

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

52 009 173 611

Quarter ended ("current quarter")

31 March 2006

Consolidated statement of cash flows

	Current quarter \$A	Year to date (9 months) \$A
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	-	(40,245)
(b) development	-	-
(c) production	-	-
(d) administration	(98,110)	(194,768)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,318	2,105
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
	(96,792)	(232,908)
Net Operating Cash Flows		
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)	(96,792)	(232,908)

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(96,792)	(232,908)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	631,000	631,000
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	631,000	631,000
	Net increase (decrease) in cash held	534,208	398,092
1.20	Cash at beginning of month/year to date	13,086	149,202
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	547,294	547,294

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	Nil
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

N/A

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

N/A

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

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	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 month

	\$A
4.1 Exploration and evaluation	20,000
4.2 Development	-
Total	20,000

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	23,719	2,099
5.2 Deposits at call	523,575	10,987
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	547,294	13,086

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	-	-	-	-

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Issued and quoted securities at end of current quarter

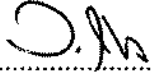
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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 <i>(description)</i>	NIL	NIL		
7.2 Changes during quarter				
(a) Increases through issues	NIL	NIL		
(b) Decreases through returns of capital, buy-backs, redemptions	NIL	NIL		
7.3 +Ordinary securities	485,112,439	485,112,439		
7.4 Changes during quarter				
(a) Increases through issues	112,500,000	112,500,000		
(b) Decreases through returns of capital, buy-backs	NIL	NIL		
7.5 +Convertible debt securities <i>(description)</i>	NIL	NIL		
7.6 Changes during quarter				
(a) Increases through issues	NIL	NIL		
(b) Decreases through securities matured, converted	NIL	NIL		
7.7 Options <i>(description and conversion factor)</i>	NIL	NIL	<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	NIL	NIL		
7.9 Exercised during quarter	NIL	NIL		
7.10 Expired during quarter	NIL	NIL		
7.11 Debentures <i>(totals only)</i>	NIL	NIL		
7.12 Unsecured notes <i>(totals only)</i>	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 give a true and fair view of the matters disclosed.

Sign here:  Date: 28 April 2006
(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.

LATROBE MAGNESIUM LIMITED
QUARTERLY ACTIVITIES REPORT
TO 31 MARCH 2006

1. Latrobe Network

During the last quarter Worley Parsons have been investigating the calcium removal options. Worley's recommendations are to perform additional work on the process of using ash and calcium dioxide for the removal of the calcium in the ash. In particular, Worley's suggestions to advance the Project may be summarised as follows:

1. Conduct further laboratory test work to optimise the process of using ash and carbon dioxide for the removal of the calcium;
2. Investigate the use of ash in the neutralisation process instead of magnesium oxide;
3. Investigate the possibility of combining the removal process in (1) with the neutralisation process in (2); and
4. Determine the effect that the above processes have on reducing both the capital and operating costs.

The Company is meeting with Worleys in May to discuss the cost to perform this work and its timing. In addition, the Company will be seeking an indication of the estimated cost savings that may be delivered from the successful completion of the above work.

The Project has been seriously delayed as a result of this calcium removal problem over the last six months. Given the impact that this problem has on the overall Project and in particular its operating costs, it is imperative for the Company to solve this issue in a cost effective manner before we can proceed with the Project.

The Company will advise shareholders of the progress made with Worleys following next month's meetings.

The Company has been discussing the progress of the Project with DOTARS as it has only used approximately 15% of the approved grant at this time. Owing to the completion of the Sustainable Regions Grant Program, the Company's DOTARS grant will expire on 30 June 2006. As a result of the discussions with DOTARS, expenditure on the above work will still be eligible to participate in the program. Therefore, the Company will be eligible to a grant equivalent to 50% of the costs incurred on completing the above work.

2. Funding

During the Quarter under review, the Company successfully completed two private placements to raise \$630,000 before costs of the issues. On 21 April 2006 the Company announced that it had completed arrangements with Marathon Crest Pty Ltd to underwrite a further placement of 40 million shares at an issue price of \$0.011 per share to raise \$440,000 before costs.

These funds together with funds on hand will be utilised towards meeting the working capital requirements of the Company and provide funding for the evaluation and acquisition of suitable exploration and other resource based investment opportunities.

3. Proposed Acquisitions

As previously announced, Directors are actively reviewing the acquisition of suitable exploration and other resource based investment opportunities with a view to revitalising the value of the Company. A number of projects have been identified and are currently under review.

To assist with this process the board has on 21 April 2006 announced the appointment of Mr Rodney Foster as a Director of the Company.

Mr Foster is a geologist with over 20 years experience in the exploration and mining industries covering gold, base metals and energy and brings additional expertise and experience to the board in these areas.

He is currently Managing Director of Pacrim Energy Limited and previously worked for Pancontinental Mining at Paddington, Samantha Exploration, CSR's Gold Resources Pty Ltd and North Kalgurli Mines on the Golden Mile, Money Mining NL and he was founding Managing Director of Goldminco NL, a Victorian based exploration company.

Yours faithfully



D L Hughes
Secretary