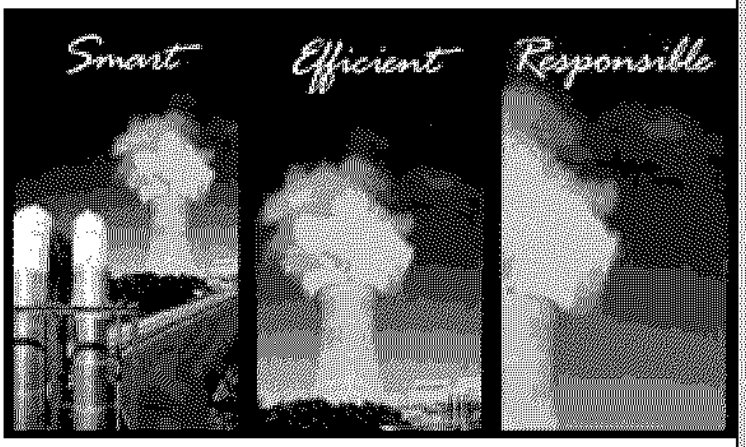
Latrobe Magnesium

http://www.latrobemagnesium.com/



Newsletter

In this Issue

01. Message from the CEO

Since our last newsletter, the LMG project has experienced some encouraging developments. In September I visited Russia for the second time to more closely examine the project's Russian technology. The Company is currently assessing two alternative technologies - the Russian National Aluminium-Magnesium Institute (VAMI); and the Russian Institute of Titanium and Magnesium (RITM). While the VAMI technology may have a capital cost advantage in the dehydration area, the RITM process may have operating cost benefits. The Company's consulting engineers are currently determining which process is preferred technically and offers the better economic choice.
We will continue to keep you informed as developments progress.

Sincerely,
Chris Sylvester

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02. Report from the Russian Trip - September 2004

In September, Chris Sylvester travelled to Russia accompanied by LMG's BFS Manager, Michael Noakes, and Worley's Lead Processing Engineer, Ross Hayes. The group had detailed discussions with Russian Institute of Titanium and Magnesium (RITM) representatives, followed by a detailed inspection of the Solikamsk magnesium plant to observe the technology at work. The group then travelled to St Petersburg for discussions with the Russian National Aluminium-Magnesium Institute (VAMI). Clark and Marron analyst, Jim Marron, joined the LMG group during their visits to Solikamsk, RITM and VAMI.

The visit has enabled the Company to gain a more detailed understanding of the technologies and to obtain sufficient information to update the feasibility study following the completion of test work on Hazelwood and Yallourn ash samples now being examined by the RITM engineers. Test work has commenced and negotiations on licensing agreements are taking place.

The visit has allowed LMG to closely investigate each stage of the Solikamsk production process resulting in detailed data collection. This will facilitate LMG's further refinement of capital and operating costs through flow sheet and mass balance development. Furthermore, the viability of LMG's plan to sell by-product sodium hypochlorite to the paper industry has been confirmed by RITM. Worley's Lead Processing Engineer, Mr Ross Hayes, was optimistic about the well-developed nature of the technology, which has been constantly improved over the past 20 years. For example RITM is currently working on a technology to improve the chlorine utilisation to essentially 100%.

A follow-up visit to Russia will be undertaken in December to examine the test work progress and to continue licensing negotiations.

Work is now underway to incorporate the knowledge gained in Russia into the LMG project concept. The LMG web site has been updated accordingly.

The Company now intends to complete the technology evaluation stage of the Bankable Feasibility Study (BFS) by the end of June 2005. Following the successful completion of the evaluation stage, the completion of the BFS, and the securing of the necessary funding, the Project could be in production within 4 to 5 years.

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03. Cooperation Partners

LMG is in discussions with Possehl Erzkontor GmbH in Lubeck, Germany concerning potential cooperation in the area of alloy sales. Possehl has a 156 year trading history, with seven divisions and almost 4,500 employees world wide. Total sales in 2003 exceeded €1 bn.

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04. Magnesium Castability set for steady growth

A recent feature article in the European Automotive Design magazine concluded that the use of magnesium casting is set to enjoy steady growth, with several major research and development projects nearing commercial production phases.

Recent examples of magnesium use in the automobile industry include:

- The Volkswagen manual gearbox;
- The Mercedes C-Class automatic gearbox;
- BMW's new hybrid magnesium-aluminium engine block, which is due to feature in a series car within two years; and
- Audi's manual five-speed gearbox, the new Multitronic gearbox housing, parts of the dashboard structure, air intake manifolds and cylinder head covers.

Magnesium metal has significant advantages over other metals in its castability. The metal lends itself extremely well to the production of large, thin automobile components. Magnesium's light weight enables car manufacturers to significantly reduce vehicle weights. Lighter vehicles result in greater fuel efficiency and are in turn more environmentally friendly.

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05. Next Issue

In our next issue we intend to review the results of the ash test work currently underway at RITM. This test work incorporates

ash leaching, solution purification and the production of a synthetic carnallite representing what will be fed to the LMG electrolytic plant.

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Laura Chapman (Editor) l.chapman@pynfall.com

Latrobe Magnesium
Suite 705, 3 Spring Street, Sydney NSW 2000 Australia

T - +61 (0) 2 9251 0400
F - +61 (0) 2 9251 0244