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31 October 2008

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

Dear Sir

RE: ANNUAL GENERAL MEETING

Please be advised that the Annual General Meeting of the Company will be held at the offices of Nexia Court & Co., Level 29 Tower Building, Australia Square, 264 George Street Sydney on Friday 28 November 2008 at 12.30pm.

A copy of the Notice of Annual General Meeting together with a copy of the Year 2008 Annual Report as despatched to shareholders is attached.

Regards



D L Hughes
Company Secretary

Notice of Annual General Meeting 2008



Latrobe Magnesium Limited

ABN 52 009 173 611

IMPORTANT INFORMATION

This document is important. Please read it carefully and if you require assistance, consult your legal or financial adviser.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 2008 Annual General Meeting of Latrobe Magnesium Limited ("Company") will be held at the offices of Nexia Court & Co, Level 29 Tower Building, Australia Square, 264 George Street, Sydney on 28 November 2008 at 12.30pm.

ORDINARY BUSINESS:

1. Financial Statements and Reports

1.1. Financial Reports

To receive and consider the financial statements of the Company and the Consolidated Entity for the year ended 30 June 2008 and the Reports of the Directors' and Auditor's thereon.

1.2. Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2008 included in the Directors' Report, which is attached to the Financial Statements as required under section 300A of the Corporations Act, be adopted by the Company."

Note: The Remuneration Report is set out on pages 15 to 17 of the Directors' Report contained in the 2008 Annual Report. In accordance with section 250R(3) of the Corporations Act, the votes cast in respect of the Resolution are advisory only and do not bind the Company.

1.3 Resolution 2: Re-election of K A Torpey as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Kevin Torpey, having retired from office as a Director in accordance with Article 12.2 of the Company's constitution and being eligible, having offered himself for re-election, be re-elected as a Director."

2. Other Business

To transact any other business which, in accordance with the Company's Constitution and the Corporations Act, may be legally brought before an Annual General Meeting.

By Order of the Board of Directors



D L Hughes
Secretary

Dated 26 October 2008

The notice of meeting is accompanied by Explanatory Notes to shareholders which explains the purpose of the Meeting and the resolutions to be considered at the Meeting.

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders of Latrobe Magnesium Limited ("Company") with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Financial Statements and Reports

The Financial Report, Directors' Report and Auditor's Report for the company for the year ended 30 June 2008 will be laid before the annual general meeting. There is no requirement for shareholders to approve those reports.

The Annual General Meeting provides a forum for shareholders to ask questions and make comments on the Company's reports and accounts and on the business and operations for the Company for the year ended 30 June 2008.

In addition, shareholders may, at the meeting, ask questions of the auditor in relation to the following matters:

The conduct of the audit, the content of the auditor's report, the accounting policies adopted by the Company for the preparation of the financial statements and the auditor's independence in relation to the above items.

Resolution 1 – Adoption of Remuneration Report

Resolution 1 is proposed for the adoption of the Remuneration Report contained in the Directors' Report referred to in the first item of the agenda set out in the Notice. The Remuneration Report of the Company for the financial year ended 30 June 2008 is set out in the Directors' Report contained in the 2008 Annual Report on pages 15 to 17.

The vote on this resolution is advisory only and non-binding.

Resolution 2 – Re-election of K A Torpey as a Director

Kevin Torpey retires in accordance with article 12.2 of the Company's constitution which provides that at each annual general meeting one third of the Directors must retire from office. The Directors to retire are those that have been longest in office since their last election or appointment.

Being eligible, Mr Torpey offers himself for re-election. Details of Mr Torpey's qualifications, experience, other directorships and shareholding in the Company are outlined in the Annual Report.

NOTES

These notes form part of the Notice of Annual General Meeting and should be read in conjunction with the accompanying explanatory statement.

Determination of Membership and Voting Entitlement

For the purpose of determining a person's entitlement to vote at the Annual General Meeting, a person will be recognised as a member of the Company and the holder of Shares if that person is registered as a holder of those Shares at 5.00pm Sydney time on 26 November 2008, being the second business day prior to the Annual General Meeting.

Votes of Members

On a show of hands, each member present in person or by proxy (or, in the case of a body corporate, by a representative) at the Annual General Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy (or, in the case of a body corporate, by a representative) shall have one vote for each Share held provided that all shares are fully paid.

Proxies

A member who is entitled to vote at the Meeting has a right to appoint a proxy and should use the proxy form accompanying this Notice. The proxy need not be a member of the Company.

A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, section 249X of the Corporations Act will take effect so that each proxy may exercise half of the votes (ignoring fractions).

A proxy's authority to speak and vote for a member at the meeting is suspended if the member is present at the meeting.

The proxy form must be signed and dated by the member or the member's attorney. Joint members must each sign.

Proxy forms and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received at:

Level 7
151 Macquarie Street
SYDNEY NSW 2000; or

On fax number (02) 9251 0244

Not later than 12.30pm (Sydney time) on 26 November 2008.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at Meetings of a company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

PROXY FORM

I/We
[Please print]
of
[Please print]

being a member of Latrobe Magnesium Limited appoint:

Name of proxy

Address of proxy

or failing him or her, the chairman of the meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held on 28 November 2008 and at any adjournment of that meeting.

If 2 Proxies are being appointed, the proportion of voting rights that this Proxy is authorised to exercise is % . (The Company will supply an additional form on request.)

PROXY INSTRUCTIONS

If you wish to instruct your proxy how to vote, insert X in the appropriate column against each item of business set out below.

I/We instruct my/our proxy to vote as follows

RESOLUTION	FOR	AGAINST	ABSTAIN
1. Ordinary resolution to adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ordinary resolution to re-elect Mr K A Torpey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Unless otherwise directed, the proxy holder may vote as he/she thinks fit, or abstain from voting.

The Chairman intends to vote all undirected proxies that he receives in favour of the resolutions to be placed before the meeting.

If you do not wish to direct your proxy how to vote, please place a mark in the box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes by him other than as proxy holder will be disregarded because of that interest.

DATED: 2008

If the member is an individual

Signature

If the member is a company:

THE COMMON SEAL of)
is affixed in)
accordance with its Constitution in)
the presence of)

.....
Director/Secretary

.....
Director

.....
Name of Director/Secretary [print]

.....
Name of Director [print]



2008 Annual Report

Latrobe Magnesium Limited and its Controlled Entities

ABN 52 009 173 611

INDEX

	Page
Company Directory	3
Review of Operations	4
Corporate Governance Statement	7
Directors' Report	11
Auditor's Independence Declaration	18
Directors' Declaration	19
Income Statement	20
Balance Sheet	21
Statement of Changes in Equity	22
Cash Flow Statement	23
Notes to the Financial Statements	24
Independent Auditor's Report	51
Additional Information	54

COMPANY DIRECTORY

Directors

David Paterson, Chairman
Philip Bruce
Kevin Torpey
Rodney Foster

Registered Office and Principle Place of Business

Level 7
151 Macquarie Street
Sydney NSW 2000
Telephone: (02) 9251 0400
Facsimile: (02) 9251 0244

Auditors

Grant Thornton NSW
Level 17
383 Kent Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

www.latrobemagnesium.com

Secretary

David Hughes

Bankers

National Australia Bank Limited
255 George Street
Sydney NSW 2000

Solicitors

Minter Ellison
Level 19
88 Philip Street
Sydney NSW 2000

Home Stock Exchange

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

ASX CODE: LMG

REVIEW OF OPERATIONS**LATROBE MAGNESIUM PROJECT****1. Thermal Reduction Process**

Following a review of the economics associated with the project early in the year, the Board decided to investigate the use of the thermal reduction process for the production of magnesium from the Hazelwood brown coal fly ash. The benefits of this process may be summarised as follows:

- It is a simplified proven technology responsible for the majority of the World's magnesium production.
- It can produce small quantities of magnesium economically.
- The production is capable of being expanded on a modular basis.
- A lower capital cost when compared to electrolytic plants.
- The construction period for a plant is 12 months.
- The scalability reduced the overall risks of the project.
- The production can be initially tailored to Australian demand requirements.

This technology was used to produce some 550,000 tonnes of the 700,000 tonnes of 2007 world production. Plants range in size from 3,000 tonnes up to 20,000 tonnes. The plants are modular and trains can be added on an incremental basis to increase production.

The process is simple well proven and robust and therefore does not require complex solutions in the production process and does not consume as much electricity when compared to an electrolytic process. Therefore, both operating and capital costs for small production plants are greatly reduced when compared to electrolytic plants.

For the last four years, Australian consumption of magnesium has been recorded in the range between 8,000 tonnes to 9,000 tonnes per annum. All this magnesium is imported. This market should therefore be capable of supporting our initial plant with production of 5,000 tonnes.

2. Magnesium Market

In the 2007 calendar year, primary world production of magnesium remained stable at approximately 700,000 tonnes, even though a major Canadian producer of 48,000 tonnes was closed during the year. This production was replaced by expansion of existing and/or new capacity in China. China was estimated to supply some 550,000 tonnes of the 2007's world production.

The Chinese government introduced a 10% export tax on magnesium metal on 1 January 2008.

The price of magnesium has increased dramatically during the year up to 30 June 2008.

		01-Jul-07	30-Jun-08
US Spot Western	US\$ per lb	1.65	3.30
FOB China	US\$ per tonne	n/a	5,400

The FOB China price peaked at US\$5,900 per tonne in June 2008 and has since retreated to US\$4,000 per tonne in September 2008.

In China, increased costs for ferrosilicon, power and transportation were cited as causes for the rapid increase in the price.

3. Laboratory Test Work

During the second half of this year, the Company has concentrated its activities in two main areas:

- upgrading the fly ash, and
- developing a laboratory scale retort process that mirrors the thermal reduction process to produce magnesium metal.

(a) Upgrading the fly ash

The initial work involved investigating the methods to upgrade the MgO content in the Hazelwood fly ash and to remove specific elements to allow the efficient recovery of magnesium metal.

REVIEW OF OPERATIONS (CONT'D)

Using simple low pressure water cyclones and sizing the material, the MgO content in the upgraded material was increased from 18% to 25%. The CaO was in the order of 29% and the Fe₂O₃ was in the order of 13%. The treatment was successful in reducing substantially three of the four elements contained in the fly ash being, K₂O, Na₂O and SiO₂.

Mineralogy work identified a calcium iron magnesium silicate and an anhydrite as the two main materials present in the fly ash. Chemical modelling is currently being carried out to devise the methodology for the removal of this anhydrite from the upgraded material. It is believed that the removal of this anhydrite from the upgraded material will concentrate the MgO further and allow improved recovery of the magnesium metal in the thermal reduction process.

(b) Retort Test Work

The Company has constructed and assembled a bench scale test retort that replicates the thermal reduction process. Base line tests on dolime (calcined dolomite) have been conducted and confirmed that this test retort operates as planned and produces magnesium metal under inert conditions.

Preliminary retort tests using the upgraded intermediate material and a combination of dolime and upgraded intermediate material have been conducted. Initial results of these tests produced minimal magnesium metal under inert conditions. It is believed that the reason for this low recovery was due to the masking of the magnesium by the anhydrite within the retort.

The Company is therefore now concentrating its activities on investigating alternative methods of removing the anhydrite from the upgraded material. The modeling work represents the first phase of this work.

(4) Next Stage

Following the successful removal of the anhydrite and the recovery of the magnesium metal, the Company will proceed to develop the project. It is the Company's preference to develop the project in joint venture with an existing magnesium producer.

Once the test work has been completed, approaches will be made to potential joint venture partners.

BANGEMALL EXPLORATION AREA, WESTERN AUSTRALIA (EO9/1293)

In June 2006 the Company executed an agreement to acquire 100% equity interest in exploration licence application EO9/1293.

The exploration licence comprising 154 blocks was granted by the Western Australian Department of Industry and Resources on 31 January 2007.

An initial exploration programme comprising a scintillometer survey and rock sampling programme was undertaken on the eastern section of the Bangemall tenement. This area being identified through anomalous uranium channel results as interpreted from aerial radiometrics data.

Planning for the next exploration programme is well advanced with field activities to be undertaken during 2008 to include:

- Further exploration of the anomalous uranium radiometrics trend.
- Investigation of the historic copper occurrences; and
- Assessment of the gold potential

Additional scintillometer surveying is planned for other prospective areas on the Bangemall tenement.

NORTHERN TERRITORY URANIUM PROJECTS

In April 2007, the Company executed an agreement to acquire two uranium projects in the Northern Territory, exploration licence applications 25875 and 25906.

The exploration tenements cover an area of over 325 square kilometres and include exploration targets prospective for high grade vein and pegmatic type mineralisation in granitoids and for secondary calcrete uranium deposits. The Northern Territory Department of Primary Industries, Fisheries and Mines have now granted both exploration licences.

REVIEW OF OPERATIONS (CONT'D)

The Company has signed the Native Title agreements and is waiting on the Central Land Council's next meeting in October to approve the agreements. The exploration program will commence once these agreements have been finalised.

This program will take about three months to complete and will involve the taking of rock chip/soil samples over 100 metre gridlines for the following areas:

- Crown Creek uranium bearing zone;
- Double Dams tantalum-tungsten prospect;
- Double Dams Copper Show prospect;
- Brookes Soak Alluvials uranium prospect; and
- 3 strong uranium anomalies in the southern portion of the tenement

FUTURE INVESTMENT OPPORTUNITIES

In addition to the interests in exploration projects referred to above the Board continues to investigate investment opportunities to enhance shareholder value, however the Board remains focussed on improving the Company's share price and the developments associated with the Latrobe Magnesium Project.

CORPORATE GOVERNANCE STATEMENT

Latrobe Magnesium Limited and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance.

The Board supports and aims to comply with the principles of good corporate governance and best practice recommendations set by the ASX Corporate Governance Council.

The Board continues to review its corporate governance framework in light of these principles to ensure they meet the interests of shareholders.

The Board recognises that given the current size of the Company and its level of operations it is not always appropriate or practical to fully comply with these principles and recommendations.

A description of the Company's main corporate governance practices is set out below. Unless otherwise stated, all of these practices were in place at year end.

The Board of Directors

The Board of Directors' (the Board) primary role is the protection and enhancement of long-term shareholder value. In fulfilling this role, the Board is responsible for the overall corporate governance of the Company and its controlled entities ensuring the consolidated group is run in a proper manner.

Responsibilities and Functions of the Board

The Board operates in accordance with the broad principles set out in its Charter and Terms of Reference. The Charter details the Board's composition and responsibilities.

The responsibilities of the Board include:

- reporting to shareholders and the market;
- ensuring adequate risk management processes exist and are complied with;
- reviewing internal controls and internal and external audit reports;
- ensuring regulatory compliance;
- monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company's auditors;
- reviewing the performance of senior management;
- monitoring the Board composition, director selection and Board processes and performance;
- validating and approving corporate strategy;
- reviewing the assumptions and rationale underlying the annual plans and approving such plans; and
- authorising and monitoring major investment and strategic commitments.

The Board met 6 times during the year and directors' attendance is disclosed on page 14.

Composition of the Board

The Board considers that its composition provides for the timely and efficient decision making required by the Company in its current circumstances. Currently the Board of Directors comprises four Non-Executive Directors, two of whom are deemed independent pursuant to the ASX Corporate Governance Guidelines. Mr P Bruce and Mr R Foster are the independent Directors.

The Company does not comply with the recommendation 2.1 which recommends that a majority of the Board should be independent Directors, together with an independent Chairperson.

At this stage of the Company's development, the Board considers it neither appropriate or cost effective for there to be a majority of independent Directors together with an independent Chairperson. This matter is currently under review and as circumstances allow consideration will be given to the appropriate time to move to adopting the ASX Corporation Governance Guidelines. Details of the members of the Board, their experience, expertise and qualifications are set out in the Directors Report on pages 11 to 17.

Term in Office

The term in office of each Director of the Company at the date of this report is as follows:

Name of Director	Term in Office
D O Paterson	6 Years, 1 Month
P F Bruce	5 Years, 1 Month
K A Torpey	6 Years, 5 Months
R D Foster	2 Year, 5 Months

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Director Education

The Company provides a formal induction process for all new employees and directors to educate them on the nature of the business and its operations.

Continuing education is provided via the regular Board updates provided by the divisional chief executives.

Chairman

The Chairman is responsible for leading the Board, ensuring that the Board activities are organised and efficiently conducted and for ensuring the directors are properly briefed for meetings. The Board's Charter and Terms of Reference specify that these are separate roles to be undertaken by separate people and that there should at all times be a clear division between the responsibilities of the Board and management.

Board Committees

To assist in the execution of its responsibilities, and to allow detailed consideration of complex issues, the Board has established a number of permanent committees, the details of which are set out below.

Audit Committee

The members of the audit committee during the year were:

- Mr D O Paterson – (Chairman) Non-Independent
- Mr P F Bruce – Independent Non-Executive
- Mr R D Foster – Independent Non-Executive

The committee met twice during the year.

The audit committee has adopted a formal charter which sets out the responsibilities of the audit committee. These responsibilities include:

- reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring corporate risk management practices;
- review and approval of the Group's accounting policies and procedures;
- reviewing the external audit plans, and co-ordination of those plans with external auditors;
- reviewing the nomination, performance and independence of the external auditors; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The audit committee has received confirmation in writing from the Chief Executive officer and the Chief Financial officer that:

The Company's financial reports present a true and fair view, in all material respects, of the company's financial position on operational results and are in accordance with relevant accounting standards.

Nominations Committee

The Board has not yet formed a separate nominations committee and all matters that would normally be the responsibility of a nomination committee are dealt with by the full Board of Directors

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

The Company does not comply with recommendation 2.4, which recommends that the Board should establish a nomination committee. The Board considers that the Board is currently not of sufficient size to justify the establishment of a separate nomination committee.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Remuneration Committee

No remuneration committee exists as all matters that would normally be the responsibility of a remuneration committee are dealt with by the full Board of Directors. These responsibilities include:

- review and approval of the Group's policy for determining executive remuneration and any amendment to that policy;
- review the on-going appropriateness and relevance of the policy;
- consider and make recommendations to the Board on the remuneration of executive directors (including base salary, incentive payments, equity awards and service contracts);
- to review and approve the design of all equity based plans;
- to review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive directors.

Further information on the structure of executives and non-executive director's remuneration is set out in the Remuneration Report contained in the Directors' Report and Note 17 of the Financial Statements.

Due Diligence Committee

The Board will from time to time form a due diligence committee to monitor any projects that require a due process of enquiry and substantiation.

Board Performance Evaluation

ASX Corporate Governance Council best practice recommendation 8.1 requires the disclosure of the process for performance evaluation of the Board, its committees and individual directors, and key executives. Given the current size of the Latrobe Magnesium's Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of individual Directors and would consider the implementation of one at this particular point as impractical.

External Auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement and the scope and quality of the audit. In fulfilling its responsibilities the Board receives regular reports from management and the external auditors at least twice a year, and more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

The current auditors, Grant Thornton NSW, were appointed on 13 November 1992. The Australian accounting bodies' statement on professional independence and the Corporations Act 2001 requires mandatory rotation of audit partners for listed companies every five years. Grant Thornton confirm that they conform with these requirements.

Grant Thornton are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors Report.

Risk Assessment and Internal Control Procedures

The Board oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The Chairman and Company Secretary have stated to the Board in writing that:

The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board the Company's risk management internal compliance and control system is operating efficiently and effectively in all material respects.

The Board requires this statement to be made bi-annually.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Policy on Dealing in Company Securities

The Company has a policy on how and when the directors and employees may deal in the Company's securities. The purpose of this policy is to ensure that the directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information.

This policy requires all directors and employees to seek approval from the Chairman and Company Secretary prior to dealing in the Company's securities.

Continuous Disclosure

The Company Secretary in consultation with the Chairman is responsible for communications with the ASX. The Company Secretary is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

Ethical Standards

The Company has adopted a Code of Conduct applicable to all employees and directors. The requirement to comply with the Code is mandatory and is communicated to all employees. The Code sets out standards of conduct, behaviour and professionalism.

Communication with Shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company follows a communications strategy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company achieves this through the following avenues:

- i) The Company's website www.latrobemagnesium.com.
The website provides detailed information about all aspects of the Company's operations.
- ii) Regular mailings
The Company provides shareholders with the option of receiving copies of all announcements made to the ASX by mail or via an electronic link to our website, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year or they can elect to receive an electronic link to the website via e-mail.

- iii) General meetings
All shareholders are invited to attend the Annual General Meetings which are held in Sydney. The full Board and senior executives are present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

The Company endeavours to ensure that all shareholder queries are dealt with promptly and courteously.

Access to Independent Professional Advice

Each Director has the right of access to all relevant Company information and to the Company's executives. The Directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of these resources is co-ordinated through the Chairman of the Board. No such advice has been sought during the year.

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Group (The Group) consisting of Latrobe Magnesium Limited and the consolidated entities it controlled for the financial year ended 30 June 2008.

DIRECTORS

The following persons were Directors of Latrobe Magnesium Limited during the financial year and up to the date of this report.

D O Paterson (Chairman)
K A Torpey
P F Bruce
R D Foster

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the consolidated group consisted of:

- Advancement of the Latrobe Magnesium Project through the continued evaluation of the thermal reduction process to produce magnesium metal.
- Identification and evaluation of other resource based investment opportunities to enhance shareholder value.

OPERATING RESULTS

The consolidated net loss of the consolidated group after providing for income tax and eliminating outside equity interests amounted to \$356,343 compared to a net loss of \$240,775 for the previous corresponding period.

Further information on review of operations of the group is shown separately in the Directors' Review of Operations section of this report.

Dividends

The directors have not recommended the payment of a final dividend.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Consolidated Group during the financial year were as follows:

a) An increase in the contributed equity of \$87,600 from \$23,709,250 to \$23,796,850 as a result of:	2008
	\$
i. Issue of 1,750,000 fully paid ordinary shares in October 2007 at \$0.018 as part consideration for the acquisition of ELA25875 and ELA 25906	31,500
ii. Issue of 1,750,000 fully paid ordinary shares in December 2007 at \$0.018 as final consideration for the acquisition of ELA 25875 and ELA 25906	31,500
iii. Issue of 1,500,000 fully paid ordinary shares in December 2007 at \$0.018 in settlement of an introduction fee for acquisition of mining tenements	27,000
	<hr/>
	90,000
LESS transaction costs arising on share issues	(2,400)
	<hr/>
Net increase in share capital	<u>87,600</u>

MATTERS SUBSEQUENT TO BALANCE DATE**SHARE PURCHASE PLAN**

On 5 September 2008 Directors announced to the ASX that they had approved a Shareholder Share Purchase Plan. The Plan provides for eligible shareholders to purchase additional tranches of shares up to a maximum of \$5,000 worth at a purchase price of \$0.006 per share. The Plan further provides that the maximum number of shares to be issued will not exceed 30% of the company's current issued capital. The Plan is underwritten to \$300,000 by DFS Equities Pty Ltd.

DIRECTORS' REPORT (CONT'D)

Funds raised pursuant to the Plan will be utilised to fund fly ash upgrading test work and to meet the company's working capital requirements.

The offer closed at 5pm EST on Friday 26 September 2008. At the close of the offer, valid acceptances had been received for 24,833,323 ordinary shares with subscriptions funds of \$149,000 received.

Notice of the underwriting shortfall has been served on the underwriter. Total shares to be used pursuant to the Share Purchase Plan (including the underwriting shortfall) is 50,000,000 fully paid ordinary shares. Including this issue, the total issued capital of the Company will be 590,112,440 fully paid ordinary shares.

RESULTS OF PHASE ONE TEST STUDIES

On 25 September 2008 the Company announced that Dr Stephen Short from ECOengineers Pty Ltd had completed his Phase 1 modelling study on the separation of the anhydrite from the fly ash so as to allow for increased recovery of the magnesium from the fly ash.

The study concludes that the hydrometallurgical alkaline treatment of fly ash with soda ash should produce a feedstock suitable for the Pidgeon Process. The hydrometallurgical process used involves:

- the fly ash to be dispersed into water and soda ash added and agitated; then
- the slurry would be recycled through water cyclones to separate wet solids and mother liquor; and
- the wet solids would then be dried and ready for processing through the Pidgeon Process.

The hydrometallurgical process is a basic system and would not add greatly to the capital cost and operating cost of the project.

The Company will now proceed with bench scale test work at Metcon Laboratories to verify the predictions of this modelling.

Except for the matters referred to above, there is no other matter or circumstance that has arisen since 30 June 2008 that has significantly affected or may significantly affect:

- a) the operations, in financial years subsequent to 30 June 2008, of the consolidated group;
- b) the results of those operations; or
- c) the state of affairs, in financial years subsequent to 30 June 2008, of the consolidated group.

On 30th September 2008 the financial report was authorised for issue by a resolution of Directors.

LIKELY DEVELOPMENTS

Except for information disclosed on certain developments and the expected results of those developments included in this report under review of operations, further information on likely developments in the operations of the consolidated group and the expected results of those operations have not been disclosed in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated group.

ENVIRONMENTAL REGULATIONS

The consolidated group's operations are subject to normal State and Federal Environmental Regulations. There were no breaches of these regulations during the year or to the date of this report.

INFORMATION ON DIRECTORS

David Oliver Paterson – Executive Chairman

Age 54

Experience and Expertise

Mr Paterson is a qualified non-practising Chartered Accountant and a graduate from the University of Queensland. He was a founding partner of Europacific and has held an Investment Dealers Licence since 1990. Prior to forming Europacific in 1990, he was a Group Manager of the Corporate Services Division of Tricontinental Corporation Limited responsible for NSW and Queensland. He also worked for Coopers & Lybrand in Brisbane and Sydney in their Corporate Services Division. He has been involved in a wide range of corporate advisory assignments and underwritings of both debt and equity for a number of public and private companies.

DIRECTORS' REPORT (CONT'D)

Mr Paterson has experience in the property and mining industries, in relation to:

- Project financing;
- Financial analysis;
- Valuations; and
- The raising of debt and equity.

Appointed as a Director on 23 August 2002

Other Current Public Company Directorships

Medcare Holdings Pty Ltd and Zentrum Schulzendorf Verwaltung GMBH.

Former Public Company Directorships in Last 3 Years

None

Special Responsibilities

Chairman of the Board of Directors

Member of Audit Committee

Interests in Securities

35,933,333 ordinary shares in Latrobe Magnesium Limited. Of these shares 17,607,333 ordinary shares are held by Rimotran Pty Limited, as trustee for the David Paterson Super Fund Account, and 18,326,000 fully paid ordinary shares held in trust by Emesco Agents Pty Limited for and on behalf of Rimotran Pty Limited. Rimotran Pty Limited is a company controlled by D O Paterson.

Philip Francis Bruce – Non Executive Director

Age 56

Experience and Expertise

Mr Bruce is a director of P F Bruce & Associates, which provides corporate and project management services. Mr Bruce is a mining engineer with over thirty years resource industry experience in Australia, South Africa and Indonesia in operations, project development and corporate management. He was the CEO of PT BHP Indonesia, Managing Director of Triako Resources Limited and was the General Manager – Development for Plutonic Resources Limited, where he was technically responsible for acquisition and development of resource projects during the company's period of growth from \$35 million to over \$1 billion in market capitalisation.

Appointed as a Director on 4 September 2003

Other Current Public Company Directorships

Managing Director of Hill End Gold Limited

Former Public Company Directorships in Last 3 Years

None

Special Responsibilities

Member of Audit Committee

Interests in Securities

3,441,490 ordinary shares in Latrobe Magnesium Limited. These shares are registered in the name of Diazill Pty Limited of which Mr Bruce is a Director.

Kevin Anthony Torpey – Non Executive Director

Age 69

Experience and Expertise

Mr Torpey is a Chartered Professional Engineer and a graduate from Sydney University. Over the last 40 years he has been involved in the development of many diverse major projects involving oil, iron ore, aluminium, nickel, lead/zinc, uranium, magnesite, coal and gold, located locally and in Ireland and Indonesia. Generally these projects have been associated with major companies such as Consolidated Goldfields, EZ Industries, Alcan, International Nickel, Tara Minerals Limited (Ireland), Noranda, Denison Mines (Canada), Toyota, Mitsubishi and Iwatani.

For the last 20 years his association has mainly been as a corporate officer initially as Managing Director of Denison Mines (Australia) and then Managing Director of Devex Limited. Over the last few years he has acted as a consultant to a number of companies involved in mining projects and new technologies.

Appointed a Director on 11 April 2002

DIRECTORS' REPORT (CONT'D)**Other Current Public Company Directorships**

Imperial Corporation Ltd.

Former Public Company Directorships in Last 3 Years

None

Special Responsibilities

None

Interests in Securities

65,333,334 ordinary shares in Latrobe Magnesium Limited. Of these shares, 32,013,334 shares are held by Famallon Pty Ltd (Famallon No.2 Super Fund). Mr Torpey is a principal of Famallon Pty Ltd and a beneficiary of the fund and 33,320,000 ordinary shares are held in trust by Emesco Agents Pty Limited for and on behalf of K A Torpey.

Rodney David Foster – Non Executive Director**Age 47****Experience and Expertise**

Mr Foster is a geologist with over 20 years experience in the gold exploration and mining industry in Western Australia and Victoria.

Mr Foster's experience covers commodities including gold base metals and energy. He 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.

Appointed a Director on 21 April 2006.

Other Current Public Company Directorships

Pacrim Energy Limited

Former Public Company Directorships in Last 3 Years

None

Special Responsibilities

Member of Audit Committee

Interests in Securities

6,000,000 ordinary shares in Latrobe Magnesium Limited, of these shares 500,000 are held as a direct interest and 5,500,000 shares are held by Rodney Foster and Debra Foster as trustees for the Foster Family Super Fund.

COMPANY SECRETARY

The Company Secretary is Mr David Hughes. Mr Hughes was appointed to the position of Company Secretary on 14 August 2002. Before joining Latrobe Magnesium Limited he has held similar positions with other listed companies for over 20 years. He is currently acting as Company Secretary of the following other listed public companies:

Imperial Corporation Limited, Hudson Investment Group Limited, Hudson Resources Limited, Tiaro Coal Limited, Sinovus mining Limited and Fall River Resources Limited.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2008, and the number of meetings attended by each Director was:

Director	Directors' Meetings		Audit Committee Meetings	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office
D O Paterson	6	6	2	2
P F Bruce	6	6	2	2
K A Torpey	6	6	-	-
R D Foster	4	6	1	1

The Board has yet to appoint a Nominations and Remuneration Committee. The matters that would normally be the responsibility of these committees are dealt with by the full Board of Directors.

DIRECTORS' REPORT (CONT'D)**Retirement, Election and Continuation in Office of Directors**

- Mr K A Torpey is the Director retiring by rotation at the next Annual General Meeting of the Company. Mr Torpey being eligible in accordance with Article 12.2 of the Company's constitution offers himself for re-election.

REMUNERATION REPORT

This report outlines the Remuneration Arrangements in place for each key management person of Latrobe Magnesium Limited. Principles used to determine the nature and amount of remuneration are:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Appropriateness for level of operations

Remuneration Committee

The Board has not yet formed a separate Remuneration Committee and all matters that would normally be the responsibility of a Remuneration Committee are dealt with by the full Board of Directors.

Key Management Personnel

The full Board of Directors sets remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Executive remuneration and other terms of employment are reviewed annually having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors and executives are also able to participate in an Employee Share Acquisition Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated group's operations.

Remuneration of Non-Executive Directors is determined by the Board within the maximum amount approved by shareholders from time to time.

The Board undertakes an annual review of its performance and the performance of the Board Committees against goals set at the start of the year.

Details of the nature and amount of each element of the emoluments of each Director of Latrobe Magnesium Limited and each specified officer of the Company and the Consolidated Group receiving the highest emoluments are set out in the following tables.

The information which follows through to the section titled "Options" is subject to audit by the external auditors.

Directors 2008	Primary		Equity		Performance Related %
	Base Emoluments	Super Contributions	Options	Total	
	\$	\$	\$	\$	
D O Paterson	40,000	3,600	-	43,600	-
P F Bruce	20,000	1,800	-	21,800	-
K A Torpey	20,000	1,800	-	21,800	-
R D Foster	20,000	1,800	-	21,800	-
	100,000	9,000	-	109,000	-

DIRECTORS' REPORT (CONT'D)

	Primary		Equity		Performance Related %
	Base Emoluments	Super Contributions	Options	Total	
	\$	\$	\$	\$	
Key Management Personnel					
D L Hughes	30,000	-	-	30,000	-
Directors					
2007					
D O Paterson	24,000	2,160	-	26,160	-
P F Bruce	12,000	1,080	-	13,080	-
K A Torpey	12,000	1,080	-	13,080	-
R D Foster	12,000	1,288	-	13,288	-
	60,000	5,608	-	65,608	-
Key Management Personnel					
D L Hughes	30,000	-	-	30,000	-

Key Management Personnel

There are no additional executives employed by Latrobe Magnesium Limited other than those already disclosed.

Service Agreements

There are currently no service agreements in place formalising the terms of remuneration of Directors or specified executives of the Company and the consolidated group.

Loans to Key Management Personnel

There were no loans made to Directors or key management personnel of the Company and the Consolidated Group during the period commencing at the beginning of the financial year and up to the date of this report.

There are no loans outstanding at the date of this report.

Director Shareholdings

Directors	Balance at 1 July 2007	Purchased Under Share Plan	Options exercised	* Net Change Other	Balance at 30 June 2008
D O Paterson	35,933,333	-	-	-	35,933,333
P F Bruce	3,441,490	-	-	-	3,441,490
K A Torpey	65,333,334	-	-	-	65,333,334
R D Foster	6,000,000	-	-	-	6,000,000
	110,708,157	-	-	-	110,708,157

Share Options Granted to Key Management Personnel

There were no options granted during or since the end of the financial year to any of the Directors or key management personnel of the Company and the Consolidated Group as part of their remuneration.

DIRECTORS' REPORT (CONT'D)**REMUNERATION REPORT CONT'D****Options**

- No options were granted over unissued shares during the financial year.
- No options were exercised during the financial year.
- No options were granted in the period from the end of the financial year and up to the date of this report.

At the date of this report there were no unissued ordinary shares of Latrobe Magnesium Limited under option.

INDEMNIFICATION

During or since the end of financial year the Company has not been indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or any related body corporate against liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

TAX CONSOLIDATION

Effective 1 July 2002, for the purposes of income taxation, Latrobe Magnesium and its 100% owned subsidiaries have formed a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated group are important.

Details of the amounts paid or payable to Grant Thornton NSW for services provided during the year are set out below

	\$
Audit and Review of Financial Reports	40,700
Other Assurance Services	-
	<u>40,700</u>

There were no non-audit services provided by Grant Thornton NSW during the year.

In the event that Grant Thornton NSW are engaged on assignments additional to their statutory audit duties, the Board of Directors will ensure that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 18 and forms part of this report.

AUDITOR

Grant Thornton NSW continues in office in accordance with Section 327 of the Corporations Act.

This report is made in accordance with a resolution of the Directors.



D O Paterson
Director
Sydney 30th day of September 2008

Grant Thornton NSW
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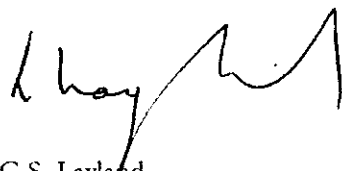
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF LATROBE MAGNESIUM LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Latrobe Magnesium Limited and its controlled entities for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants



G S Layland
Partner

Sydney, 30 September 2008

DIRECTORS' DECLARATION

The Directors of Latrobe Magnesium Limited declare that:

- 1 The financial statements and notes of the company and of the consolidated group, set out on pages 20 to 50 are in accordance with the Corporations Act 2001, and:
 - a. comply with Accounting Standards and Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2008 and performance for the year ended on that date of the company and consolidated group.
- 2 The chairman and the company secretary have each declared that:
 - a. The financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view.
- 3 In the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due and payable.

The company and some of its wholly owned subsidiaries, Money Management WA Pty Ltd and Gold Mines of WA Pty Ltd have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

Signed in accordance with a resolution of Directors made pursuant to Section 295(4) of the *Corporations Act 2001*.

On behalf of the Directors



D O PATERSON
Director

Dated in Sydney this 30th day of September 2008

INCOME STATEMENT
For the year ended 30 June 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	3	20,575	30,359	20,575	30,359
Administration expenses		(315,271)	(240,916)	(315,101)	(240,746)
Research and evaluation expenses	3	(61,633)	(29,886)	(61,633)	(29,886)
Finance costs	3	(14)	(332)	(14)	(332)
Loss before income tax		(356,343)	(240,775)	(356,173)	(240,605)
Income tax expense	4	-	-	-	-
Loss attributable to members of the parent entity		(356,343)	(240,775)	(356,173)	(240,605)
Basic loss per share (cents per share)	20	(0.066)	(0.045)		
Diluted loss per share (cents per share)	20	(0.066)	(0.045)		

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
As at 30 June 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	197,290	561,770	196,606	560,916
Trade and other receivables	6	1,763	3,350	1,763	3,350
TOTAL CURRENT ASSETS		199,053	565,120	198,369	564,266
NON-CURRENT ASSETS					
Trade and other receivables	6	-	-	-	-
Financial assets	7	-	-	5,745,341	5,745,341
Mining tenements	8	280,471	166,093	280,471	166,093
Property, plant and equipment	9	1,416	2,220	1,416	2,220
Intangible assets	10	5,684,000	5,684,000	-	-
TOTAL NON-CURRENT ASSETS		5,965,887	5,852,313	6,027,228	5,913,654
TOTAL ASSETS		6,164,940	6,417,433	6,225,597	6,477,920
CURRENT LIABILITIES					
Trade and other payables	11	47,955	31,705	47,955	31,705
TOTAL CURRENT LIABILITIES		47,955	31,705	47,955	31,705
TOTAL LIABILITIES		47,955	31,705	47,955	31,705
NET ASSETS		6,116,985	6,385,728	6,177,642	6,446,215
EQUITY					
Issued capital	12	23,796,850	23,709,250	23,796,850	23,709,250
Reserves	13	1,315,402	1,315,402	1,315,402	1,315,402
Accumulated losses		(18,995,267)	(18,638,924)	(18,934,610)	(18,578,437)
TOTAL EQUITY		6,116,985	6,385,728	6,177,642	6,446,215

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2008

Consolidated Group	Ordinary	Reserves	Accumulated	Total
	Share Capital		Losses	
	\$	\$	\$	\$
Balance 1 July 2006	23,591,650	1,315,402	(18,398,149)	6,508,903
Net income recognised directly in equity	-	-	-	-
Loss for Period	-	-	(240,775)	(240,775)
Total recognised income and expenses for the period	-	-	(240,775)	(240,775)
Shares issued during the period	120,000	-	-	120,000
Cost of shares issued	(2,400)	-	-	(2,400)
Balance 1 July 2007	23,709,250	1,315,402	(18,638,924)	6,385,728
Net income recognised directly in equity	-	-	-	-
Loss for Period	-	-	(356,343)	(356,343)
Total recognised income and expenses for the period	-	-	(356,343)	(356,343)
Shares issued during the period	90,000	-	-	90,000
Cost of shares issued	(2,400)	-	-	(2,400)
Balance 30 June 2008	23,796,850	1,315,402	(18,995,267)	6,116,985

Parent Entity	Ordinary	Reserves	Accumulated	Total
	Share Capital		Losses	
	\$	\$	\$	\$
Balance 1 July 2006	23,591,650	1,315,402	(18,337,832)	6,569,220
Net income recognised directly in equity	-	-	-	-
Loss for Period	-	-	(240,605)	(240,605)
Total recognised income and expenses for the period	-	-	(240,605)	(240,605)
Shares issued during the period	120,000	-	-	120,000
Cost of shares issued	(2,400)	-	-	(2,400)
Balance 1 July 2007	23,709,250	1,315,402	(18,578,437)	6,446,215
Net income recognised directly in equity	-	-	-	-
Loss for Period	-	-	(356,173)	(356,173)
Total recognised income and expenses for the period	-	-	(356,173)	(356,173)
Shares issued during the period	90,000	-	-	90,000
Cost of shares issued	(2,400)	-	-	(2,400)
Balance 30 June 2008	23,796,850	1,315,402	(18,934,610)	6,177,642

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASHFLOW STATEMENT
For the year ended 30 June 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from debtors		1,587	75,775	1,587	75,775
Payments to suppliers and employees		(424,774)	(351,225)	(424,604)	(351,055)
Interest received		16,694	30,359	16,694	30,359
Finance costs		(14)	(332)	(14)	(332)
Net cash used in operating activities	19b	(406,507)	(245,423)	(406,337)	(245,253)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		3,880	-	3,880	-
Payment for exploration expenditure		(22,053)	-	(22,053)	-
Purchase of mining tenements		(25,000)	(46,093)	(25,000)	(166,093)
Net cash used in investing activities		(43,173)	(46,093)	(43,173)	(166,093)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		87,600	-	87,600	120,000
Costs of share issues		(2,400)	(2,400)	(2,400)	(2,400)
Net cash (provided by) used by financing activities		85,200	(2,400)	85,200	117,600
Net (decrease) in cash held		(364,480)	(293,916)	(364,310)	(293,746)
Cash at beginning of the financial year		561,770	855,686	560,916	854,662
Cash at end of financial year	19a	197,290	561,770	196,606	560,916

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report and covers the consolidated group of Latrobe Magnesium Limited and its controlled Entities (the Group) and Latrobe Magnesium Limited as an individual parent entity. Latrobe Magnesium Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

It is also recommended that the financial report be considered together with any public announcements made by Latrobe Magnesium Limited and its controlled entities during the year ended 30 June 2008, in accordance with continuous disclosure obligations arising under both the Corporation Act 2001 and Australian Stock Exchange Listing Rules.

Statement of Compliance

Latrobe Magnesium Limited and its controlled entities, and Latrobe Magnesium Limited as an individual parent entity have prepared financial statements in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS') in their entirety.

A summary of significant accounting policies of the group under AIFRS are disclosed below. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

A controlled group is any entity controlled by Latrobe Magnesium Limited whereby Latrobe Magnesium Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 14 to the financial statements.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. Income Tax

The consolidated group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Deferred tax assets in relation to tax losses are not brought to account unless there is convincing evidence of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Latrobe Magnesium Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the ATO on 2 January 2003 that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. **Property, Plant and Equipment**

Each Class of property, plant and equipment is carried at cost, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment - diminishing value	30-40%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

f. **Research and development**

In process research and development costs acquired as part of a business combination are recognised at fair value. Subsequent expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life, and once the asset is held ready for use, are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of the economically recoverable reserves.

Currently the practice is to capitalise all expenses that have been incurred and are in direct relation to the exploration of resources.

Indirect costs such as administration and general operations costs will be expensed on the basis that they are necessarily incurred.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

i. Investments and other financial assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below:

Held for Trading

Investments held for trading are measured at fair value with gains or losses recognised in the income statement. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term. Investments held for trading are classified as current assets on the balance sheet.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After the initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

j. **Finance Costs**

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

k. **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

l. **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

m. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cashflows.

n. **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the cost they are compensating.

o. **Share-based payments**

For equity-settled share-based payment transactions, the company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

p. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest method.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortisation costs comprising original debt less principle payments and amortisation.

q. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

r. **Going Concern Basis of Accounting**

The financial statements have been prepared on a going concern basis. This assessment is based on cash at hand at balance date and funds raised from the Share Purchase Plan which closed on 26 September 2008 which was underwritten to \$300,000, by DFS Equities Pty Ltd.

s. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

t. **Key Estimates – Impairment**

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of the intangible assets for the year ended 30 June 2008 because:

- the company's internal valuation indicates that the recoverable amount of the asset is greater than the book value of the assets;

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- the magnesium price which supports this valuation is at a seven year high and is projected to be maintained at this level for some time;
- the company is investigating proven alternative technology solutions that have the ability to lower the current estimated capital costs incorporated in the company's internal valuation.

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's risk management policy sets out the company's overall risk management framework and policies, including monthly review by the board of the company's financial position and financial forecasts, and maintaining adequate insurances.

a. Principal financial instruments

The principal financial instruments are as follows:

- Cash
- Trade and other receivables
- Intercompany balances
- Trade and other payables

The group does not use derivative financial instruments, and has no off-balance sheet financial assets and liabilities at year-end.

b. Financial instrument risk exposure and management

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. These main risks, arising from the group's financial instruments are interest rate risk, liquidity risk, foreign exchange currency risk, share market risk, credit risk and commodity risk. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

c. General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Liquidity risk

Liquidity risk arises from the group's management of working capital. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The group's exposure to liquidity risk has been assessed as minimal. There are past due payables at balance date.

The board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

(ii) Interest Rate Risk

The group's exposure to interest risk arises when the value of financial instruments fluctuates as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

The group's exposure to interest rate risk only extends to cash and cash equivalents at balance date. The group's exposure to interest rate risk at 30 June 2008 is set out in the following tables:

CONSOLIDATED

Year ended 30 June 2008

	Weighted Average Interest Rate %	Fixed interest maturing in:					Non- interest bearing	Total
		Floating Interest Rate	1 year Or less	Over 1 to 5 years	More than 5 years			
		\$	\$	\$	\$	\$	\$	
Financial assets		-	-	-	-	-	-	
Cash and cash equivalents	5.58	197,290	-	-	-	-	197,290	
Trade and other receivables		-	-	-	-	1,763	1,763	
		197,290	-	-	-	1,763	199,053	
Financial liabilities		-	-	-	-	-	-	
Trade and other payables		-	-	-	-	47,955	47,955	
		-	-	-	-	47,955	47,955	
Net financial assets		197,290	-	-	-	(46,192)	151,098	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)
CONSOLIDATED

Year ended 30 June 2007

	Weighted Average Interest Rate %	Fixed interest maturing in:					Non- interest bearing	Total
		Floating Interest Rate	1 year Or less	Over 1 to 5 years	More than 5 years			
		\$	\$	\$	\$	\$	\$	
Financial assets		-	-	-	-	-	-	
Cash and cash equivalents	4.30	559,024	-	-	-	2,746	561,770	
Trade and other receivables		-	-	-	-	3,350	3,350	
		559,024	-	-	-	6,096	565,120	
Financial liabilities		-	-	-	-	-	-	
Trade and payables		-	-	-	-	31,705	31,705	
		-	-	-	-	31,705	31,705	
Net financial assets		559,024	-	-	-	(25,609)	533,415	

PARENT

Year ended 30 June 2008

	Weighted Average Interest Rate %	Fixed interest maturing in:					Non- interest bearing	Total
		Floating Interest Rate	1 year Or less	Over 1 to 5 years	More than 5 years			
		\$	\$	\$	\$	\$	\$	
Financial assets								
Cash and cash equivalents	5.58	196,606	-	-	-	-	196,606	
Trade and other receivables		-	-	-	-	1,763	1,763	
Financial assets non-current		-	-	-	-	5,745,341	5,745,341	
		196,606	-	-	-	5,747,104	5,943,710	
Financial liabilities		-	-	-	-	-	-	
Trade and other payables		-	-	-	-	47,955	47,955	
		-	-	-	-	47,955	47,955	
Net financial assets		196,606	-	-	-	5,699,149	5,895,755	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

PARENT Year ended 30 June 2007	Weighted Average Interest Rate %	Fixed interest maturing in:					Non- interest bearing	Total
		Floating Interest Rate	1 year Or less	Over 1 to 5 years	More than 5 years			
		\$	\$	\$	\$	\$	\$	
Financial assets								
Cash and cash equivalents	4.30	560,916	-	-	-	-	560,916	
Trade and other receivables		-	-	-	-	3,350	3,350	
Financial assets non-current		-	-	-	-	5,745,341	5,745,341	
		560,916	-	-	-	5,748,691	6,309,607	
Financial liabilities		-	-	-	-	31,705	31,705	
		-	-	-	-	31,705	31,705	
Net financial assets		560,916	-	-	-	5,716,986	6,277,902	

(iii) Foreign exchange currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

There was no exposure to foreign currency risk.

(iv) Share market risk

The company relies greatly on equity markets to raise capital for its exploration and magnesium project development activities, and is thus exposed to equity market volatility.

When market conditions require for prudent capital management, in consultation with its professional advisers the Group look to alternative sources of funding, including the sale of assets and joint venture participation.

(v) Credit risk

Credit risk arises principally when the other party to a financial instrument fails to discharge its obligations in respect of that instrument.

The group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

Trade and receivable balances are monitored on an ongoing basis with the group's exposure to bad debts minimal. There was no exposure to trade receivable credit risk at balance date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Other receivable comprise GST. Credit worthiness of debtors is undertaken when appropriate.

(vi) **Commodity risk**

Commodity price risk arises when the fair value of future cashflows of a financial instrument will fluctuate because of changes in commodity market prices.

The group had no exposure to commodity price risk at balance date. The group's potential exposure to commodity price risk would materialise in the event that development of the group's Latrobe Magnesium Project proceeded.

(vii) **Market risk**

Market risk does not arise as the Group does not use interest bearing, tradable and foreign currency financial instruments.

(viii) **Equity price risk**

Equity price risk arises from investments in equity securities and Latrobe Magnesium Limited's issued capital.

The Group had no exposure to investments in equity securities at balance date.

The capacity of the company to raise capital from time to time may be influenced by either or both market conditions and the price of the company's listed securities at that time.

d. **Fair value of financial assets and liabilities**

The fair value of all monetary financial assets and financial liabilities of Latrobe Magnesium approximate their carrying value.

There are no off-balance sheet financial asset and liabilities at year-end. All financial assets and liabilities are denominated in Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 3: LOSS FROM ORDINARY ACTIVITIES

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the period.				
I) Revenue				
Finance Income	16,695	30,359	16,695	30,359
Sale of Investments	3,880	-	3,880	-
	<u>20,575</u>	<u>30,359</u>	<u>20,575</u>	<u>30,359</u>
II) Expenses				
Depreciation	804	802	804	802
Research and evaluation expenses	61,633	29,886	61,633	29,886
Finance Costs	14	332	14	332
Employee benefits expense	109,000	65,608	109,000	65,608

NOTE 4: INCOME TAX EXPENSE

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:

Loss from ordinary activities before income tax	356,343	240,775	356,173	240,605
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(106,903)	(72,232)	(106,852)	(72,181)
Increase in income tax benefit due to:				
Other allowable deductions	(9,206)	(8,371)	(9,206)	(8,371)
Timing differences and tax losses not brought to account as future income tax benefit.	116,109	80,603	116,058	80,552
Income tax benefit attributable to loss from ordinary activities before income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net deferred tax asset not taken to account

The potential future income tax benefit arising from tax losses has not been taken to account because of the absence of convincing evidence of the realisation of the benefit.

Benefit of tax losses carried forward:

Tax losses carried forward	1,360,770	1,244,733	1,360,770	1,244,733
Capital losses	37,436	37,436	37,436	37,436
	<u>1,398,206</u>	<u>1,282,169</u>	<u>1,398,206</u>	<u>1,282,169</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 4: INCOME TAX EXPENSE (CONT'D)

The deferred tax asset will only be released if:

- i) the group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- ii) the group continues to comply with the conditions for deductibility imposed by the law; and
- iii) no changes in tax legislation adversely affect the group in realising the benefit.

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	197,290	561,770	196,606	560,916
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NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT

GST recoverable	1,763	3,350	1,763	3,350
	1,763	3,350	1,763	3,350

NON-CURRENT

Loans to third parties	2,561,754	2,561,754	2,561,754	2,561,754
Less: Provision for non-recovery	(2,561,754)	(2,561,754)	(2,561,754)	(2,561,754)
	-	-	-	-

Loans to third parties are secured by a fixed and floating charge over the assets of the third parties.

Loans to controlled entities are unsecured and are interest free and have no fixed term of repayment.

There are no balances within trade and other receivable that are impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

NOTE 7: FINANCIAL ASSETS

NON-CURRENT

Investment in other entities:

Unlisted investments – at cost	-	15,000	-	15,000
Less: provision for impairment	-	(15,000)	-	(15,000)
	-	-	-	-

Investments in controlled entities at cost

	-	-	6,116,478	6,116,478
Less: provision for impairment	-	-	(371,137)	(371,137)
	-	-	5,745,341	5,745,341

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 7: FINANCIAL ASSETS (CONT'D)

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Investments in other entities:				
EPIC Systems Inc	99,527	99,527	99,527	99,527
Less: provision for non impairment	(99,527)	(99,527)	(99,527)	(99,527)
	-	-	-	-
	-	-	5,745,341	5,745,341

NOTE 8: MINING TENEMENTS

Mining Tenements at cost	280,471	166,093	280,471	166,093
Total Mining Tenements	280,471	166,093	280,471	166,093

The ultimate recoupment of the carrying value of these areas of interest is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

Plant and equipment				
At cost	4,776	4,776	4,776	4,776
Accumulated depreciation	(3,360)	(2,556)	(3,360)	(2,556)
Total Property, Plant and Equipment	1,416	2,220	1,416	2,220

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment	
	2008	2007
	\$	\$
Economic Entity:		
Balance at 1 July 2007	2,220	3,022
Additions	-	-
Depreciation expense	(804)	(802)
Carrying amount at 30 June 2008	1,416	2,220

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Plant and Equipment	
	2008	2007
	\$	\$
Parent Entity:		
Balance at 1 July 2007	2,220	3,022
Additions	-	-
Depreciation expense	(804)	(802)
Carrying amount at 30 June 2008	<u>1,416</u>	<u>2,220</u>

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$

NOTE 10: INTANGIBLE ASSETS

Acquired in-process research and development, at cost	<u>5,684,000</u>	<u>5,684,000</u>	-	-
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Latrobe Magnesium Project based in the Latrobe Valley in Victoria. As the project is not held ready for use, the company is required to perform an annual impairment test. The key assumptions underlying this impairment test have been based on data provided in the Worley Pre-feasibility Study and subsequent reports. The key assumptions include a budgeted cash flow period of 20 years, based on market information for metal prices and exchange rates, and use a discount rate of 15%.

NOTE 11: TRADE AND OTHER PAYABLES

CURRENT

Trade creditors	<u>47,955</u>	<u>31,705</u>	<u>47,955</u>	<u>31,705</u>
	<u>47,955</u>	<u>31,705</u>	<u>47,955</u>	<u>31,705</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 12: ISSUED CAPITAL	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Share capital: 540,112,440 (2007: 535,112,440) shares	23,796,850	23,709,250	23,796,850	23,709,250
	<u>23,796,850</u>	<u>23,709,250</u>	<u>23,796,850</u>	<u>23,709,250</u>
(a) Ordinary shares				
Movement in ordinary share capital:				
Balance at beginning of the reporting period	23,709,250	23,591,650	23,709,250	23,591,650
Shares issued				
— 1,750,000 fully paid ordinary shares issued in October 2007 at 1.8 cents as part consideration for the acquisition of mining tenements	31,500	-	31,500	-
— 1,750,000 fully paid ordinary shares issued in December 2007 at 1.8 cents as final consideration for the acquisition of mining tenements	31,500	-	31,500	-
— 1,500,000 fully paid ordinary shares issued in December 2007 at 1.8 cents as settlement of an introduction fee for acquisition of mining tenements	27,000	-	27,000	-
— 5,000,000 fully paid ordinary shares issued in September 2006 at 1.2 cents as part consideration for the acquisition of a mining tenement	-	60,000	-	60,000
— 5,000,000 fully paid ordinary shares issued in January 2007 at 1.2 cents as the balance of consideration for the acquisition of a mining tenement	-	60,000	-	60,000
Transaction costs relating to share issues	(2,400)	(2,400)	(2,400)	(2,400)
Balance at reporting date	<u>23,796,850</u>	<u>23,709,250</u>	<u>23,796,850</u>	<u>23,709,250</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 12: ISSUED CAPITAL (CONT'D)

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	No.	No.	No.	No.
Balance at 1 July 2007	535,112,440	525,112,440	535,112,440	525,112,440
Shares issued during period				
- 13 October 2007	1,750,000	-	1,750,000	-
- 21 December 2007	1,750,000	-	1,750,000	-
- 21 December 2007	1,500,000	-	1,500,000	-
- 1 September 2006	-	5,000,000	-	5,000,000
- 19 January 2007	-	5,000,000	-	5,000,000
Balance at the end of the reporting period 30 June 2008	540,112,440	535,112,440	540,112,440	535,112,440

Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

At 30 June 2008 there were no unissued shares under option.

Employee Share Plan Scheme

For information relating to the Latrobe Magnesium Limited Share Plan Acquisition Plan, refer to Note 22: Employee Benefits. No shares were issued during the financial year.

Capital management

The Group's considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the Group's primary objective as an explorer is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has no debt hence has a nil ratio.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt, the group considers not only its short-term position but also its long-term operational and strategic objectives.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 13: RESERVES				
General reserve	1,315,402	1,315,402	1,315,402	1,315,402

The general reserve is used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

NOTE 14: CONTROLLED ENTITIES

Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2008	2007
Parent Entity:			
Latrobe Magnesium Limited	Aust	-	-
Subsidiaries of Latrobe Magnesium Limited			
Money Management WA Pty Ltd	Aust	100	100
Gold Mines of WA Pty Ltd	Aust	100	100
Magnesium Investments Pty Ltd	Aust	100	100

Deed of Cross Guarantee

Latrobe Magnesium Limited, Money Management WA Pty Ltd and Gold Mines of WA Pty Ltd are parties to a Deed of Cross Guarantee which has been lodged with and approved by the Australian Securities and Investment Commission. Under the Deed of Cross Guarantee each of the above named companies guarantees the debts of the other named companies.

The following are the aggregate totals, for each category, relieved under the deed:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 14: CONTROLLED ENTITIES (continued)

	Closed Group 2008 \$	Parties to Deed of Cross Guarantee 2008 \$	Closed Group 2007 \$	Parties to Deed of Cross Guarantee 2007 \$
Financial information in relation to:				
(i) Income Statement				
Net loss after tax				
Loss from ordinary activities before income tax	(356,343)	(356,173)	(240,775)	(240,605)
Income tax expense relating to ordinary activities	-	-	-	-
Loss from ordinary activities after income tax expense	(356,343)	(356,173)	(240,775)	(240,605)
Total changes in equity other than those resulting from transactions with owners as owners	(356,343)	(356,173)	(240,775)	(240,605)
(ii) Accumulated losses				
Accumulated losses at the beginning of the financial year	(18,638,924)	(18,578,437)	(18,398,149)	(18,337,832)
Loss from ordinary activities after income tax expense	(356,343)	(356,173)	(240,775)	(240,605)
Dividends provided for or paid	-	-	-	-
Accumulated losses at the end of the financial year	(18,995,267)	(18,934,610)	(18,638,924)	(18,578,437)
(iii) Balance Sheet				
CURRENT ASSETS				
Cash and cash equivalents	197,290	196,606	561,770	560,916
Trade and other receivables	1,763	1,763	3,350	3,350
TOTAL CURRENT ASSETS	199,053	198,369	565,120	564,266
NON-CURRENT ASSETS				
Financial assets	-	5,745,341	-	5,745,341
Mining Tenements	280,471	280,471	166,093	166,093
Property, plant and equipment	1,416	1,416	2,220	2,220
Other assets	5,684,000	-	5,684,000	-
TOTAL NON-CURRENT ASSETS	5,965,887	6,027,228	5,852,313	5,913,654
TOTAL ASSETS	6,164,940	6,225,597	6,417,433	6,477,920

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 14: CONTROLLED ENTITIES (CONT'D)

	Parties to Deed of Cross Guarantee		Parties to Deed of Cross Guarantee	
	Closed Group 2008	Closed Group 2008	Closed Group 2007	Closed Group 2007
	\$	\$	\$	\$
CURRENT LIABILITIES				
Trade and other payables	47,955	47,955	31,705	31,705
Interest bearing liabilities	-	-	-	-
TOTAL CURRENT LIABILITIES	47,955	47,955	31,705	31,705
NON-CURRENT LIABILITIES				
Trade and other payables	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	-	-	-	-
TOTAL LIABILITIES	47,955	47,955	31,705	31,705
NET ASSETS	6,116,985	6,177,642	6,385,728	6,446,215
EQUITY				
Issued capital	23,796,850	23,796,850	23,709,250	23,709,250
Reserves	1,315,402	1,315,402	1,315,402	1,315,402
Accumulated losses	(18,995,267)	(18,934,610)	(18,638,924)	(18,578,437)
	6,116,985	6,177,642	6,385,728	6,446,215

NOTE 15: CAPITAL AND LEASING COMMITMENTS

The company occupies office premises on a monthly tenancy with rent payable monthly in advance.

Exploration Leases

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay lease rentals and to meet the minimum expenditure requirements of the various government authorities. These obligations are subject to re-negotiation on renewal of the exploration licence or when application for a mining lease is made.

The exploration tenements can be relinquished at any time. These obligations, set out below are not provided for in the financial statements.

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Not later than one year	154,000	154,000	154,000	154,000
Later than one year but not later than 2 years	308,000	308,000	308,000	308,000
Later than two years but not later than 5 years	77,000	77,000	231,000	231,000
Later than five years	-	-	-	-
	539,000	539,000	693,000	693,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008**NOTE 16: SEGMENT REPORTING**

The economic entity operates predominantly in one industry within Australia. The principal activities of the consolidated group is the continued development of the Latrobe Magnesium metals project, and the identification and evaluation of other resource based investment opportunities.

NOTE 17: REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Names and positions held of parent entity directors at any time during the financial year are:

David Paterson	Chairman — Non-Executive
Philip Bruce	Director — Non-Executive
Kevin Torpey	Director — Non-Executive
Rodney Foster	Director — Non-Executive

Shareholdings

Number of shares held by Parent Entity Directors and Key Management Personnel.

Directors	Balance at beginning of year / date of appointment	Share purchase plan	Options exercised	Net Change Other	Balance at 30 June 2008
D O Paterson	35,933,333	-	-	-	35,933,333
P F Bruce	3,441,490	-	-	-	3,441,490
K A Torpey	65,333,334	-	-	-	65,333,334
R D Foster	6,000,000	-	-	-	6,000,000
Key Management Personnel					
D L Hughes	2,540,000	-	-	-	2,540,000

Option holdings

There were no options over unissued shares in the company held during the financial year by any director or key management personnel of the company including their related entities.

Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 18: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with and amounts receivable from and payable to directors of related parties or their director related entities which:

- a. occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director related entities at arms length in the same circumstances;
- b. do not have the potential to adversely affect decisions about the allocations of scarce resources made by users of the financial report, or the discharge of accountability by the director's if disclosed in the financial report only by general description; and
- c. are trivial or domestic in nature must be excluded from the detailed disclosures required. Such transactions and amounts receivable or payable shall be disclosed in the financial report by general description.

Directors and Director Related Entities

The names of persons who were directors of the Company at any time during the financial period are as follows:

- D O Paterson
- P F Bruce
- K A Torpey
- R D Foster

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
I) R D Foster is a principal of Minico Pty Ltd. During the period fees were paid to undertake technical services in relation to mineral tenements. These services were provided on normal commercial terms and conditions.	2,400	2,799	2,400	2,799
II) Other related entities Secretarial fees were paid to Lithgow Quarrying and Excavation Co. Pty Ltd of which D L Hughes is a principal. These services were provided on normal commercial terms and conditions	30,000	30,000	30,000	30,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 19: CASH FLOW INFORMATION	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. Reconciliation of Cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:				
Cash at Bank	197,290	561,770	196,606	560,916
	197,290	561,770	196,606	560,916
b. Reconciliation of cash flow from operating activities to operating loss after income tax:				
Net loss	(356,343)	(240,775)	(356,173)	(240,605)
Add/less non cash flows in operating loss:				
Introduction fees via issuance of shares	27,000	-	27,000	-
Depreciation	804	802	804	802
Gain on sale of investments	(3,880)	-	(3,880)	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in receivables and other current assets	(90,338)	45,417	(90,338)	45,417
(Decrease)/Increase in creditors	16,250	(50,867)	16,250	(50,867)
Net Cash (used in) / provided by Operating Activities	(406,507)	(245,423)	(406,337)	(245,253)

c. Acquisition and Disposal of Entities

There was no acquisition or disposal of controlled entities during the 2008 or 2007 financial years.

d. Non-cash Financing and Investing Activities

Share Issue

2008

- 3,500,000 fully paid ordinary shares were issued during the 2008 financial year as consideration for the acquisition of mining tenements
- 1,500,000 fully paid ordinary shares were issued in settlement of an introduction fee for the acquisition of mining tenements

2007

- 10,000,000 fully paid ordinary shares were issued during the 2007 financial year as consideration for the acquisition of a mining tenement

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 20: LOSS PER SHARE	Consolidated Group	
	2008	2007
	cents	cents
(a) Reconciliation of loss to net loss		
Basic loss per share (cents per shares)	(0.066)	(0.045)
Diluted loss per share (cents per share)	(0.066)	(0.045)
	Consolidated Group	
	2008	2007
	\$	\$
a. Loss used in the calculation of EPS	(356,343)	(240,775)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	539,610,693	529,235,728
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	539,610,693	529,235,728

There were no unissued shares under option at 30 June 2008.

NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities for the year ended 30 June 2008 (2007: Nil).

NOTE 22: EMPLOYEE BENEFITS

Employees Share Acquisition Plan

The Directors have approved the implementation of a Share Acquisition Plan.

The Plan provides for eligible participants to purchase shares in the company tax effectively through salary sacrifice. Shares will be acquired on the Australian Stock Exchange at prevailing market prices on or about the first trading day following the normal monthly pay day. The shares including transaction costs will be met by the pre-tax remuneration forgone by the Plan participant. Administration costs of the Plan will be met by the company.

The minimum contribution under the Plan is \$2,400 per annum. Participants can allocate up to 100% of their gross remuneration.

During the period under review and the previous corresponding period, there were no shares purchased in accordance with the employee share acquisition plan.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

SHARE PURCHASE PLAN

On 5 September 2008 Directors announced to the ASX that they had approved a Shareholder Share Purchase Plan. The Plan provides for eligible shareholders to purchase additional tranches of shares up to a maximum of \$5,000 worth at a purchase price of \$0.006 per share. The Plan further provides that the maximum number of shares to be issued will not exceed 30% of the company's current issued capital. The Plan is underwritten to \$300,000 by DFS Equities Pty Ltd.

Funds raised pursuant to the Plan will be utilised to fund fly ash upgrading test work and to meet the company's working capital requirements.

The offer closed at 5pm EST on Friday 26 September 2008. At the close of the offer, valid acceptances had been received for 24,833,323 ordinary shares with subscriptions funds of \$149,000 received.

Notice of the underwriting shortfall has been served on the underwriter. Total shares to be used pursuant to the Share Purchase Plan (including the underwriting shortfall is 50,000,000 fully paid ordinary shares. Including this issue, the total issued capital of the Company will be 590,112,440 fully paid ordinary shares.

RESULTS OF PHASE ONE TEST STUDIES

On 25 September 2008 the Company announced that Dr Stephen Short from ECOengineers Pty Ltd had completed his Phase 1 modelling study on the separation of the anhydrite from the fly ash so as to allow for increased recovery of the magnesium from the fly ash.

The study concludes that the hydrometallurgical alkaline treatment of fly ash with soda ash should produce a feedstock suitable for the Pidgeon Process. The hydrometallurgical process used involves:

- the fly ash to be dispersed into water and soda ash added and agitated; then
- the slurry would be recycled through water cyclones to separate wet solids and mother liquor; and
- the wet solids would then be dried and ready for processing through the Pidgeon Process.

The hydrometallurgical process is a basic system and would not add greatly to the capital cost and operating cost of the project.

The Company will now proceed with bench scale test work at Metcon Laboratories to verify the predictions of this modelling.

Except for the matters referred to above, there is no other matter or circumstance that has arisen since 30 June 2008 that has significantly affected or may significantly affect:

- a) the operations, in financial years subsequent to 30 June 2008, of the consolidated group;
- b) the results of those operations; or
- c) the state of affairs, in financial years subsequent to 30 June 2008, of the consolidated group.

On 30th September 2008 the financial report was authorised for issue by a resolution of Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 24: CHANGES IN ACCOUNTING STANDARDS

The following Australian Accounting Standards, which have been issued or amended, are applicable to the company but have not been adopted in preparation of the financial statements at reporting date. Application of these standards will not affect any of the amounts recognised or disclosed in the financial statements.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 3: Business Combinations	AASB 127	Entities accounting for business combinations and changes in ownership interests in subsidiaries.	30 June 2010	1 July 2009
AASB 8: Operating Segments	AASB 114: Segment Reporting	The disclosure requirements of AASB 114: Segment Reporting has been replaced by the issuing of AASB 8: Operating Segments in February 2007. These amendments involve changes to segment reporting disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2009	1 July 2009
AASB 101: Presentation of Financial Statements	AASB 2007-8	Entity to present non-owner changes in equity in a 'comprehensive income' statement; present an additional statement of financial position (balance sheet); disclose income tax relating to each component of other comprehensive income; disclose reclassification adjustments relating to components of other comprehensive income.	31 December 2009	1 July 2009
AASB 127: Consolidated and Separate Financial Statements (March 2008)	AASB 127 (July 2004)	Changes affecting acquisitions and disposals which do not result in change of control, partial disposals where control is lost, attribution of profit or loss to non-controlling interests and loss of significant influence or control in relation to Associates or Joint Ventures. Replace the term 'Minority Interest' to 'Non-controlling Interest'.	30 June 2010	1 July 2009
AASB 2007-3: Amendments arising from AASB 8, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136	Various	Consequentially amends a number of standards arising from issue of AASB 8. These amendments arise from changing the name of the segment reporting standard AASB 8.	31 December 2009	1 July 2009
AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101	Various	Changes include changing the terms: <ul style="list-style-type: none"> 'general purpose financial report' to 'general purpose financial statements' and 'financial report' to financial statement' To better align with IFRS terminology	31 December 2009	1 July 2009
AASB 2008-1: Amendments to AAS – Share-based Payments: Vesting Conditions and Cancellations	AASB 2: Share-based payments	Issued to clarify changes including that vesting conditions are service conditions and performance conditions only, and that other features of share-based payments are not vesting conditions. Cancellations, whether by the entity or by other parties, should be accounted for consistently.	30 June 2010	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008**NOTE 25: AUDITOR'S REMUNERATION**

Details of the amounts paid or payable to Grant Thornton NSW for services provided during the year are set out below

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit and Review of Financial Reports	40,700	41,250	40,700	41,250
Other Assurance Services	-	-	-	-
	<u>40,700</u>	<u>41,250</u>	<u>40,700</u>	<u>41,250</u>

There were no non-audit services provided by Grant Thornton NSW during the year.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LATROBE MAGNESIUM LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Latrobe Magnesium Limited and its controlled entities which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LATROBE MAGNESIUM LIMITED (cont)**

Auditor's Responsibility (cont)

engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a the financial report of Latrobe Magnesium Limited and its controlled entities is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LATROBE MAGNESIUM LIMITED (cont)**

Report on the Remuneration Report

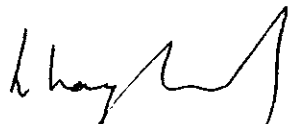
We have audited the Remuneration Report included on pages 15 to 17 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Latrobe Magnesium Limited and its controlled entities for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON NSW
Chartered Accountants



G S Layland
Partner

Sydney, 30 September 2008

ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

SHAREHOLDING

a. Distribution of Shareholders as at 26 September 2008

Category (size of Holding)	 Holders	 Shares Held	 Issued Capital (%)
1 – 1,000	136	86,094	0.02
1,001 – 5,000	319	1,039,975	0.19
5,001 – 10,000	263	2,274,656	0.42
10,001 – 100,000	787	36,839,363	6.82
100,001 – and over	515	499,872,352	92.55
	2,020	540,112,440	100.00

b. The number of shareholdings held in less than marketable parcels is 1,305.

c. Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register as at 26 September 2008 are:

Shareholder	Number of Ordinary Fully Paid Shares Held	Interest (%)
1 Emesco Agents Pty Ltd <Magnesium Shareholder A/C>	99,960,000	18.51
2 Famallon Pty Ltd <Famallon No2 Super Fund A/C>	32,013,334	5.93

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- a. At meetings of members each member is entitled to vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized;
- b. On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorized shall have one (1) vote;
- c. On a poll every member is entitled to vote and be present in person or by proxy or attorney or representative duly authorized shall have one (1) vote for each fully paid share of which they are a holder.

ADDITIONAL INFORMATION

e. Twenty largest shareholders as at 26 September 2008

	Shareholder	Number of Ordinary Fully Paid Shares Held	Holding (%)
1	Emesco Agents Pty Limited <Magnesium Shareholders A/C>	99,960,000	18.51
2	Famallon Pty Ltd <Famallon NO2 Super Fund A/C>	32,013,334	5.93
3	Rimotran Pty Limited <David Paterson S/Fund A/C>	17,607,333	3.26
4	Mr Philip Michael Baldacchino	7,500,000	1.39
5	Europacific Corporation Pty Ltd	7,100,000	1.31
6	Arco Four Investments <The Ocramid Holdings Fam A/C>	7,000,000	1.30
7	Europacific Corp Pty Ltd <Robert Donohoe S/F A/C>	6,320,419	1.17
8	Mr Ulysses Ganas	6,000,000	1.11
9	Mr Christopher David Robie + Mr Brian Edward Robie <Robie Super Fund A/C>	5,688,143	1.05
10	Mrs Manorani Guy + Mr Malcolm Guy	5,635,000	1.04
11	Mr Rodney Foster + Mrs Debra Foster <Foster Family S/F>	5,500,000	1.02
12	Mr Frank Romano	5,093,850	0.94
13	Boom Securities (HK) Ltd <Clients Account>	5,000,000	0.93
14	Ms Maria Boulakas	4,450,000	0.82
15	Benjay Pty Ltd	3,885,614	0.72
16	Mr Glen Smith <Glen Smith Super Fund A/C>	3,542,000	0.66
17	Diazill Pty Limited <P B Superannuation Fund >	3,441,490	0.64
18	Mr John Donato Giuliani	3,220,000	0.60
19	Mr Nigel Butler	3,104,150	0.57
20	W R Mobbs Superannuation Pty Ltd	3,045,400	0.56
		235,106,733	43.53

ADDITIONAL INFORMATION**List of Mining Tenements**

Prospect	Tenement	Granted	Interest	
			30/6/08	30/6/07
Western Australia				
Bangemall Exploration Area	E09/1293	31 January 2007	100%	100%
Northern Territory				
Crown Creek Uranium Project	EL25875	8 October 2007	100%	-
East Arltunga Goldfields Uranium Project	EL25906	15 November 2007	100%	-