Latrobe Magnesium

QUARTERLY ACTIVITIES REPORT

TO 30 JUNE 2005

MAGNESIUM PROJECT UPDATE

Test work to produce synthetic Carnallite (hydrated Potassium Magnesium Chloride) from Latrobe Fly Ash was completed at the Russian Institute of Titanium and Magnesium during the March 2005 quarter.

The test work indicated that synthetic Carnallite Crystals of acceptable quality could be produced from Latrobe Magnesium Fly Ash.

The Board's Advisor, Mr David Stewart, visited the Russian Institute during June 2005 to review the test work and to determine the next evaluation step in the project.

This visit confirmed that the RITM leaching/purification circuit provided a potentially lower capital and operating cost alternative than that previously considered.

As a result, Worley Engineers were engaged to undertake a desktop study to compare capital and operating costs of the two leaching circuit options.

An initial plant capacity of 45,000 TPA was specified to minimise capital costs and reduce the marketing effort required with a new production facility.

Provision would be made to expand the plant in modules of 22,500 TPA as market conditions warrant.

Worley were requested to undertake the assessment utilising Hazelwood Ash as sufficient feed is available and this feedstock has the highest magnesium content and leaches more readily.

Their report has just been received and will be reviewed with Worley before consideration by the Board. The Company will then be in a position to finalise the flowsheet and commence the detailed engineering study. Once this analysis is completed, the results will be announced to the market.

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 June 2005

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	(141,166)	(315,289)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(52,768)	(369,796)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1,665	7,078
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Government Grants)	93,867	132,247
	Net Operating Cash Flows	(98,402)	(545,759)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	(3,368)
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	-	(3,368)
1.13	Total operating and investing cash flows (carried forward)	(98,402)	(549,127)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(98,402)	(549,127)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	89,471	515,376
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	89,471	515,376
	Net increase (decrease) in cash held	(8,931)	(33,751)
1.20	Cash at beginning of quarter/year to date	164,991	189,811
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	156,060	156,060

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	$8,010
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

- Directors fees and statutory superannuation contributions

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

In June 2005, 1,166,669 ordinary shares were issued at 6 cents to the former Chief Executive Officer in settlement of the share component of a remuneration package.

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

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	100,000
4.2	Development	NIL
	Total	**100,000**

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	13,099	18,436
5.2	Deposits at call	142,961	146,555
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	156,060	164,991

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	 NIL NIL	 NIL NIL		
7.3	**+Ordinary securities**	372,612,439	372,612,439		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	 21,166,669 NIL	 21,166,669 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 NIL	 NIL NIL		
7.7	**Options** *(description and conversion factor)*	NIL	NIL	*Exercise price*	*Expiry date*
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: 15 April 2005
(Company Secretary)

Print name: D L 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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