Latrobe Magnesium

ABN 52 009 173 611

Postal Address:
PO Box R1085
Royal Exchange
NSW 1225

Office Address:
Level 7
151 Macquarie Street
Sydney NSW 2000

Phone +61 (0)2 9251 0400
Fax +61 (0)2 9251 0244
Email: enquiry@latrobemagnesium.com

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Company Announcements
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Latrobe to Benefit from Recent Magnesium Price Increases

The United States Spot price for Magnesium metal is at its highest level in the last seven years. It is at US$1.70 per lb and it is predicted to stay at these levels following the closure of the largest western producer, Becancour, in March 2007. This western producer previously was responsible for supplying 53% of the United States imports in 2006 calendar year. The closure of the Canadian producer has removed 54,000 tonnes from the market. This factor has caused market uncertainty in relation to supply and has been the main contributor to the increase in price.

In 2006, World magnesium production increased to over 800,000 tons with China producing approximately 613,000 tons. China consumed some 265,000 tonnes and exported 350,000 tons. The trend in China to export less and use more internally is likely to continue.

The four major European producers accounted for some 100,000 tons. All of these European producers use the proven Russian Technology which Latrobe is proposing to use and has trialled and costed.

The latest financial parameters and assumptions for the Project have been summarised below:

Project Life	20 years
Initial Magnesium Alloy Production	45,000 tonnes
Full Magnesium Alloy Production	90,000 tonnes
Exchange Rate	A$0.85 : US$1.00
Sales Price for magnesium metal	US$1.70 per lb
Operating Costs at initial production	A$1.10 per lb
Operating Costs at full production	A$0.99 per lb
Discount rate	15%
NPV at end of Bankable Study	A$79 million
Estimate of Project Value today	A$20 million

As announced at the last annual general meeting, the Company was waiting for an improvement in the market before actively pursuing a strategic joint venture partner to assist it with financing the bankable feasibility study. The Company is in the process of appointing an external consultant who will be responsible for approaching a number of Chinese producers and to initiate joint venture discussions.

Regards

D L Hughes
Company Secretary