Latrobe Magnesium Limited

ABN 52 009 173 611

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QUARTERLY ACTIVITIES REPORT

TO 30 SEPTEMBER 2003

1. HIGHLIGHTS

The share placement was closed on July 18 as forecast in the Prospectus, and was oversubscribed at $580,500.

The order of the ASX suspending trading of the Company's shares has been lifted and the Company's shares commenced trading again on 22 September 2003.

The Bankable Feasibility Study (BFS) was commenced by the issue of a contract to Alcan Engineers to undertake the BFS Definition Study.

The first three meetings of the Joint LMG-DOTARS-IIRD Steering Committee were held in Melbourne on July 15, August 5, and September 30.

Alcan continues with the BFS Definition Study.

The Company's principal place of Business is now Level 7, 3 Spring Street, Sydney.

2. OPERATIONS

2.1 Funding

With both Federal and State Government contracts signed the Company has in place $2.8 million in funding for the first year of the Bankable Feasibility Study (BFS). The Federal funding will be drawn down first, on a dollar for dollar basis, as the BFS is progressed and milestones and reporting targets are met. The State funding ,may be drawn down thereafter, subject to the Company having the necessary funding in place for the completion of year 1 of the BFS.

The Company continues to seek funding partners for the BFS both domestically and internationally.

2.2 Public / Government Relations

The Company's web site at www.latrobemagnesium.com has been continuously upgraded, with the new version being launched in early December.

The Company attended the Light Metals Technology Conference in Brisbane and discussions were held with technology and equipment suppliers and potential customers. Of particular note was the CSIRO's technology for magnesium sheet metal production, and a subsequent meeting was held at the CSIRO's Preston facility where examples of sheet production were examined and further details of the process established. Initial indications of CSIRO's financial requirements in a joint venture were obtained.

Following a background briefing given to Josephine Clarke of Metals Bulletin, an article about the Company was written and published in that magazine.

2.3 Bankable Feasibility Study

General

The Company continues to examine various sites in the Latrobe valley for both the BFS pilot plant and the 100,000 t/y plant. A number of options are available for both plants, including the sites for potential new power stations.

Timetable

The 24 month timetable for the BFS which has been provided to both Federal and State governments remains current until an updated schedule from the BFS definition study is received and reviewed.

Technical

Discussions were held with WBM Pty Ltd regarding AMC centrifuges and their extensive design problems. They have applied computational fluid dynamics to model the centrifuge, and believe that earlier problems have been overcome. These calculations required a super computer to complete as recently as 3 years ago. In respect of the centrifuges for AMC, 18 are under construction and one is completed. These would be the same size as those required by LMG.

JBS Group, encompassing JBS Environmental Pty Ltd, JBS Technologies Pty Ltd, and JBS Health Physics Pty Ltd presented their capabilities in radio nuclide determinations and engineering. They undertake baseline studies for mining and other companies and are the only Australian company having blanket coverage for radioactive isotopes. They are permitted for depleted uranium. Power station ash frequently contains radio nuclides in unacceptable quantities; although earlier HRL test work indicated that Hazelwood ash has very low radio nuclide content as the table below shows. Nevertheless, a baseline study will have to be undertaken for the EIS.

	^{210}Pb	^{226}Ra	^{238}U	^{228}Th	^{228}Ra	^{40}K
Australian Soils	40-150	24-109	25-118	50-600	20-200	50-900
Hazelwood Ash	<10	8±1	9±4	4±1	<5	56±8

Draft reports were received from McLennan Magasanik Associates covering the electricity and gas markets for Australia including information on pricing.

The pilot plant sizing and operational parameters were decided by Alcan International and these have been factored into the BFS Definition Study.

2.4 Events Subsequent to end of Quarter

Alcan Engineers Pty Ltd have released the first draft of the BFS Definition Study. The Company has reviewed that document and the Directors anticipate that the final document will be received shortly.

The final detailed negotiation of the technology supply contract with Alcan International have been almost concluded and the provision of a final draft contact by Alcan is considered by the Directors to be imminent.

Yours faithfully

D.L Hughes
Secretary

For further enquiries, please contact Mr Chris Sylvester, CEO, on 9251-0400

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

LATROBE MAGNESIUM LIMITED

ABN	Quarter ended ("current quarter")
52 009 173 611	30 SEPTEMBER 2003

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A	Year to date (.12.....months) $A
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a)exploration and evaluation	(11,770)	(11,770)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(195,432)	(195,432)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4,070	4,070
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – GST Refund	174,596	174,596
	Net Operating Cash Flows	(28,536)	(28,536)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(28,536)	(28,536)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(28,536)	(28,536)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	580,500	580,500
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Net proceeds from convertible note issue	-	-
	Net financing cash flows	580,500	580,500
	Net increase (decrease) in cash held	551,964	551,964
1.20	Cash at beginning of quarter/year to date	226,186	226,186
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	778,150	778,150

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A
1.23	Aggregate amount of payments to the parties included in item 1.2	$47,554
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

- Consultant fees paid to Rossing Pty Limited, a Company associated with CW Sylvester
- Consultant fees paid to Famallon Pty Ltd, a Company associated with K A Torpey
- Placement fees paid to Europacific Financial Services, a Company associated with D O Paterson

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

3,191,490 Fully Paid Ordinary Shares were issued in September 2003 at 5 cents pursuant to the conversion of unquoted 12% unsecured redeemable convertible notes.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A	Amount used $A
3.1	Loan facilities	100,000	NIL
3.2	Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

		$A
4.1	Exploration and evaluation	50,000
4.2	Development	-
	Total	**50,000**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A	Previous quarter $A
5.1	Cash on hand and at bank	115,010	2,282
5.2	Deposits at call	663,140	250,000
5.3	Bank overdraft	-	(26,096)
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	778,150	226,186

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	NIL	NIL		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	317,839,806	121,839,806		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	14,801,490 NIL	14,801,490 NIL		
7.5	**+Convertible debt securities** *(description)*	NIL	NIL		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	NIL 3,191,490 notes converted at 1 for 1	NIL NIL		
7.7	**Options** *(description and conversion factor)*	2,000,000 2,000,000	NIL NIL	*Exercise price* 5 Cents 10 Cents	*Expiry date* 12/12/04 12/12/04
7.8	Issued during quarter	NIL	NIL		
7.9	Exercised during quarter	NIL	NIL		
7.10	Expired during quarter	NIL	NIL		
7.11	**Debentures** *(totals only)*	NIL	NIL		
7.12	**Unsecured notes** *(totals only)*	NIL	NIL		

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /does not* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: .... Date: 31 October 2003
(Company secretary)

Print name: David Hughes

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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