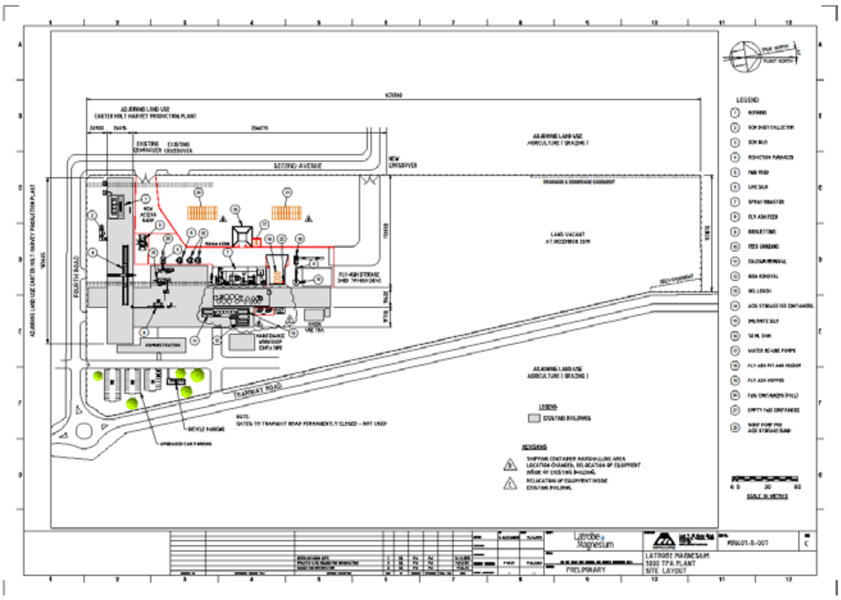
LMG plans to establish a "demonstration-scale" magnesium metal production facility using ash from the Yallourn W power station as raw material. Construction will commence on site in the fourth quarter of 2021.

The chosen site, at 320 Tramway Road, Hazelwood North, is part of industrial zone, and is some 19 kms from the Yallourn Power Station. The plan is to re-purpose the existing buildings, bringing in new equipment and facilities. The bulk of the production facility is to be housed within the existing building located at the southern end of the site. Truck access will be from Second Avenue (not the main road) and loading/unloading will be on the west side of the existing building.

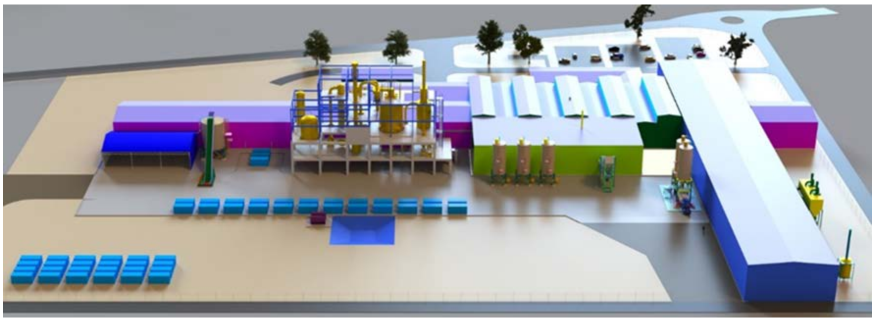
The intention is that the facility would then operate for about 18 months, in order to demonstrate the production process. Operations beyond that time are possible but LMG has made no decision and any plan to do so would also need further Council and EPA approval.

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

The process is anticipated to have a least an estimated 50 percent reduction in carbon emissions compared to the usual normal magnesium industry performance. This is due to the lower concentration of carbonates in the fly ash, compared with the normal Dolomite ore feedstock. Also, the key chemical consumable, ferrosilicon, is manufactured using hydro-electricity.



REVIEW OF OPERATIONS



9. Warrant Issue

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

Under the October 2019 funding agreement with RnD Funding Pty Ltd, LMG has issued 35,889,199 unlisted warrants. The warrants have an exercise price of $0.03 and are exercisable for a period up to 3 years post the drawdown date.

10. Company Funding

On 30 July 2020, LMG received an Advance Finding Certificate under Section 28A of the Industry Research and Development Act 1986 (Act) for its 3,000tpa magnesium plant using its new acid hydromet process. LMG is entitled to receive a cash rebate for 43.5% of all eligible expenditure spent on its seven experimental activities. This rebate should be up to $24 million over the next three years. 2020 was the first of these three years.

On 24 December 2020, the review of LMG's R&D Tax Incentive 2019-20 application was completed and LMG received a rebate of $8.79 million on 7 January 2021.

On 6 January 2021, the review of LMG's BAS September 2020 quarter was completed and LMG received a GST refund of $1.89 million on 9 January 2021.

From the $10.68 million received, the Company was able to repay its debt financing and trade creditors. The remaining $5.15 million provides funding to continue development of its initial plant and working capital.

11. Capital Issue

During the year, the Directors and the Project Director have provided loans to the Company which equated to their fees. They agreed to convert these loans into fully paid ordinary shares at the volume weighted average price of the first five trading days of November 2020 being approximately 7 weeks prior to the Company's Annual General Meeting. The conversion of these loans was approved by resolutions passed by LMG's shareholders at the AGM held on 23 December 2020. On 12 January 2021, LMG issued a total of 17,334,182 shares to the Directors and the Project Director at $0.022 per share with a total value of $381,252.

REVIEW OF OPERATIONS

12. Project Funding

LMG intends to fund up to $60 million of its capital costs by raising the following finances:

Type of Finance	A$M's
Project Finance	30
Equity Placement and Cash	30
Total Funds	**60**

(i) Project Finance

The Company has received non-binding Term Sheets from two separate parties who have agreed to provide these funds. The Company is currently still in negotiations with these parties.

(ii) Equity Placement

LMG will provide both magnesium and supplementary cementitious materials samples produced from the Yallourn fly ash to two potential cornerstone investors. LMG expects the testing of these samples will be concluded in the first 6 months of next year and also the funding arrangements.

(iii) Grant Applications

LMG has a grant application with the Victoria State Government which is currently being assessed.

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 2021 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 & Executive Director
K A Torpey	Non Executive Director
P F Bruce	Non Executive Director
J R Lee	Non Executive Director

PRINCIPAL ACTIVITIES

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

- continuing test work and completing value engineering exercise to reduce capital costs;
- secured Advance Finding under the Section 28A of the Industry Research and Development Act for its 3,000 tpa magnesium plant;
- employed an experienced management team responsible for developing the project;
- commenced design and engineering, value engineering studies and the tender of the spray roaster – the long lead time item of equipment;
- exercised Option to lease 320 Tramway Road, Hazelwood North, the site has been surveyed and early upgrade work will be tendered; and
- awarded Engineering, Procurement and Construction Management Contract to construct the demonstration plant.

OPERATING RESULTS

The consolidated net loss of the Group after providing for income tax amounted to $2,352,959 compared to a net loss of $2,080,171 for the previous corresponding period. The loss was mainly due to the costs incurred on further test work and research in developing the Latrobe magnesium project, and also administration and finance costs.

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 $381,352 from $33,562,283 to $33,943,635 as a result of issuing the following fully paid ordinary shares:

Date	Purpose	Shares Issues	$/Share	Amount
12 January 2021	convert outstanding fees owing to Directors and officer into securities	17,334,182	$0.022	$381,352

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO BALANCE DATE

There is no matter or circumstance that has arisen since 30 June 2021 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2021, of the Group;
(b) the results of those operations; or
(c) the state of affairs, in financial years subsequent to 30 June 2021, of the Group.

On 23 September 2021, the financial report was authorised to be signed by a resolution of Directors.

LIKELY DEVELOPMENTS

Except for information disclosed on certain developments and the expected results of those developments included in this report under review of operations, further information on likely developments in the operations of the Group and the expected results of those operations have not been disclosed in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

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

ENVIRONMENTAL REGULATIONS

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

INFORMATION ON DIRECTORS

John Stephen Murray AO – Non-Executive Chairman

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

He managed numerous projects in his role with NSW Department for Transport including the production of a ten-year development plan for the State's transport infrastructure and services 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 held numerous directorships including non-executive chairman of Omni Tanker Holding Pty Ltd, The Hills Motorway (M2) Limited and Country Pipelines Pty Ltd. He was on the board of Terminals Australia for five years. Roles currently held by Mr Murray include strategic adviser for law firm, King & Wood Mallesons in the government infrastructure sector.

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

DIRECTORS' REPORT

David Oliver Paterson – Chief Executive Officer

Mr Paterson is a qualified non-practising Chartered Accountant and a graduate from the University of Queensland. Prior to forming Europacific in 1990, he was a group manager of the Corporate Services Division of Tricontinental Corporation Limited responsible for NSW and Queensland. He also worked for Coopers & Lybrand in Brisbane and Sydney in their Corporate Services Division. He has been involved in a wide range of corporate advisory assignments and underwritings for both debt and equity for a number of public and private companies. Mr Paterson has experience in the property and mining industries in relation to project financing, financial analysis, valuations; and the raising of debt and equity.

Date of appointment as Director	23 August 2002
Other current public company directorships	None
Former public company directorships in last 3 years	None
Special responsibilities	Chief Executive Officer Member of Audit Committee
Interests in securities	132,538,285 ordinary shares in Latrobe Magnesium Limited, 21,467,763 held as a direct interest and 111,070,522 registered in the name of Rimotran Pty Limited as trustee for the David Paterson Super Fund.

Kevin Anthony Torpey – Non-Executive Director

Mr Torpey is a chartered professional engineer and a graduate from Sydney University. Over the past 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. These projects were 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. Over the past 20 years, he was managing director of Denison Mines (Australia) and Devex Limited. In recent years, he has acted as a consultant to a number of companies involved in mining projects and new technologies. He was a Director of Empire Energy Group Limted.

Date of appointment as Director	11 April 2002
Other current public company directorships	None
Former public company directorships in last 3 years	None
Special responsibilities	None
Interests in securities	102,962,553 ordinary shares in Latrobe Magnesium Limited, 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

Mr Bruce is a director of P F Bruce & Associates, which provides corporate and project management services. He is a mining engineer with over thirty years resource industry experience in Australia, South Africa, West Africa, South America and Indonesia in project development and corporate management. He was the CEO of PT BHP Indonesia and managing director of Triako Resources Limited and Hill End Gold Limited. He also held Board positions with Ausmelt Limited, Buka Minerals Limited, Bassari Resources Limited and Archean Star Resources Inc. He was general manager of development for Plutonic Resources Limited and was technically responsible for acquisition and development of resource projects in its growth from $35 million to over $1 billion market capitalisation.

Date of appointment as Director	4 September 2003
Other current public company directorships	Director of Ora Gold Limited
Former public company directorships in last 3 years	None
Special responsibilities	None

DIRECTORS' REPORT

Interests in securities	13,665,986 ordinary shares in Latrobe Magnesium Limited, which are registered in the name of Diazill Pty Limited as trustee for the PB Superannuation Fund.

John Robert Lee – Non-Executive Director

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

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

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 2021 and the number of meetings attended by each Director was:

	Directors' Meetings		Audit Committee Meetings	
Director	**Attended**	**Held Whilst in Office**	**Attended**	**Held Whilst in Office**
J S Murray	6	6	-	-
D O Paterson	6	6	2	2
K A Torpey	6	6	-	-
P F Bruce	6	6	-	-
J R Lee	6	6	2	2

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

Retirement, Election and Continuation in Office of Directors

Mr J S Murray is the Director retiring by rotation at the next Annual General Meeting of the Company. Mr Murray being eligible in accordance with Article 12.2 of the Company's constitution offer himself for re-election. His background, experience and qualifications are detailed on Page 10.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED

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

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

Remuneration Committee

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

Key Management Personnel

The full Board of Directors sets remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

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

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

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

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

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

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

2020 Directors	Base Emoluments	Equity Options	Total	Performance Related
	$	$	$	%
J S Murray	45,000	-	45,000	-
D O Paterson	311,604	-	311,604	-
K A Torpey	26,808	-	26,808	-
P F Bruce	26,808	-	26,808	-
J R Lee	26,808	-	26,808	-
	437,028	-	437,028	-

DIRECTORS' REPORT

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

Service Agreements

There are currently no service agreements in place formalising the terms of remuneration of Directors or other key management personnel of the Company and the Group. It was agreed by the Board to review all Directors' emoluments once the project moves 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 1 July 2020	Acquired under Share Purchase Plan for Shareholders	Acquired Under Debt Conversion to Equity	Net Change Other	Balance at 30 June 2021
J S Murray	16,351,923	-	1,363,636	-	17,715,559
D O Paterson	123,095,740	-	9,442,545	-	132,538,285
K A Torpey	102,450,189	-	812,364	(300,000)	102,962,553
P F Bruce	12,853,622	-	812,364	-	13,665,986
J R Lee	6,461,933	-	812,364	-	7,274,297

Share Options Granted to Key Management Personnel

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

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

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

Balance - No options outstanding as at 30 June 2021

END OF AUDITED REMUNERATION REPORT

UNLISTED WARRANTS

Under the terms of the warrant loan facility of $1.5 million, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the draw down dates which were 10 October 2018, 14 December 2018 and 29 March 2019. The value of the warrants using Black-Scholes Option Value method is $50,201.

Under the terms of the increased warrant loan facility of $2.7 million, LMG issued 35,889,199 unlisted warrants. The warrants have an exercise price of $0.03 and are exercisable for a period up to 3 years post the draw down date which was 21 October 2019. The value of the warrants using Black-Scholes Option Value method is $332,039.

Unlisted Warrants	
Total warrants outstanding at beginning of the period	48,384,199
Granted in the period	-
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	48,384,199

DIRECTORS' REPORT

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 Sydney Audit Pty Ltd and related entities for services provided during the year are set out below:

	$
Audit and Review of Financial Reports	50,000
Taxation and Other Services	8,000
	58,000

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 O Paterson
Chief Executive Officer

Sydney

24 September 2021

Nexia Australia

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To the Board of Directors of Latrobe Magnesium Limited

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

As lead audit director for the audit of the financial statements of Latrobe Magnesium Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Dated: 24 September 2021
Sydney

DIRECTORS' DECLARATION

In the directors' opinion:

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

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

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

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

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

On behalf of the directors

D. Paterson

J S Murray
Chairman

D O Paterson
Chief Executive Officer

Sydney

24 September 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	GROUP 2021 $	GROUP 2020 $
Revenue			
Finance income		8,656	3,634
Other income		837,913	705,147
	3	846,569	708,781
Expenses			
Administration expenses		(1,628,142)	(1,149,612)
Finance cost		(904,645)	(821,161)
Research and evaluation expenses		(666,741)	(818,179)
Total expenses	3	(3,199,528)	(2,788,952)
Income tax expense	4	-	-
Loss attributable to members of the parent entity		(2,352,959)	(2,080,171)
Other Comprehensive Income			
Other Comprehensive Income for the year		-	-
Total Comprehensive Income		(2,352,959)	(2,080,171)

	Note	GROUP 2021	GROUP 2020
Basic and diluted loss per share (cents per share)	17	(0.18)	(0.16)

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

STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2021

	Note	GROUP 2021 $	GROUP 2020 $
CURRENT ASSETS			
Cash and cash equivalents	5	954,249	38,529
Trade and other receivables	6	2,255,701	8,856,461
Total Current Assets		3,209,950	8,894,990
NON-CURRENT ASSETS			
Trade and other receivables	6	158,037	19,287
Plant and equipment	7	22,054	1,571
Intangible assets	8	6,905,851	6,897,535
Initial plant	9	1,322,570	-
Right-of-use asset	10	689,239	80,455
Total Non-Current Assets		9,097,751	6,998,848
TOTAL ASSETS		12,307,701	15,893,838
CURRENT LIABILITIES			
Borrowings	11	-	3,655,688
Trade and other payables	12	1,817,747	386,018
Lease liabilities	10	92,276	56,392
Total Current Liabilities		1,910,023	4,098,098
NON CURRENT LIABILITIES			
Lease liabilities	10	606,127	32,582
Deferred income	13	8,104,695	8,104,695
Total Non Current Liabilities		8,710,822	8,137,277
TOTAL LIABILITIES		10,620,845	12,235,375
NET ASSETS		1,686,856	3,658,463
EQUITY			
Issued capital	14	33,943,635	33,562,283
Warrant Reserves	15	382,240	382,240
Accumulated losses		(32,639,019)	(30,286,060)
TOTAL EQUITY		1,686,856	3,658,463

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 2021

GROUP	Note	Issued Capital $	Warrant Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2019		33,562,283	50,201	(28,205,889)	5,406,595
Warrants Issued			332,039		332,039
Total comprehensive income		-	-	(2,080,171)	(2,080,171)
Shares issued during the period	14	-	-	-	-
Balance at 1 July 2020		33,562,283	382,240	(30,286,060)	3,658,463
Total comprehensive income		-	-	(2,352,959)	(2,352,959)
Shares issued during the period	14	381,352	-	-	381,352
Balance at 30 June 2021		33,943,635	382,240	(32,639,019)	1,686,856

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

STATEMENT OF CASHFLOWS
For the year ended 30 June 2021

	Note	GROUP 2021 $	GROUP 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		8,817,342	721,430
Payments to suppliers and employees		(1,711,321)	(1,719,105)
Interest and other financial costs paid		(1,227,970)	(60,434)
Interest received		8,656	1,378
Net cash from / (used in) operating activities	16b	5,886,707	(1,056,731)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(22,475)	(117)
Payment to acquire Initial Plant		(1,322,571)	-
Payment of International Patent expenditure		(8,316)	(8,117)
Rent and deposit bonds		(184,873)	-
Net cash (used in) investing activities		(1,538,235)	(8,217)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(3,642,363)	(640,000)
Proceeds from Borrowing		310,000	1,390,000
Repayment of lease liabilities		(100,389)	(48,273)
Net cash (used in) / from financing activities		(3,432,752)	701,727
Net increase / (decrease) in cash and cash equivalents held		915,720	(363,221)
Cash and cash equivalents at beginning of the financial year		38,529	401,750
Cash and cash equivalents at end of financial year	16a	954,249	38,529

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity. These new Standards have not had a material financial impact on its financial statements:

AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and includes guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information. The amendments include additional guidance to the definition of material, gives it more prominence, and clarifies the explanation accompanying the definition of material. This Standard applies to annual reporting periods beginning on or after 1 January 2020.

AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The amendments to the Conceptual Framework apply to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and other for-profit entities that voluntarily elect to apply the Conceptual Framework, which would permit compliance with Australian Accounting Standards (Tier 1) and International Financial Reporting Standards (IFRS Standards). This Standard applies to annual reporting periods beginning on or after 1 January 2020.

AASB 2019-5: Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

Amends AASB 1054 by adding a disclosure requirement of the potential effect of an IFRS Standard that has not yet been issued by the AASB in accordance with paragraphs 30 and 31 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. This will ensure that for-profit publicly accountable entities complying with Australian Accounting Standards can claim compliance with IFRS Standards. This Standard applies to annual reporting periods beginning on or after 1 January 2020.

Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(w).

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

a. Principles of Consolidation

The consolidated financial statements comprise the financial statements of Latrobe Magnesium Limited and its subsidiaries at 30 June each year ("the Group"). Subsidiaries are entities over which the Group has exposure to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

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

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

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

A list of controlled entities is contained in Note 18 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. Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, once the project is complete and ready to use, being their finite life of 10 years.

Patents

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

f. Right-of-use assets

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

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

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

<u>Lease liabilities</u>

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

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

g. Government grants

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

h. Impairment of Non-Financial Assets

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

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

i. Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

j. Finance Costs

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

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

k. Cash and Cash Equivalents

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

l. Revenue

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research and development tax rebate

Research and development tax rebate is recognised when it is received or when the right to receive payment is established.

m. Trade and Other Payables

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

n. Interest bearing liabilities

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

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

o. Other liabilities

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

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

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

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

p. Provisions

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

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

q. Share-based payments

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

r. Comparative Figures

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

s. Contributed equity

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

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

t. Dividends

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

u. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Latrobe Magnesium Limited, adjusted for the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

v. Goods and Services Tax (GST)

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

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

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

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

w. Critical Accounting Estimates and Judgments

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

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

<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 2021 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$4,829 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 and inputs based upon third party consultant’s estimates and the feasibility study;
- capital costs based upon the detailed feasibility study; and
- pre-tax discount rates of 10% and 15%.

Coronavirus (COVID-19) pandemic

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below. The Group is still assessing but does not currently expect these new Standards to have a material financial impact on its financial statements:

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current

Amends AASB 101 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver, a breach of covenant, or settlement of the liability). The mandatory application date of the amendment has been deferred by 12 months to annual reporting periods beginning on or 1 January 2023.

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

(i) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash or access to funds to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days.

The Group's exposure to liquidity risk has been assessed as minimal. There are no past due payables at balance date.

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

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For the year ended 30 June 2021

(ii) Interest Rate Risk

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

The Group's exposure to interest rate risk only extends to cash and cash equivalents at balance date. The Group's exposure to interest rate risk at 30 June 2021 and 30 June 2020 is set out in the following tables:

CONSOLIDATED

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

Year ended 30 June 2020	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	%	$	$	$	$	$	$
Financial assets							
Cash & cash equivalents	1	20,007	-	-	-	18,522	38,529
Trade & other receivables		-	-	-	-	8,875,748	8,875,748
Total Financial Assets		20,007	-	-	-	8,894,270	8,914,277
Financial liabilities							
Borrowings	12	-	(3,655,688)	-	-	-	(3,655,688)
Trade and other payables		-	-	-	-	(386,018)	(386,018)
Net financial assets		20,007	(3,655,688)	-	-	8,508,252	4,872,571

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

(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 2021 were cash and cash equivalents and trade and other receivables, and the value of these financial assets are not affected by the short-term movement in interest rates, a market risk sensitivity has not been performed.

(viii) Equity price risk

Equity price risk arises from investments in equity securities and Latrobe Magnesium Limited's issued capital.

The Group had no exposure to investments in equity securities at balance date.

The capacity of the Company to raise capital from time to time may be influenced by either or both market conditions and the price of the Company's listed securities at that time.

Fair value of financial assets and liabilities

The fair value of all monetary financial assets and financial liabilities of Latrobe Magnesium approximate their carrying value.

There are no off-balance sheet financial asset and liabilities at year-end. All financial assets and liabilities are denominated in Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

NOTE 3: LOSS FROM ORDINARY ACTIVITIES

		GROUP 2021	GROUP 2020
		$	$
The following revenue and expense items are relevant in explaining the financial performance for the period.			
(i)	**Revenue**		
	Finance Income	8,656	3,634
	Other Income		
	Research and development tax rebate	814,413	689,147
	Government Grants	23,500	16,000
		846,569	708,781
(ii)	**Expenses**		
	Depreciation – Equipment	1,992	816
	Depreciation – Lease	133,953	56,792
	Research and evaluation expenses	666,741	818,179
	Directors and CEO fees	437,028	437,028

NOTE 4: INCOME TAX EXPENSE

	GROUP 2021	GROUP 2020
	$	$
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:		
Loss from ordinary activities before income tax	(2,352,959)	(2,080,171)
Prima facie tax benefit on loss from ordinary activities before income tax at 26% (2020: 27.5%)	611,769	572,047
Permanent differences relating to R&D claim	(275,028)	(246,152)
Decrease / Increase in income tax benefit due to timing differences	(1,806)	3,626
Tax losses not brought to account as future income tax benefit.	(334,934)	(329,521)
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 2021	GROUP 2020
	$	$
Benefit of tax losses carried forward:		
Tax losses carried forward	2,677,515	2,449,681
Capital losses	682,095	709,379
	3,359,610	3,159,060

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 2021	GROUP 2020
	$	$
Cash at bank	954,249	38,529

NOTE 6: TRADE AND OTHER RECEIVABLES

	GROUP 2021	GROUP 2020
	$	$
CURRENT		
R&D tax concession	814,413	8,793,842
GST recoverable	40,704	42,202
Rent Bond	46,123	-
Refundable Prepayment	1,354,461	20,417
	2,255,701	8,856,461
NON-CURRENT		
Rent and Deposit Bonds	158,037	19,287
	158,037	19,287

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

NOTE 7: PLANT AND EQUIPMENT

	GROUP 2021	GROUP 2020
	$	$
Plant and equipment at cost	30,372	7,897
Accumulated depreciation	(8,318)	(6,326)
Total Plant and Equipment	22,054	1,571

Movements in Carrying Amounts

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

	Plant and Equipment 2021	Plant and Equipment 2020
	$	$
Balance at 1 July	1,571	2,270
Additions	22,475	117
Depreciation expense	(1,992)	(816)
Carrying amount at 30 June	22,054	1,571

NOTE 8: INTANGIBLE ASSETS

	GROUP 2021	GROUP 2020
	$	$
Acquired in-process research and development, at cost	5,684,000	5,684,000
Acquired in 2017 with the Ecoengineers Pty Ltd acquisition	1,080,000	1,080,000
Closing balance	6,764,000	6,764,000
International Patent for the Hydromet Process.	141,851	133,535
Total Intangible Assets	6,905,851	6,897,535

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

- budgeted cash flow period of 20 years, which approximates the project's life, based on current inputs;
- initial production of 3,000 tonnes per annum increasing to 40,000 tonnes;
- magnesium metal price of US$4,829 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 detailed feasibility study; and
- pre-tax discount rates of 10% for the 3,000tpa plant and 15% for the 40,000tpa plant owing to the degree of design and engineering complete on each.

NOTE 9: CAPITAL COMMITMENT

On 19 June 2020, the Company committed to Mincore to provide design, engineering, procurement and management services for LMG's Initial Plant. Mincore issued an invoice for these services expected at that time to be performed by them over the next 12 months for an amount of $18,632,000 from 26 June 2020.

The research and development tax rebate calculated at the rate of 43.5% payable from these services is $8,793,842, of which $8,104,695 is treated as a deferred income liability until such time as the plant is completed and depreciation commences.

Preparation work is being carried out for the construction of the initial 3000 tpa magnesium plant. Engineering studies and design work has started, construction contracts have been prepared and the tendering of the spray roaster has been completed and is waiting for the contract to be awarded. These costs have been capitalised in the balance sheet as initial plant asset of $1,322,570.

As the plant is now expected to be completed by 31 December 2022, the deferred income continues to be classified as a non-current liability. Once the plant is constructed the deferred income will be reclassified as an offset against the non-current plant asset.

NOTE 10: LEASING COMMITMENTS

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

Lease Commitments	Sydney	Hazelwood N	Traralgon	Total
	2019-21	2020-21	2020-21	
Right of use of assets	$	$	$	$
Value of Lease	154,976	700,142	24,867	879,984
Accumulated Depreciation	(128,256)	(58,345)	(4,144)	(190,745)
	26,720	641,797	20,722	689,239
Lease Liability	154,976	700,142	24,867	879,984
Interest Expense	9,527	7,469	164	17,160
Lease Payment	(131,995)	(62,500)	(4,247)	(198,741)
	32,508	645,112	20,784	698,403
Current Liability	32,508	55,655	4,113	92,276
Non Current Liability		589,457	16,670	606,127
	32,508	645,112	20,783	698,403

- Sydney Lease – Administration Office

Term:	1 December 2018 to 30 November 2021, AASB 16 adopted from 01-Jul-19
Monthly rent	$6,321 as at 1 July 2020.
Rental increase	4% per annum
Interest rate	Incremental borrowing rate 5.04% at 1 July 2019 to measure lease liability

- Hazelwood North Lease – Magnesium Plant and associated facilities

Term:	1 April 2021 to 31 March 2024.
Monthly rent	$20,833 as at 1 April 2021.
Rental increase	CPI per annum
Interest rate	Incremental borrowing rate 4.52% at 1 April 2021 to measure lease liability

- Traralgon Lease – Operation Unit

Term:	21 May 2021 to 30 May 2022
Monthly rent	$2,123 as at 21 May 2021.
Rental increase	N/A
Interest rate	Incremental borrowing rate 4.52% at 1 May 2021 to measure lease liability

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

	GROUP	
	2021	2020
	$	$
Right of Use Asset	879,984	137,247
Accumulated Depreciation	(190,745)	(56,792)
	689,239	80,455
Lease Liability	879,984	137,247
Interest Expense for the year	17,160	5,261
Lease Payments during the year	(198,741)	(53,534)
Lease Liability at end of year	698,403	88,974
Current Lease Liability	92,277	56,292
Non Current Lease Liability	606,126	32,582
Total Lease Liability	698,403	88,974

NOTE 11: BORROWINGS

	GROUP	
	2021	2020
	$	$
CURRENT		
R&D Loan Facility	-	458,134
Warrant Loan Facility	-	2,965,099
Directors Loan Facility	-	232,455
Total	-	3,655,688

i. R&D Loan Facility from RnD Funding Pty Ltd

Interest Rate:	0.9375% per month
Maurity Date:	31 October 2020
Repayment:	Cash in full from the 2020 R&D tax rebate
Balance as at 30 June 2020	$458,134
Finance Fee at 7-Jan-21	5,500
Interest Accrued at 7-Jan-21	50,721
Repaid from receipt of 2019-20 R&D tax rebate	**$514,355**

ii. Warrant Loan Facility from RnD Funding Pty Ltd

Interest Rate:	1.25% per month
Maturity Date:	31 October 2020
Repayment:	Cash in full or refinancing into a project finance facility
Balance as at 30 June 2020	$2,965,099
Warrant Expense at 7-Jan-21	204,863
Finance fee at 7-Jan-21	64,617
Interest accrued at 7-Jan-21	548,768
Repaid from receipt of 2019-20 R&D tax rebate	**3,783,347**

iii. Directors' Loans

Directors' Loans	$200,000
Interest Rate:	1% per month
Maturity Date:	31 December 2021
Repayment:	Cash in full or by Issue of LMG shares

Loan balance at 30 June 2020	$232,455
Additional Loan at Nov-20	310,000
Finance fee at 30-Dec-20	9,000
Interest accrued at 30-Dec-20	21,175

Repaid from receipt of 2019-20 R&D tax rebate	**$572,630**
	=======

NOTE 12: TRADE AND OTHER PAYABLES

	GROUP	
	2021	**2020**
	$	**$**
CURRENT		
Trade creditors and accrued expenses	1,801,877	236,761
Loan from Directors and Consultant	-	149,257
Employee annual leave accrued	15,870	-
Total	1,817,747	386,018

NOTE 13: DEFERRED INCOME

	GROUP	
	2021	**2020**
	$	**$**
R&D Tax Concession Refund	8,104,695	8,793,842
Refund to be received and treated as income	-	(689,147)
Deferred Income as it relates to the plant	8,104,695	8,104,695

Accounting Standard AASB120: *Accounting for Government Grants* prescribes that grants related to assets should be recognised as a deferred income liability until such time as the plant is completed and depreciation commences. As the plant is expected to be completed by 31 December 2022, this deferred income liability is a non-current liability. Once the plant is constructed the deferred income will be reclassified as an offset against the non-current plant asset.

NOTE 14: ISSUED CAPITAL

		GROUP	
		2021	**2020**
		$	**$**
(a) Ordinary Shares Issued and Fully Paid			
Balance at beginning of reporting period		33,562,283	33,562,283
12 Jan 2021	13,243,273 shares issued at $0.022 to convert outstanding fees owing to Directors.	291,352	-
12 Jan 2021	4,090,909 shares issued at $0.022 to convert outstanding fees owing to Project Director	90,000	-
		33,943,635	33,562,283

(b) Shares on Issue	**No.**	**No.**
Balance at beginning of reporting period	1,296,503,069	1,256,598,819
Share on Issues:		
• 12 January 2021	13,243,273	
• 12 January 2021	4,090,909	
Balance at end of reporting period	1,313,837,251	1,296,503,069

Fully paid ordinary shares

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

At shareholder meetings each ordinary share is entitled to one vote when a poll is called.

Options

There were no unissued shares under option.

Employee Share Plan Scheme

For information relating to the Latrobe Magnesium Limited Share Plan Acquisition Plan, refer to Note 22: Employee Benefits. No shares were issued during the financial year.

Capital Management

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

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

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

- At the 23 December 2020 Annual General Meeting, shareholder approval was obtained to convert fees of $381,352 owing to Directors and Project Director into securities, thus preserving cash flow for operating expenses.
- On 24 December 2020, the review of LMG's R&D Tax Incentive 2019-20 was completed. LMG received a rebate of $8.79 million on 7 January 2021.
- On 6 January 2021, the review of LMG's BAS of September 2020 quarter was completed. LMG received a GST refund of $1.89 million on 9 January 2021.
- From the $10.68 million received, the Company was able to repay its debt financing and trade creditors. The remaining $5.15 million provides funding to develop its initial plant and for working capital costs.

NOTE 15: UNLISTED WARRANTS

Under the terms of the warrant loan facility of $1.5 million, LMG issued 12,495,000 unlisted warrants. The warrants have an exercise price of $0.02 and are exercisable for a period up to 3 years post the draw down dates which were 10 October 2018, 14 December 2018 and 29 March 2019. The value of the warrants using Black-Scholes Option Value method is $50,201.

Under the terms of the increased warrant loan facility of $2.7 million, LMG issued 35,889,199 unlisted warrants. The warrants have an exercise price of $0.03 and are exercisable for a period up to 3 years post the draw down date which was 21 October 2019. The value of the warrants using Black-Scholes Option Value method is $332,039.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

Unlisted Warrants	
Total warrants outstanding at beginning of the period	48,384,199
Granted in the period	-
Exercised in the period	-
Lapsed in the period	-
Outstanding at the end of the period	48,384,199

NOTE 16: CASH FLOW INFORMATION

		GROUP	
		2021	**2020**
		$	**$**
a.	**Reconciliation of Cash**		
	Cash at the end of the financial year as shown in the statement of cash flow flows is reconciled to items in the statement of financial position as follows:		
	Cash at Bank	954,249	38,529
b.	**Reconciliation of cash flow from operating activities to operating loss after income tax:**		
	Net loss	(2,352,959)	(2,080,171)
	Adjustment of non-cash items:		
	Depreciation – Equipment	1,992	816
	Depreciation – Leases	133,954	56,792
	Interest expense to measure lease liabilities	11,898	-
	Convert Directors' & Consultant's outstanding fees to shares	381,352	-
	Capitalised finance costs	-	821,161
	Changes in Assets and Liabilities:		
	Decrease / (Increase) in receivables and other assets	6,646,882	(8,016,613)
	Increase in trade and other payables	1,063,588	8,161,283
	Net Cash from / (used in) Operating Activities	5,886,707	(1,056,731)

c. Acquisition and Disposal of Entities

There was no acquisition and disposal of controlled entities during the 2021 or 2020 financial years.

d. Non-cash Financing and Investing Activities

2020-21	Fully Paid Ordinary Shares	
January 2021	17,334,182 shares issued at $0.022 to convert outstanding fees owing to Directors and officer.	
	Increase in issued capital	$381,352
	Decrease in trade and other payables	$381,352
2019-20	Fully Paid Ordinary Shares	
	None	
	Loans	
	Capitalised finance costs on loans	$821,161. Refer to Note 11.

NOTE 17: LOSS PER SHARE

		GROUP 2021	GROUP 2020
Reconciliation of loss to net loss:			
(a) Basic and diluted earnings / (loss) per share	cents per share	(0.18)	(0.16)
(b) Earnings / (Loss) used in the calculation of EPS	$	(2,352,959)	(2,080,171)
(c) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS		1,305,740,051	1,296,503,069

There were no unissued shares under option at 30 June 2021. The warrants issued have not been taken into account for the diluted EPS calculation as their effect would be anti-dilutive.

NOTE 18: CONTROLLED ENTITIES

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

NOTE 19: SEGMENT REPORTING

AASB 8: *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. As a result, following the adoption of AASB 8, the Board of Directors believes there is only one operating segment and this is reflected in management's reporting processes.

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

NOTE 20: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. Transactions with and amounts receivable from and payable to Directors of related parties or their director related entities which:

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

(ii) do not have the potential to adversely affect decisions about the allocations of scarce resources made by users of the financial report, or the discharge of accountability by the directors if disclosed in the financial report only by general description; and

(iii) are not trivial or domestic in nature;

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

Other related entities		GROUP 2021	GROUP 2020
		$	$
(i)	Director's fees were paid to J S Murray Pty Ltd of which J S Murray is a principal.	45,000	45,000
(ii)	Director's fees were paid to Famallon Pty Ltd of which K A Torpey is a principal.	26,808	26,808
(iii)	Director's fees were paid to Stockholders Relation Pty Ltd of which J R Lee is a principal.	26,808	26,808
(iv)	Director's loan provided by D O Paterson, principal loan plus fee and interest, repaid on 7 January 2021.	292,086	116,930
(v)	Director's loan provided by Famallon Pty Ltd of which K A Torpey is a principal, principal loan plus fee and interest, repaid on 7 January 2021.	280,545	115,525

Key Management Personnel compensation

Disclosure details relating to key management personnel including remuneration are provided in the Remuneration Report contained within the Directors' Report. Remuneration is entirely comprised of short-term benefits (salaries and fees) totaling $437,028 (2020: $437,028).

NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets for the year ended 30 June 2021 (2020: Nil).

NOTE 22: 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 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

For the year ended 30 June 2021 the Group reported a loss of $2,352,959 (2020: $2,080,171) and net cash inflows from operating activities of $5,886,707 (2020: outflows $1,056,731). The Company was able to repay its debt financing and trade creditors from the R&D Tax Incentive rebate and GST refund totalling $10.68 million. The remaining $5.1 million has enabled the Company to continue development of the Latrobe magnesium project, with the resultant cash at bank balance at 30 June 2021 being $954,249. The Company is in the process of raising funds to complete the construction of the Initial Plant by December 2022.

Notwithstanding the loss for the year, historical financial performance and debt repayments, the financial report has been prepared on a going concern basis.

The Group is currently in negotiations with a number of debt and equity providers in relation to providing $60 million of project finance and equity finance required for the development of the project. The Company has received non-binding term sheets for various alternative funding packages. The Company believes that a number of these term sheets will be turned into binding agreements within the coming months.

In the event that the Group's funding plans are not achieved, the Group will be able to continue as a going concern as it can suspend the development of the Latrobe Magnesium project until such time as sufficient funds have been raised.

NOTE 25: PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2021 the parent entity of the Group was Latrobe Magnesium Limited.

	2021	2020
	$	$
Result of parent entity		
Loss for the period	(2,352,959)	(2,080,171)
Other comprehensive income	-	-
Total comprehensive income for the period	(2,352,959)	(2,080,171)
Financial position of the financial entity at year end		
Current assets	3,209,950	8,894,990
Non-current assets	9,159,090	7,060,187
Total assets	12,369,040	15,955,177
Current liabilities	1,910,024	4,098,098
Non-current liabilities	8,710,821	8,137,277
Total liabilities	10,620,845	12,235,375
Net Assets	1,748,195	3,719,802
Total equity of the parent entity comprising of		
Issued capital	33,943,635	33,562,283
Warrant Reserves	382,240	382,240
Accumulated Losses	(32,577,680)	(30,224,721)
Total equity	1,748,195	3,719,802

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 11, to Latrobe Magnesium Limited.

NOTE 26: AUDITOR'S REMUNERATION

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

	GROUP	
	2021	**2020**
	$	$
Audit and Review of Financial Reports	50,000	37,500
Taxation and other services	8,000	7,000
	58,000	44,500

The Board of Directors ensure that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Latrobe Magnesium Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 and of its financial performance for the year then ended; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Capitalised Development Costs ($6,764,000) *Refer to note 8 to the financial statements* Included in the Group's intangible assets are capitalised development costs of $6,764,000 in	Our audit procedures included, amongst others: ▪ We assessed the development costs against the requirements for capitalisation contained in AASB 138 Intangible Assets;

Key audit matter	How our audit addressed the key audit matter
respect of the acquired in-process research and development cost in relation to extracting magnesium from fly ash. The capitalised development costs are considered to be a key audit matter as they represent 55% 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 reviewed the company's management prepared development asset "value in use" impairment model and tested the capital investment and chemical components amounts included in the model for consistency with the internal and external data sources for these amounts; ▪ We assessed and challenged management's key assumptions and estimates used to determine the recoverable amount of the assets, including those relating to output pricing, input costs, growth assumptions and discount rates; ▪ We performed sensitivity analysis in relation to all the significant inputs to assess whether the carrying value of the capitalised development costs exceeded its recoverable amount; ▪ We compared the net assets of the Group to the Group's market capitalisation; ▪ We tested the mathematical accuracy of the underlying 'value in-use' calculations; and ▪ We assessed whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in Latrobe Magnesium Limited's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 14 of the directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Latrobe Magnesium Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Nexia

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Dated: 24 September 2021
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 15 September 2021.

Range	Total holders	Units	% Units
1 - 1,000	210	87,862	0.01
1,001 - 5,000	288	937,863	0.07
5,001 - 10,000	214	1,815,601	0.14
10,001 - 100,000	1,035	48,981,100	3.73
100,001 Over	845	1,262,014,825	96.05
Total	**2,592**	**1,313,837,251**	**100.00**

b. Unmarketable Parcels as at 15 September 2021.

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.025 per unit	20,000	849	4,906,539

c. Substantial Shareholders as at 15 September 2021.

No.	Shareholder Name	Number of Fully Paid Ordinary Shares Held	Interest (%)
1	Rimotran Pty Ltd <DP Super A/C>	107,025,522	8.15
54	Rimotran Pty Ltd <DP Super A/C>	4,045,000	0.31
7	David Oliver Paterson	21,467,763	1.63
	Total	132,538,285	10.09
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	6.10
79	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	2,852,239	0.22
8	Famallon Pty Ltd	19,915,956	1.52
	Total	102,962,553	7.84

d. Voting Rights

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

Ordinary shares

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

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

ADDITIONAL INFORMATION

e. Twenty largest shareholders as at 15 September 2021.

Rank	Top Shareholders	Number of Fully Paid Ordinary Shares Held	Holding %
1	Rimotran Pty Ltd <DP Super A/C>	107,025,522	8.15
2	Famallon Pty Ltd <Famallon No2 Super Fund A/C>	80,194,358	6.10
3	CSH Engineering Pty Ltd	40,808,044	3.11
4	Gibbs Plumbing Services Pty Ltd <G Plumbing Ser PL SF A/C>	37,350,000	2.84
5	Ableside Pty Ltd	27,776,639	2.11
6	JJ Wolfe Holdings Pty Limited <Wolfe Super Fund A/C>	25,020,969	1.90
7	David Oliver Paterson	21,467,763	1.63
8	Famallon Pty Ltd	19,915,956	1.52
9	Mr Brett Roy Morrison + Mrs Donna-Maree Earle Morrison <Badem Family A/C>	18,308,131	1.39
10	Murraysetter Pty Ltd <The Murraysetter A/C>	17,715,559	1.35
11	The Fence Consultant Pty Ltd	16,666,905	1.27
12	HSBC Custody Nominees (Australia) Limited	15,041,470	1.14
13	Diazill Pty Limited <P B Superannuation Fund A/C>	13,665,986	1.04
14	Mr Neville Masterton Hall	12,041,895	0.92
15	Mr Neville Masterton Hall + Mrs Gwenda Aileen Hall <Hall Super Fund A/C>	11,420,690	0.87
16	Mr Leslie Robert Knight + Mrs Heather Margery Knight + Mr Timothy Paul Knight <Knight Super Fund A/C>	10,983,500	0.84
17	Lyndcote Super Pty Ltd <Lyndcote Super Fund A/C>	10,961,538	0.83
18	Mrs Robyn Ann Lys	18,859,372	0.83
19	Mrs Carmela Adele Murray	10,580,777	0.81
20	Mr Antonino Galipo	10,310,000	0.78
Total		**518,115,074**	**39.44**

CORPORATE GOVERNANCE STATEMENT

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

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