RMG LIMITED

ABN 51 065 832 377

Annual Report

30 June 2012

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CORPORATE DIRECTORY

Directors	Mr Robert Kirtlan (Executive Chairman) (appointed 29 April 2011) Mr Peter Rolley (Executive Director) (appointed 20 April 2012) Mr Steven Chadwick (Non-executive) (appointed 29 April 2011) Mr Mark Stevenson (Non-executive) (appointed 28 September 2007)
Company Secretary	Mr Lloyd Flint (appointed 24 February 2012)
Registered Office	Unit 1, 245 Churchill Avenue, Subiaco WA 6008
Share Register	Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth WA 6000 Telephone: 1300 787 575
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Solicitors	Corrs Chambers Westgarth Woodside Plaza 240 St Georges Terrace Perth WA 6000
Bankers	National Australia Bank Limited Level 1, 88 High Street Fremantle WA 6160
Stock Exchange Listing	RMG Limited's shares are listed on the Australian Securities Exchange (ASX), home branch being Perth ASX Code: RMG and RMGO
Website address	www.rmgltd.com.au

Your directors present their report on RMG Limited ('the Company' or 'RMG') and its subsidiaries ('the Group' or 'the Consolidated Entity') for the year ended 30 June 2012.

Directors

The directors of RMG have been in office during or since the end of the financial year up to the date of this report:

Robert Edward Kirtlan
Steven John Chadwick
Mark Stevenson
Peter James Rolley (appointed 20 April 2012)

Principal Activities

During the year the principal continuing activities of the Group consisted of mineral exploration for base metals. Contingency collections and realisations from acquired debt portfolios formed a negligible part of continuing activities.

Review of Operations

During the year the Group made a loss from continuing operations of $1,210,887 (2011: Loss of $1,203,631).

Kamarga Project – North-west Queensland

On 29 April 2011 RMG acquired the Kamarga project (EPM14309) through the acquisition of Sunlander. Sunlander has an exclusive option to earn up to 100% of the Kamarga project from Teck Australia Pty Ltd (Teck) pursuant to a Farm-in Agreement as disclosed in the ASX Release of 18 March 2011.

The Sunlander earn-in terms of the Teck Farm-in Agreement can be summarised as follows;

1) Expend a minimum of $610,000 within 2 years before withdrawing from the Farm-in Agreement. This has been completed.
2) Sunlander to expend $1,500,000 within 4 years. This has now been completed.
3) Drill one Teck nominated exploration target by April 2013 before withdrawing from the Farm-in Agreement. This has been completed (Triangle target).
4) Drill a second Teck nominated exploration target by April 2015.

Upon completion of all four terms above, Sunlander will have 100% title to EPM14309 subject to Teck's rights.

At this stage, RMG has;

- completed all the obligatory conditions of the Farm-in Agreement,
- no ownership in the title of EPM14309,
- spent approximately $3.5m to 30 June 2012,
- but has only to complete the drilling of a second Teck nominated target to be transferred 100% interest.

Location

The Kamarga Project is located 20kms southeast of the world class Century Zn-Pb mine in north-west Queensland (Figure 1). The Century mine operated by MMG Ltd is the world's second largest producer of zinc concentrate and has disclosed that it may be in short supply of ore in 2016[1]. The Kamarga project is within 50kms of bitumen road, slurry pipeline for concentrates to a port, and high-voltage electricity transmission line.

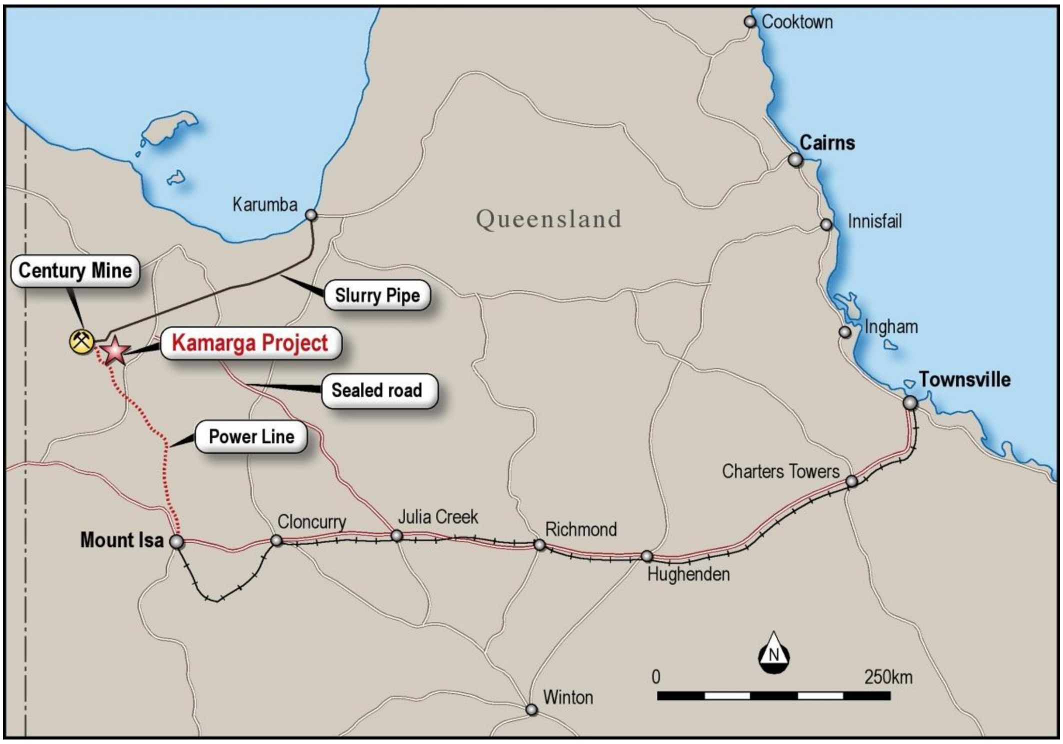

Figure 1 Location of Kamarga Project

History

Kamarga was explored during the 1970's and 1980's by several companies including Newmont, CRA, North Mining and MIM. The earlier explorers reported an exploration target[2] of 5-15Mt @ 5-10% Zn[3]. The Company acquired the Kamarga project from Teck Australia Pty Ltd ("Teck") in April 2011 and has since completed two drilling programmes totalling 6,668m.

Mineralisation

The JB zinc mineralisation is stratabound zinc-lead mineralisation hosted by dolomites and dolomitic siltstones of the Mid-Proterozoic Gunpowder Formation within the Macnamara Group. The Macnamara Group sediments are host to the world class Mount Isa Zn-Pb- Ag, George Fisher Zn-Pb-Ag, Mount Isa Copper, MacArthur River Zn-Pb, and Century Zn-Pb mines.

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[1] http://www.mmg.com/en/Our-Operations/Mining-operations/Century/Mine-closure-planning.aspx

[2] The potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a Mineral Resource, and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The information relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves.

[3] The conceptual size of the target is referenced in Jones et al, 1999; The Kamarga Deposit. In Mineral Deposits: Processes to Processing, Stanley et al (eds). pp873-876

Figure 2 is a compilation of the exploration targets from geochemical sampling in the project area. Of these 11 zinc targets and 4 copper targets only four have been drilled below 100m depth.

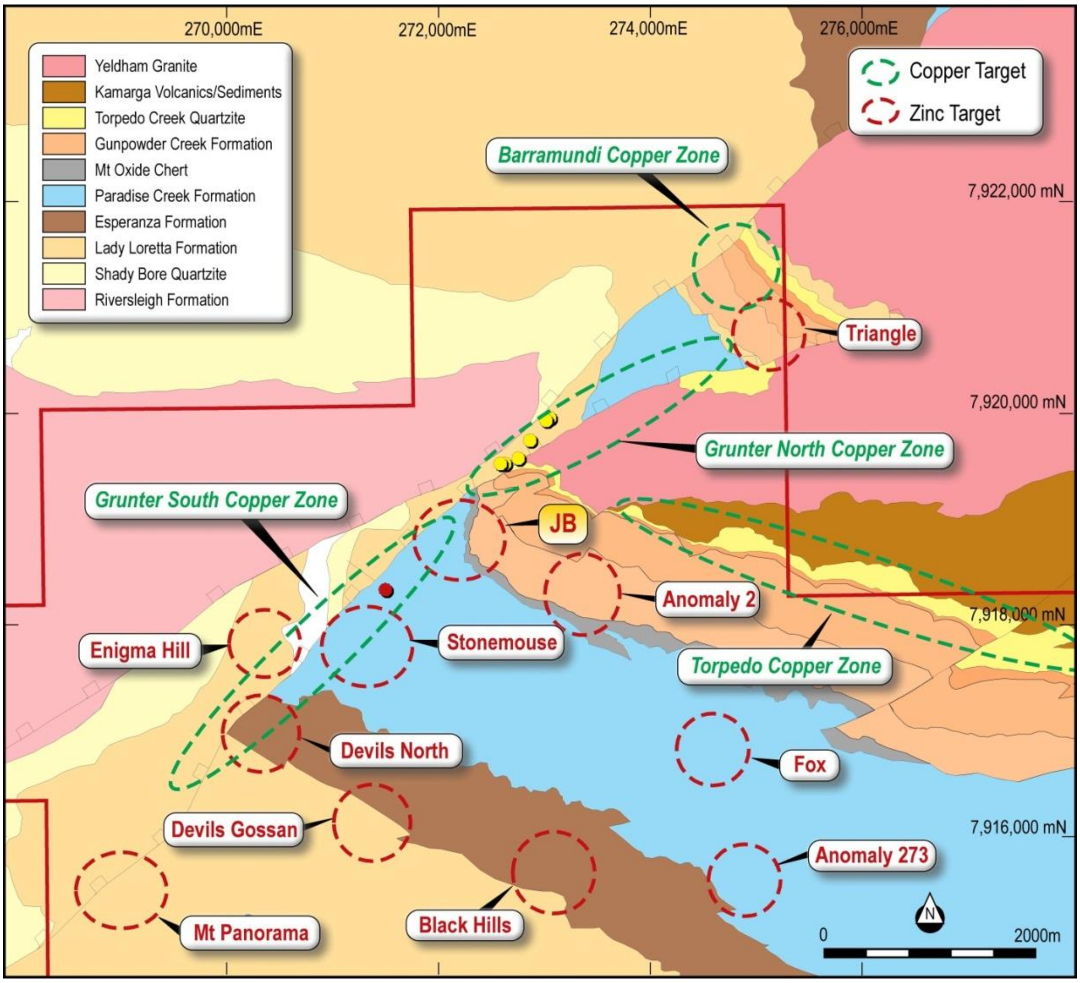

Figure 2 Location of zinc and copper targets at Kamarga

The JB mineralisation has been the focus of most drilling, where the zinc mineralisation occurs as veins and matrix replacement of a specific member of the Gunpowder Formation. The mineralisation occurs over a thickness of 100m and extends east from the Bream Fault for at least 130m and for about 1,500m down dip.

There are a number of other zinc (Stonemouse, Anomaly 2, Devils Gossan) and copper (Grunter North and South, Torpedo, Barramundi) targets identified by previous explorers that require further work and drill testing.

Figure 3 shows the general geology and the collars of the drill holes on the JB mineralisation.

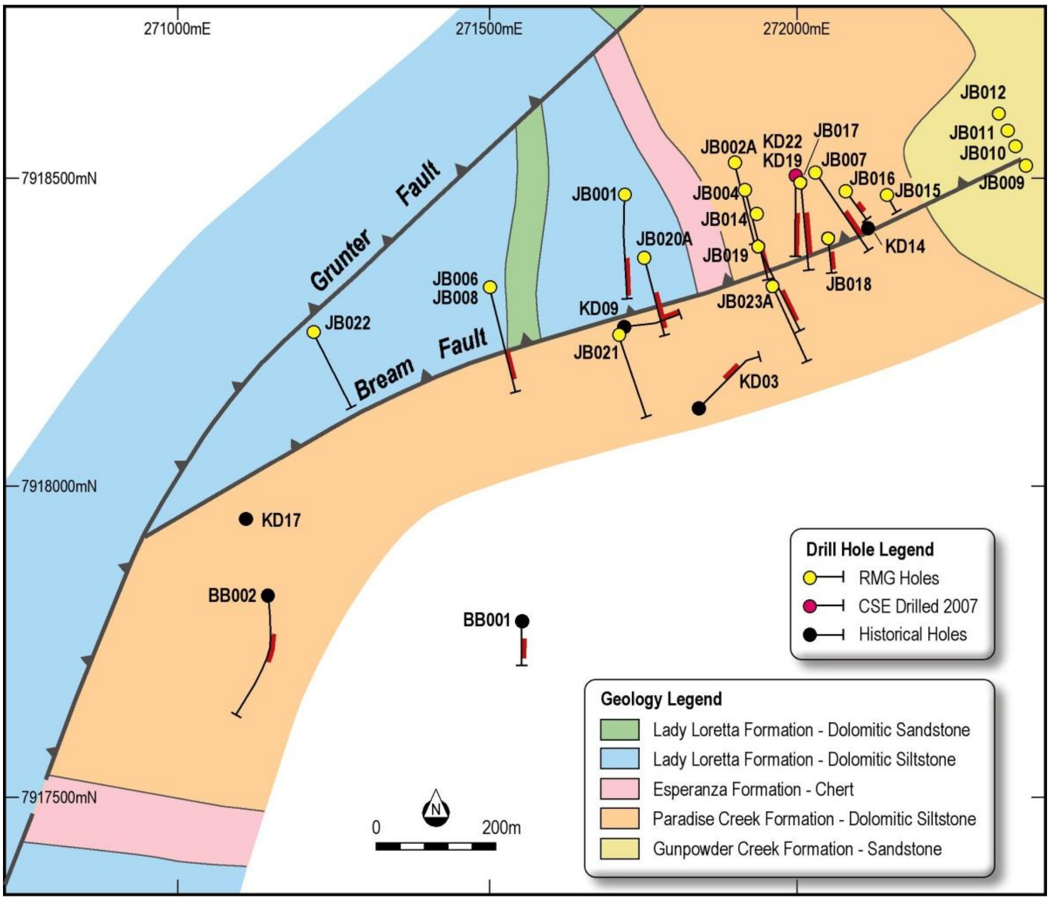

Figure 3 Plan of drilling along JB mineralisation

Figure 4 shows a width – grade curve for drill hole JB017 through the JB mineralisation. The curve demonstrates that there are multiple higher grade zones within the mineralised envelope that cumulate to a significant thickness. For example, at a minimum intercept of 2m > 3%Zn there are 10 intercepts within JB017 that cumulate to 40.5m thickness with an average grade of 4.8%Zn+Pb.

Table 2 presents the key drill hole on each cross-section through the JB mineralisation over a 600m strike length. The intercepts are reported for a minimum of 2m width > 3%Zn+Pb.

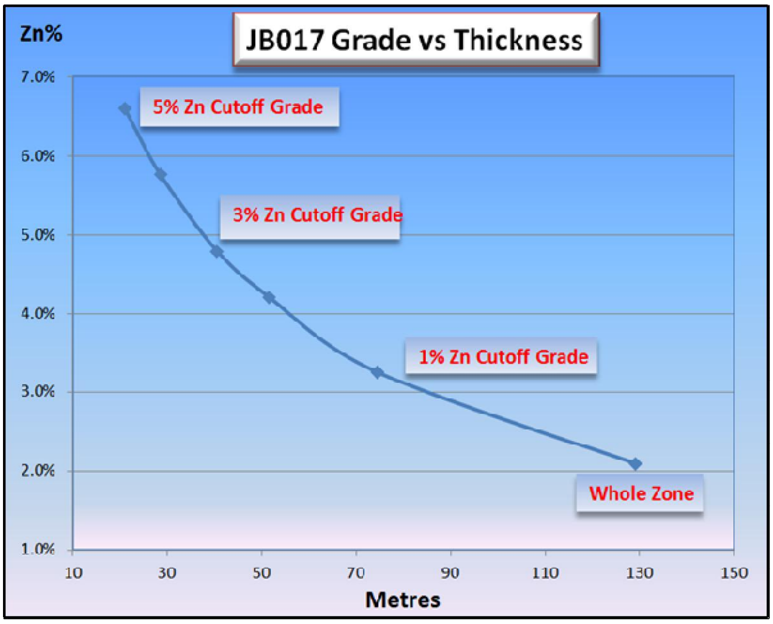

Figure 4 JB017 intercept width vs grade curve

Southern JB006 271535E	Central C JB001 271745E	Central B JB014 271940E	Central A KD19 271990E	Northern JB007 272080E
92m @ 1.4%Zn+Pb	101m @ 2%Zn+Pb	132m @ 1.8%Zn+Pb	120m @ 2.3%Zn+Pb	99m @ 1.8%Zn+Pb
Intercepts are;	Intercepts are;	Intercepts are;	Intercepts are;	Intercepts are;
3m @ 2.7%Zn+Pb	4m @ 5.4%Zn+Pb	6m @ 3.3%Zn+Pb	2m @ 5.8%Zn+Pb	2m @ 14.6%Zn+Pb
9m @ 2.5%Zn+Pb	2m @ 4.6%Zn+Pb	3m @ 3.7%Zn+Pb	10m @ 3.4%Zn+Pb	6m @ 4.3%Zn+Pb
3m @ 3.0%Zn+Pb	9m @ 5.9%Zn+Pb	3m @ 4.1%Zn+Pb	7m @ 8.8%Zn+Pb	2m @ 5.9%Zn+Pb
6m @ 7.0%Zn+Pb	2m @ 7.9%Zn+Pb	6m @ 5.9%Zn+Pb	2m @ 8.4%Zn+Pb	6m @ 3.1%Zn+Pb
8m @ 3.0%Zn+Pb	4m @ 4.0%Zn+Pb	3m @ 6.1%Zn+Pb	3m @ 6.4%Zn+Pb	2m @ 4.6%Zn+Pb
	3m @ 10.3% Zn+Pb	3m @ 7.3%Zn+Pb	3m @ 9.1% Zn+Pb	3m @ 8.7%Zn+Pb

Table 1 Table of key intercepts on each cross section of the JB mineralisation

Metallurgical Test Work

The metallurgical test work was undertaken by AMMTEC in Perth on material from JB007 and is reported in ASX release of 2nd April 2012. A summary of the results is shown in Table 2. These initial results from a very simple flow sheet indicate:

- Very high recovery of lead and zinc to the concentrates
- Very high concentrate grades
- Very low Fe grades in concentrate
- A very simple flotation regime

If the test work to date is representative of the Kamarga zinc mineralisation, then the high recoveries from a conventional milling and flotation circuit, and the low iron grades of the concentrate, indicate that the Kamarga zinc mineralisation may be compatible with;

- Blending with the Century Mine low-iron zinc ore, and
- Blending the concentrate with a large number of zinc smelters as a premium low-iron smelter feed.

		Concentrate Grade			
	Recovery	Pb	Zn	Fe	Ag
Lead Results					
Lead Concentrate	90.1%	60.3%	1.6%	6.4%	81g/t
Zinc Results					
Zinc Concentrate	94.8%	0.4%	55.6%	4.2%	12g/t

Table 2 Metallurgical test work results for JB007

Further metallurgical test work is proposed to achieve two objectives;

1. To repeat the outstanding flotation results reported from hole JB007 (ASX release of 2 April 2012)
2. To review the efficacy of sorting the crushed material by density contrast and achieve an upgrading of the lower grade material to enhance the possible economics of the project.

A number of zinc operations around the world, particularly those with low iron sulphide content (e.g. Tennesse zinc operations operated by Nyrstar[4]), reduce the volume of waste being processed by passing the crushed material through a Dense Media Separator plant. In the case of Selwyn[5] in Canada, test work indicates that 30-40% of the waste can be rejected whilst retaining 90-95% of the zinc. This results in a 150% upgrade of the zinc grade of the material to be processed.

Whilst the Company is not suggesting that the Kamarga zinc material can be upgraded, the style of zinc mineralisation at Kamarga warrants the test work to be undertaken.

Kamarga Copper (EPM14309)

RMG has not undertaken any drilling specifically aimed at the copper anomalies. However, in the pre-collar of one of the diamond drill holes targeting the JB zinc mineralisation, a significant zone of copper sulphide mineralisation was intersected.

The diamond drill hole JB008 intersected a strongly veined and brecciated sequence of dolomitic siltstones with attendant chalcopyrite, bornite and chalcocite mineralisation (>500ppm Cu) over a down-hole width of 39 metres. This zone has been assayed and all copper intercepts are shown in

[4] www.Nyrstar.com Analyst Site Visit Report 7 November 2011

[5] Selwyn Resources Annual report 2010, pp14

Table 3[6]. The geologic logging of the drill hole suggests that the copper mineralisation is related to the nearby Grunter Fault.

Rock chips of outcropping copper mineralisation along the Grunter Fault zone are all reported in Table 4. The best values of 32.8% copper are located 1.6kms northeast of JB008.

Figure 5 shows the location of JB008 (red dot), the Grunter rock chips (yellow dots) and the outline of the Grunter soil anomalies. The soil sample values indicate that the copper zone extends for over 7 kms in length.

HoleId		From	To	Width	Cu%	Ag g/t
JB008		195	234	39	0.24	5
	including	198	204	6	1.05	10

Table 3 All copper intercepts in JB008

East_MGA94_Z54	North_MGA94_Z54	SAMP_ID	Ag_ppm	As_ppm	Ba_ppm	Co_ppm	Cu_%	Fe_%	Mn_ppm	Pb_ppm	Zn_ppm
272760	7919567	BB008	0.83	173.5	10000	26.8	4.21	4.52	254	19.7	7
272765	7919551	BB009	0.43	48.6	690	6.1	0.01	2.15	114	14.6	5
272874	7919743	BB010	0.44	13.4	120	4.8	11.55	13	1810	4.4	8
273026	7919920	BB014	0.36	90.2	80	15.5	9.63	9.36	279	5.5	11
273057	7919950	BB015	1.09	46.4	170	35	18.20	9.97	1260	11.3	22
272639	7919512	BB016	1.97	470	70	11.7	32.80	3.2	122	4.6	5
272592	7919514	BB017	4.37	2010	400	720	32.80	6.83	625	16.2	14
272364	7919372	BB018	0.23	22.3	540	6.7	0.25	27	1300	14.5	47

Table 4 Table of rock chips along Grunter North copper target

[6] Intercept is greater than 0.5%Cu over > 3m with < 2m internal dilution. True width is unknown.

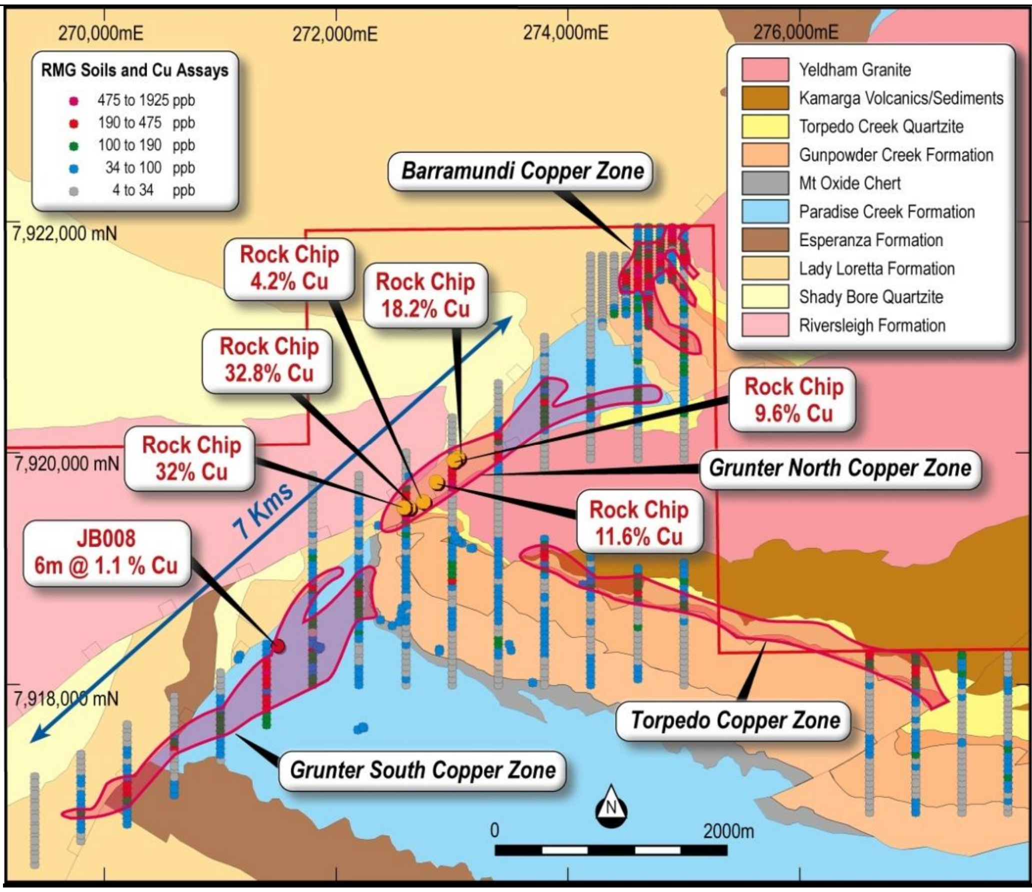

Figure 5 Copper results along Grunter copper target

Tasmania – McLeans Creek

The McLeans Project is located near Zeehan (see Figure 6) within the world–class base metal province of western Tasmania in near proximity to Rosebery (Cu-Pb-Zn-Ag-Au), Renison (Sn), and Mt Lyell (Cu) mines. The project area is within 5 kms of sealed road and high-voltage electricity transmission line.

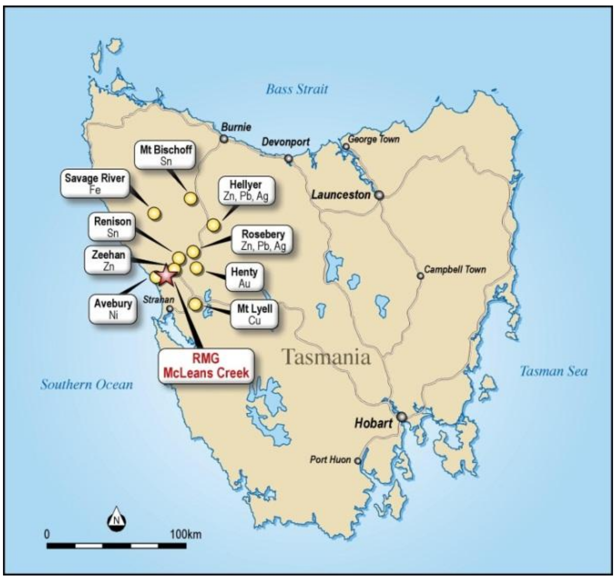

Figure 6 Location of McLeans Project

The McLeans Creek project was previously explored by several companies including Renison Goldfields, CRA, Allegiance Mining and Stonehenge Metals. These previous exploration activities have identified a 1.5km soil geochemical anomaly coincident with a shale-dolomite contact that also hosts significant silver-lead-zinc mineralisation.

A recent heli-borne detailed EM survey confirmed the strike continuity of the shale –dolomite contact and its coincidence with the soil geochemical anomaly.

RMG undertook a program of six diamond drill holes, three on the shale mineralisation in an area called Sunshine (previously drilled by Stonehenge in 2007), and three on the shale hosted mineralisation intersected by CRA's drill hole S31 (see Table 5 for drill results, and Figure 7 for location plan).

Every hole drilled by RMG intersected the mineralised shale horizon and confirmed its stratiform geologic characteristics. The Company's ASX release of July 30 2012 details RMG's drill hole collars and results, and the previous explorers intersections through the mineralised shale target.
The intersections demonstrate that the mineralised shale unit extends over a minimum of 500m and continues along strike. A number of drill holes (RMG, Renison, Stonehenge) have intersected high grade silver-lead-zinc mineralisation, providing encouragement that the mineralised shale unit is a fertile environment for Proterozoic stratiform shale hosted Zn-Pb mineralisation as originally proposed by CRA (now RioTinto Ltd) in 1992[7].

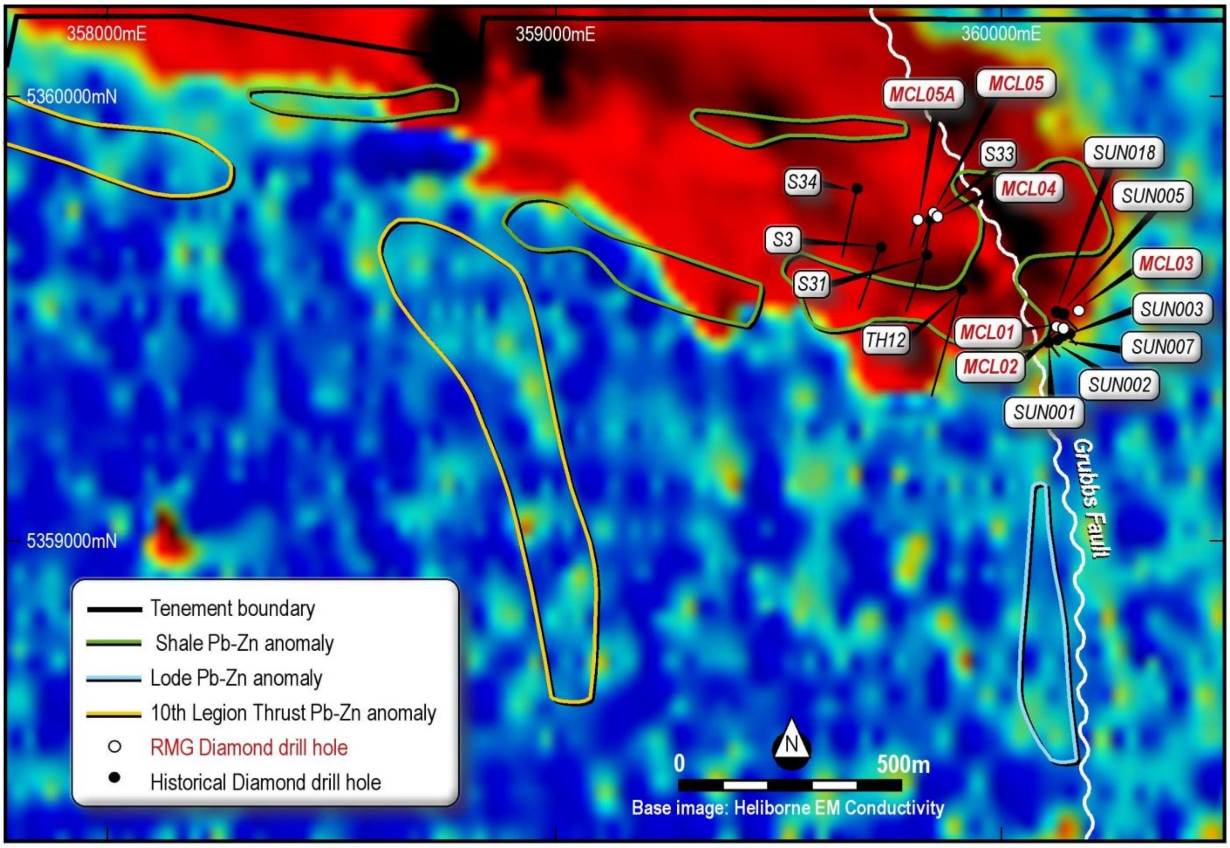

Figure 7 Drilling locations at McLeans Creek Project

[7] Annual Exploration Report for EL28/88 by R. Parkinson for CRA. MRT Report number 92-3398

Drill Hole ID		From (m)	To (m)	Interval (m)	Zn%	Pb%	Ag(g/t)	Core Recovery%
MCL001		16	39	23	3.87	2.33	26.7	41
	Including	27	32	5	10.56	6.84	57.2	61
MCL002		11	19	8	2.23	0.64	13.8	74
MCL003		23	33	10	0.14	1.67	15	68
MCL004		37	95	58	0.2	0.06	1	66
MCL005		53	59	6	0.11	2.56	74.9	84
		122	124	2	0.6	1.33	12.5	95
		154	156	2	1.17	0.27	2.5	30
MCL005A		45	47	2	2.12	1.29	34.5	35
		72	79	7	0.18	0.01	1	69
		89	138.7	49.7	0.37	0.08	1.9	48

Table 5 Zeehan drilling results

South Australia

The Mt Coffin and Wearing Gorge exploration permits have been relinquished subsequent to a review of the exploration results.

Competent Persons Statement

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Peter Rolley, who is a Member of The Australian Institute of Geoscientists. Mr Rolley is self-employed and provides consulting services to RMG Ltd.

Peter Rolley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Rolley consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Receivables Management Business

The Group continues to receive diminishing returns from this activity. It forms a negligible part of operations.

Dividends

No dividends were paid or are proposed to be paid to members during the financial year (2011: Nil).

Significant Changes in the State of Affairs

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

20,000,000 ordinary shares issued to Stonehenge Metals Ltd to acquire 100% of tenements located in Zeehan district of Tasmania.

The company also issued 20,000,000 employee incentive options on the terms and conditions as detailed below:

- 10,000,000 options expiring 1 April 2015 exercisable at 2 cents each vesting after 12 months
- 10,000,000 options expiring 1 April 2017 exercisable at 2 cents each vesting after certain hurdles

Matters Subsequent to the End of the Financial Year

Since 30 June 2012 the Company has agreed to issue a total of 1,000,000 convertible notes to Simpaug Investment Fund LP to raise AUD$1.0m before costs. 700,000 of these convertible notes were issued in August 2012.

The terms and conditions of the 700,000 convertible note issued on 3 August 2012 are as follows;

(i) Each convertible note has a face value of $1.00;
(ii) Coupon rate is 5% pa payable 6 monthly in arrears;
(iii) Notes convertible at the noteholder's election at quarterly intervals into ordinary fully paid shares in the company at a price equal to a 10% discount to the volume weighted average price of 10 trading days prior to the noteholder electing to convert, subject to a minimum price of $0.0035 per share and a maximum price of $0.008 per share. Protective covenants exist in the event the Company issues shares at less than the agreed minimum price. The 700,000 convertible notes are also convertible at the noteholders election (provided always that the noteholder has not previously converted any notes into fully paid ordinary shares in the company) into a 1.75% equity interest in Sunlander Nominees Pty Ltd, the company's subsidiary that holds the Kamarga project.
(iv) A two year term from date of issue;
(v) Redeemable at company's election any time in the twelve month period prior to maturity;

The issue of an additional 300,000 convertible notes (on the same terms and conditions as above), the issue of 60,000,000 director options and the adoption of the employee incentive plan were approved in general meeting of the shareholders on 14 September 2012.

Except for the convertible notes discussed above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

There were no likely developments in the operations of the Group that were not finalised at the date of this report.

Environmental Regulation

Except for normal regulations governing the exploration operations of the Group, the Group is not currently subject to any environmental regulations. To the best of the knowledge and belief of the Directors, the Group is in compliance with any such regulations.

Information on Directors

Robert Edward Kirtlan (Executive Chairman, age 53) (appointed 29 April 2011)

Experience and expertise
Mr Kirtlan has over 20 years company management experience and spent 7 years in global mining investment banking in Perth, Sydney and New York working for major global investment banks with a specialist role in the mining and natural resources sector. He has a background in finance and management with small companies. He was a founding shareholder and director of Cooper Energy Limited, an exploration and production oil and gas company, was also a director and shareholder of NGM Resources Limited for 6 years until it was acquired by Paladin Energy Limited and is a shareholder and director of Aviva Corporation Limited.

Directorships
Mr Kirtlan is currently a director of the following listed company:-
- Aviva Corporation Limited (ASX Listed) (10.08 years)
- Credo Resources Limited (ASX Limited) (6 months)

During the past three years Mr Kirtlan was a director of the following listed company;
- NGM Resources Limited (resigned 31 December 2010)

Interests in Shares and Options
74,600,000 (2011: 53,024,000) ordinary shares, 5,000,000 (2011: 5,000,000) options over ordinary shares, and nil (2011: 21,576,000) Performance Options in RMG Limited.

Steven John Chadwick (Non-Executive Director, age 59) (appointed 29 April 2011)

Experience and expertise
Mr Chadwick, BAppSc, MAusIMM, is the Principal of Spectrum Metallurgical Consultants a Perth, Western Australia based specialist consultancy to the minerals industry. He is a metallurgical graduate from the WA School of Mines and has 30 years' experience in the mining industry, incorporating technical, operating and management roles in gold and base metals mining and processing. Mr Chadwick served as Executive Technical Director of ASX listed junior gold company Northern Gold NL from August 1995 to October 2005. He was also director for NGM Resources Limited during 2010. Mr Chadwick was also founding director of the listed public company BC Iron Limited, retiring in May 2011.

Directorships
During the past three years Mr Chadwick was a director of the following listed company;
- NGM Resources Limited (resigned 31 December 2010)
- BC Iron Limited (resigned 17 May 2011)

Special responsibilities
Mr Chadwick serves on the Audit Committee and the Remuneration and Nomination Committee.

Interests in Shares and Options
29,000,000 (2011: 21,560,000) ordinary shares, 5,000,000 (2011: 5,000,000) options over ordinary shares, and nil (2011: 7,440,000) Performance Options in RMG Limited.

Mark Ellis Stevenson (Non-Executive Director, age 57) (appointed 28 September 2007)

Mr Stevenson is President and CEO of Holloman Holdings Corporation and has had over 30 years' experience in management, engineering and operations in the upstream Oil and Gas Industry. He holds a B.S. in Constructional Engineering from Texas Tech University, Lubbock Texas.

Other Current Directorships
Adavale Resources Ltd (Non-Executive Director since 16 April 2007)

Former Directorships in the Last Three Years
Nil

Special Responsibilities
Mr Stevenson serves on the Audit Committee and the Remuneration and Nomination Committee.

Interest in Shares and Options
70,600,000 (2011: 70,600,000) ordinary shares and Nil (2011: 7,000,000) options over ordinary shares in RMG Limited.

Peter Rolley (Executive Director, age 52**)** (appointed 20 April 2012)

Experience and expertise

Mr Rolley is a geologist with over 30 years' experience in exploration, mine development and mining in the Australasian and international mining industry. This experience includes the operation and management of gold, base metal, and uranium exploration initiatives with Reynolds Australia, Freeport McMoran, Teck, Oceana Gold, and Summit Resources. He has worked in the Mt Isa region for the last six years. He is a Member of the Australasian Institute of Geoscientists.

Directorships
No other directorships are current

Former Directorships in the Last Three Years
Mr Rolley was a founding Director of MM Mining Ltd from June 2005 to December 2010.

Special responsibilities
Peter Rolley has been performing the role of Chief Geologist to the company since May 2011.

Interests in Shares and Options
125,600,000 (2011: 89,144,000) ordinary shares, 8,000,000 (2011: 8,000,000) options over ordinary shares, and nil (2011: 36,456,000) Performance Options in RMG Limited.

Company Secretary

Lloyd Flint (appointed on 24 February 2012)

Lloyd Alan Flint, BACC, FINSIA and MBA is a Chartered Accountant with over 25 years' experience in the corporate and financial services arena. He has held a number of management and senior administrative positions as well as providing corporate advisory services as a consultant to corporate clients.

Graeme Ian Smith (resigned on 24 February 2012)

Graeme Ian Smith, BEc, MBA, MComLaw, FCPA, FCIS, MAusIMM. Mr Smith has over 20 years' experience in accounting and company administration. He has held CFO and Company Secretary positions with other Australian mining and mining service companies.

Meetings of Directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

Name of Director	Number of Meetings - A	Number of Meetings - B
Robert Kirtlan	3	3
Steven Chadwick	3	3
Mark Stevenson	3	3
Peter Rolley(i)	2	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

Note – there were one Audit Committee Meeting held during the year with Mr Kirtlan, Mr Chadwick and Mr Stevenson attending the meeting; and there were 13 Circular Resolutions signed off during the year.

(i) Peter Rolley was appointed on 20 April 2012, there were no directors' meeting's held after his appointment, but he has attended two directors meetings before the appointment.

Remuneration Report (audited in line with s308(3c) requirements)

The remuneration report is set out under the following main headings:

(1) Principles used to determine the nature and amount of remuneration
(2) Details of remuneration
(3) Service agreements
(4) Share-based compensation

1. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage/ alignment of executive remuneration;
(iv) transparency; and
(v) capital management.

The Group has structured an executive remuneration framework that is market competitive.

Alignment to shareholders' interests:
(i) focuses on sustained growth in shareholder wealth; and
(ii) attracts and retains high calibre executives.

Alignment to program participants' interests:
(i) rewards capability and experience.

Executive and non-executive directors
Fees and payments to executive and non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Directors' fees and payments are reviewed annually by the Board. The Board also ensures that directors' fees and payments are appropriate and in line with the market.

Non-executive directors do not receive performance-based pay. However to promote further alignment with shareholders the board may resolve to issue options for directors periodically. The Chairman's fees are determined together with those of the directors

During the current and prior year there was no short or long term incentive plans made available to the key management personnel of the group.

At present, the existing remuneration arrangements are not impacted by the Group's performance, including earnings and changes in shareholder wealth (dividends, changes in share price or returns of capital to shareholders). This view by the Board not to relate present remuneration arrangements to performance is the same as last year and will be maintained while the company remains in the exploration and evaluation phase.

The Group's policy for setting remuneration is as detailed above during the exploration phase of operations. This policy may change once the exploration phase is complete and the company is generating revenue.

Retirement allowances and benefits for directors and other key management personnel

The service agreements with Messrs Kirtlan and Rolley include a three month notice period, except in the instance where there is a change in control in which case a twelve month payout will apply. Except for this there are no retirement allowances or other benefits paid to directors and other key management personnel.

2. Details of Remuneration

(a) Directors

The following persons were directors and key management personnel (or executives) of RMG Limited during the whole of the past financial year unless otherwise noted:

RE Kirtlan	*Executive Chairman*
PJ Rolley	*Executive Director* – (appointed 20 April 2012)
S Chadwick	*Non-Executive Director*
ME Stevenson	*Non-Executive Director*

(b) Key management personnel remuneration	**Company 2012 $**	**Company 2011 $**
Directors remuneration paid to directors and/or entities associated with directors	262,333	134,000
Fees paid to director for exploration and operational management	186,667	130,800
	449,000	**264,800**

The amount of remuneration of the directors and key management personnel of RMG Limited is set out in the following table. Mr P Rolley was appointed to the position of Executive Director from 20 April 2012. There was no remuneration of any type paid to the directors other than as reported below for the provision of management services,–and in the case of Mr Rolley, $186,667 amounts paid for exploration management and operational services.

2012	**Short term benefits**		**Post-employment benefits (Superannuation)**	**Share based payment**	**Total**	**Performance related remuneration**
Director	**Cash salary and fees $**	**Non-monetary benefits $**	**$**	**$**	**$**	**%**
Robert Kirtlan [(a)]	150,000	-	-	-	150,000	-
Steven Chadwick [(b)]	36,000	-	-	-	36,000	-
Mark Stevenson	33,000	-	-	-	33,000	-
Peter Rolley [(c)]	230,000	-	-	-	230,000	-
Total key management personnel compensation	**449,000**	**-**	**-**	**-**	**449,000**	**-**

2011	**Short term benefits**		**Post-employment benefits Superannuation**	**Share based payment**	**Total**	**Performance related remuneration**
Director	**Cash salary and fees $**	**Non-monetary benefits $**	**$**	**$**	**$**	**%**
Robert Kirtlan [(a)]	26,000	-	-	-	26,000	-
Steven Chadwick [(b)]	6,000	-	-	-	6,000	-
Gary Steinepreis [(d)]	30,000	-	-	-	30,000	-
John Risinger [(e)]	156,000	-	10,800	-	166,800	-
Mark Stevenson	36,000	-	-	-	36,000	-
Total key management personnel compensation	**254,000**	**-**	**10,800**	**-**	**264,800**	**-**

The fees paid to director and key management personnel related entities were for the provision of management services to the Group, as follows:

(a) ARK Securities & Investments Pty Ltd, a company associated with Robert Kirtlan was paid $150,000 for services provided by Mr Kirtlan.
(b) Spectrum Metallurgical Consultants Pty Ltd, a company associated with Steven Chadwick was paid $36,000 for services rendered by Mr Chadwick.
(c) The Rolley Family Trust, a trust in which Mr Rolley has an interest as a beneficiary, was paid $230,000 for services rendered by Mr Rolley.
(d) Leisurewest Consulting Pty Ltd as trustee for the LeisureWest Trust, an entity associated with Gary Steinepreis was paid nil (2011: 30,000)
(e) Larca Pty Ltd as Trustee for the Risinger Family Trust, an entity associated with John Risinger was paid nil (2011: $36,000). Mr Risinger's salary for exploration management services nil (2011: $130,800) was paid direct to Mr Risinger.

(c) Non-executive director remuneration

The following fees have applied:

	Company 2012 $	**Company 2011 $**
Base fees		
Non-executive directors per annum	36,000	36,000
Additional fees	Nil	Nil

3. Service Agreements

Upon appointment, Messrs R Kirtlan and P Rolley signed service agreements reflecting the terms of their appointment. Remuneration and other terms of employment are formalised in these agreements. Major provisions relating to the respective service agreements are set out below.

Name	**Term of Agreement**	**Base service fee**	**Termination benefit [(ii)]**
Robert Kirtlan	1 year	$120,000	3 months [(i)]
Peter Rolley	1 year	$240,000	3 months [(i)]

(i) Or in the case of a takeover and change in control, 12 months.
(ii) Termination benefits are payable on early termination by the company, other than for gross misconduct.

4. Share-based Compensation

There was no share-based or option-based compensation paid to directors or other key management personnel during the current or prior financial years.

5. Use of remuneration consultants

The group does not utilise remuneration consultants.

6. Voting and comments made at the company's 2011 Annual General Meeting

There were no votes against the adoption of the remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited Remuneration Report.

7. Shares under Option

Unissued ordinary shares of RMG Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of Shares $	Number under option
29 April 2011 (i)	30 April 2014	0.02	150,000,000
10 November 2011 (i)	30 April 2014	0.02	75,000,000
22 December 2011 (i)	30 April 2014	0.02	165,000,000
24 February 2012 (i)	30 April 2014	0.02	1,000
24 April 2012 (ii)	01 April 2015	0.02	10,000,000
24 April 2012 (ii)	01 April 2017	0.02	10,000,000
			410,001,000

(i) Options issues attaching to placement
(ii) Employee incentives

Note: On 30 June 2012, 8,750,000 options expired.

8. Shares issued on the exercise of options

The following ordinary shares of RMG Limited were issued during the year ended 30 June 2012 on the exercise of options approved by shareholders at the Shareholder's Meeting on 29th April 2011. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of Shares $	Number under option
29 November 2011	0.0001	61,008,000
19 December 2011	0.0001	7,440,000
12 March 2012	0.0001	6,552,000
		75,000,000

9. Insurance of Officers

During the year ended 30 June 2012 the Company paid premiums to insure the Directors and Officers of the Group at an annual cost of $18,000 (2011: $16,900).

The liabilities that have been insured are

- legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of the Group,
- and any other payments arising from liabilities incurred by the Officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

10. Proceedings on Behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001.*

11. Audit Services

During the financial year $33,397 was paid or is payable for audit and review services provided by the auditor (BDO Audit (WA) Pty Ltd) (2011: $35,450). No amounts were paid or payable in respect of non-audit services provided by the auditor.

12. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23 of this annual report.

13. Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

Robert Kirtlan
Director
Perth
21 September 2012

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Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

21 September 2012

The Board of Directors
RMG Limited
Unit 1, 245 Churchill Avenue
SUBIACO WA 6008

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF RMG LIMITED

As lead auditor of RMG Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of RMG Limited and the entities it controlled during the period.

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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The financial statements are presented in Australian currency.

The financial report covers RMG Limited and its wholly owned subsidiary companies Sunlander Nominees Pty Ltd, San Saba Pty Ltd, Resource Mining Group Pty Ltd and Moonraker Minerals Pty Ltd. RMG Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

RMG Limited
Unit 1, 245 Churchill Ave
Subiaco
Western Australia 6008

A description of the nature of the Group’s operations and its principal activities is included in the review of operations and activities in the Directors’ Report on pages 4 - 23. The directors’ report does not form part of this financial report.

The financial report was authorised for issue by the directors on 20 September 2012. The Company has the power to amend and reissue the financial report.

The Company has ensured and continues to ensure that its corporate reporting is timely, complete and available.

	Notes	2012 $	2011 $
Revenue from continuing operations	6	86,632	100,904
Expenses			
Exploration expenditure write off (net of recoveries)		13,590	387,246
Exploration acquisition costs written off		-	352,625
Administration costs		768,277	299,864
Directors' fees		262,333	134,000
Employment expense		253,319	130,800
Total expenses	7	1,297,519	1,304,535
Loss before income tax		**(1,210,887)**	**(1,203,631)**
Income tax expense	8	**-**	**-**
Loss for the year from continuing operations	17(b)	**(1,210,887)**	**(1,203,631)**
Other comprehensive income			
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**-**	**-**
Total comprehensive loss attributable to the owners of RMG Limited		**(1,210,887)**	**(1,203,631)**
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic loss per share	26	**(0.100)**	**(0.173)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	9	678,876	2,550,127
Current receivables		8,810	-
Other receivables	10	188,977	163,231
Prepayments		-	25,504
Total current assets		**876,663**	**2,738,862**
Non-current assets			
Exploration and evaluation expenditure	13	8,516,538	4,694,665
Plant and equipment	11	46,426	24,670
Total non-current assets		8,562,964	4,719,335
Total assets		**9,439,627**	**7,458,197**
LIABILITIES			
Current liabilities			
Trade and other payables	15	966,726	227,759
Total current liabilities		966,726	227,759
Total liabilities		**966,726**	**227,759**
Net assets		**8,472,901**	**7,230,438**
EQUITY			
Contributed equity	16(a)	140,545,652	138,095,935
Reserves	17(a)	1,331,333	1,327,700
Accumulated losses	17(b)	(133,404,084)	(132,193,197)
Total equity		**8,472,901**	**7,230,438**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

	Contributed equity	Option Premium Reserve	Accumulated Losses	Total
Balance at 1 July 2010	**132,772,373**	**127,700**	**(130,989,566)**	**1,910,507**
Loss for the year	-	-	(1,203,631)	(1,203,631)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(1,203,631)**	**(1,203,631)**
Transactions with owners in their capacity as owners:				
-Share issues net of transaction costs	2,043,562	-	-	2,043,562
-Acquisition of Kamarga	3,280,000	1,200,000	-	4,480,000
Balance at 30 June 2011	**138,095,935**	**1,327,700**	**(132,193,197)**	**7,230,438**
Balance at 1 July 2011	**138,095,935**	**1,327,700**	**(132,193,197)**	**7,230,438**
Loss for the year	-	-	(1,210,887)	(1,210,887)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(1,210,887)**	**(1,210,887)**
Transactions with owners in their capacity as owners:				
-Share issues net of transaction costs	2,289,717	-	-	2,289,717
-Acquisition of Zeehan project	160,000	-	-	160,000
-Employee incentive options	-	3,633	-	3,633
Balance at 30 June 2012	**140,545,652**	**1,331,333**	**(133,404,084)**	**8,472,901**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		2,138	2,235
Payments to suppliers and employees		(1,170,050)	(605,741)
Interest received		111,677	73,078
Net cash outflow from operating activities	24	**(1,056,235)**	**(530,428)**
Cash flows from investing activities			
Payments for property, plant and equipment		(35,748)	(23,341)
Payments for intangible assets		(116,371)	-
Exploration and evaluation expenditure		(2,882,616)	(148,548)
Payments for acquisition of exploration assets		(70,000)	-
Payments for acquisition of subsidiary		-	(69,091)
Cash receipt on acquisition of subsidiary		-	100
Net cash outflow from investing activities		**(3,104,735)**	**(240,880)**
Cash flows from financing activities			
Proceeds from issue of shares		2,407,511	2,191,505
Share issue transaction costs		(117,792)	(147,943)
Net cash inflow from financing activities		**2,289,719**	**2,043,562**
Net increase/(decrease) in cash and cash equivalents		(1,871,251)	1,272,254
Cash and cash equivalents at the beginning of the financial year		2,550,127	1,277,873
Cash and cash equivalents at the end of the financial year	9	**678,876**	**2,550,127**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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Notes to the consolidated financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial Statements are for the consolidated entity consisting of RMG Limited and the entities it controlled during and at the end of the year.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Urgent Issues Group interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

RMG Limited is a listed public company, incorporated and domiciled in Australia.

The functional currency of RMG Limited and all of its subsidiaries is the Australian Dollar. The Financial Statements have been presented in Australian Dollars.

Compliance with IFRSs

The consolidated financial statements of RMG Limited group comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Reporting basis and convention

The financial report has been prepared on an accruals basis and is based on historical costs.

(b) Going concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated entity has incurred a net loss after tax for the year ended 30 June 2012 of $1,210,887 (2011: $1,203,631) and experienced net cash outflows from operations of $1,056,235 (2011: $530,428). As at 30 June 2012, the Consolidate entity had cash on hand of $678,876 (30 June 2011: $2,550,127) and net assets of $8,472,901 (30 June 2011: $7,230,438).

The Directors believe that there are sufficient funds to meet the Group’s working capital requirements.

However, the Directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due may be dependent on the ability of the Group to secure additional funding through either the issue of further shares and or options, convertible notes or entering into negotiations with third parties regarding the sale and or farm out of assets of the Group or a combination thereof.

1. Summary of significant accounting policies (continued)

(b) Going concern (continued)

Based on the above, the Group is confident that it will successfully raise additional funds, if required, to meet its financial obligations in future period.

(c) Segment reporting

The consolidated group has applied AASB Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes and provided to the chief operating decision maker (the Board).

(d) Principles of consolidation

Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by RMG Limited (the parent entity) as at 30 June 2012 and the results of all controlled entities for the year then ended. RMG Limited and its controlled entities together are referred to in this financial report as the Consolidated Entity or the Group. Investments in subsidiaries are carried at cost less impairment in the financial statements of the parent.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving businesses or entities under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

(f) 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.

1. Summary of significant accounting policies (continued)

(f) Impairment of assets (continued)

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.

(g) Mineral exploration and evaluation expenditure

Exploration and evaluation 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 reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

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.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Collections

Collections from the debt book are only recognised as income when funds have been received and cleared by the bank.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates (and laws) which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

1. Summary of significant accounting policies (continued)

(i) Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

RMG Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation. The head entity, RMG Limited and the subsidiaries in the tax consolidation group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax consolidation group continues to be a stand-alone taxpayer in its own right.

(j) Cash and cash equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Plant and equipment

Plant and equipment are measured at cost less accumulated 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 values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5%–33%
Office furniture and equipment	20%
Intangible assets	100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

1. Summary of significant accounting policies (continued)

(l) Intangible assets

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to intangible asset. Costs capitalised include external direct costs of materials and maintenance services. The costs will be fully amortised in the year of purchasing.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(ii) Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.
Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(p) Financial instruments

At present the Group does not undertake any hedging or deal in derivative instruments.

Financial assets

The Group currently holds only one category of financial assets: loans and receivables.

1. Summary of significant accounting policies (continued)

(p) Financial instruments (continue)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Consolidated Statement of Financial Position.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the Consolidated Statement of Comprehensive Income.

Financial Liabilities

Financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principle payments and amortisation.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses and any subsequent reversals are recognised in the profit or loss.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

1. Summary of significant accounting policies (continued)

(q) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured as the present value of managements best estimate of the expenditure required to settle the present obligation as at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee Benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(s) Earnings / (loss) per share

(i) Basic earnings / (loss) per share
Basic earnings/(loss) per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings / (loss) per share
Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. Summary of significant accounting policies (continued)

(t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are presented on a net basis. GST paid in relation to non-cash financing and investing activities is shown separately in the cash flow.

(u) New accounting standards and Australian accounting interpretations

The following new accounting standards and interpretations have a potential impact on the financial report however the effective date is after the commencement of the financial statements.

Reference	Title	Nature of Change	Application date of standard	Impact on the Group financial statements	Application date for the Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the Group's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.	1 July 2013

AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date	1 July 2013
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The Group does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.	1 July 2012
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the *Corporation Act 2001*	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Group will show reduced disclosures under Key Management Personnel note to the financial statements	1 July 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: • 1 statement of comprehensive income –	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).	1 July 2012

	Income	to be referred to as 'statement of profit or loss and other comprehensive income' • 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. • OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.			
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The Group does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.	I July 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

The potential effect of these standards and interpretations is yet to be fully determined, however, it is not expected that the new standards and interpretations will significantly affect the Group's financial reporting.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the financial performance of the Group.

Risk management is carried out by the board of directors as part of ongoing Board overview of the operations of the Group. The Board identifies and evaluates financial risks for overall risk management at the time of each Board meeting.

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	678,876	2,550,127
Current receivables	8,810	-
Other receivables	188,977	163,231
Prepayments	-	25,504
	876,663	2,738,862
Financial liabilities		
Trade and other payables	966,726	227,759
	966,726	227,759

(a) Market risk

Price risk

The Group is not exposed to price risk as it holds no investments in securities classified on the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk except to the extent the commodity price fluctuations may influence decisions related to exploration expenditure priorities and timing. The Group is not exposed to foreign exchange risk.

Interest Rate Risk

The Group carries no debt. The Group invests surplus cash in at call or term deposit accounts with internationally recognised financial institutions. Interest rate risk is managed by the selection of term deposit interest rates and terms that reflect management's market expectations and future cash outflow expectations, to terms not exceeding 12 months. Funds are only held at call when it is reasonably expected that those amounts will be required prior to existing term deposits reaching maturity.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2012 Financial Assets	Weighted Average Interest Rate	Fixed Interest Rate maturing in 1 year or less	Floating
	%	$	$
Cash and cash equivalents	5.62	-	678,876

2. Financial risk management (continued)

(a) Market risk (continued)

2011 Financial Assets	**Weighted Average Interest Rate**	**Fixed Interest Rate maturing in 1 year or less**	**Floating**
	%	**$**	**$**
Cash and cash equivalents	5.87	2,300,000	250,127

Interest Rate Risk
The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. At balance date, the Group does not have any borrowings. The Group does not enter into hedges. An increase/ (decrease) in interest rates by 1% during the whole of the respective periods would have led to an increase/ (decrease) in both equity and losses of less than $25,501. 1% was thought to be appropriate because it represents four 0.25 basis point rate rises/falls, which is appropriate in the recent economic climate. The majority of cash held in a Term Deposit earns interest income at a rate of 5.62% p.a.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities subject to interest rate risk:

30 June 2011	**Carrying Amount**	**Interest Rate Risk**			
	$	**-1%**		**+1%**	
		Profit $	**Equity $**	**Profit $**	**Equity $**
Cash and cash equivalents	2,550,127	(25,501)	(25,501)	25,501	25,501
Total Increase / Decrease		(25,501)	(25,501)	25,501	25,501
30 June 2012	**Carrying Amount**	**Interest Rate Risk**			
	$	**-1%**		**+1%**	
		Profit $	**Equity $**	**Profit $**	**Equity $**
Cash and cash equivalents	678,876	(6,789)	(6,789)	6,789	6,789
Total Increase / Decrease		(6,789)	(6,789)	6,789	6,789

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual operations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. For banks and financial institutions, only independently rated parties with a credit rating of 'A' and above are accepted.

2. Financial risk management (continued)

(b) Credit risk (continued)

	2012 $	2011 $
Cash at bank		
AA- (Standard and Poor)	678,876	2,550,127
Total cash at bank	**678,876**	**2,550,127**
Current receivables		
Counterparties without external credit rating*	8,810	-
Total current receivables	**8,810**	**-**
Other receivables		
Counterparties without external credit rating*	188,977	163,231
Total other receivables	**188,977**	**163,231**

* All counterparties with no default history

Apart from the above, the Group has no significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except relating to cash held with one reputable financial institution.

The carrying amount of financial assets recorded in the financial statements, (Note 9 and Note 10), represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(c) Liquidity risk

To meet commitments as and when they fall due the Group is prudent in its liquidity risk management. The Group considers its level of cash, the availability of funding through credit facilities or other fund raising initiatives as part of the on-going liquidity risk review.

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow.

All financial liabilities of the group and parent are made up of trade and sundry creditors (Note 14) and are expected to be paid within one month of 30 June 2012.

(d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short term nature of the items.

2. Financial risk management (continued)

(d) Fair value estimation (continued)

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

At 30 June 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	-	-	678,876	678,876
Current receivables	-	-	8,810	8,810
Other receivables	-	-	188,977	188,977
Total assets	**-**	**-**	**876,663**	**876,663**
Liabilities				
Trade and other payables	-	-	966,726	966,726
Total liabilities	**-**	**-**	**966,726**	**966,726**

At 30 June 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	-	-	2,550,127	2,550,127
Current receivables	-	-	-	-
Other receivables	-	-	163,231	163,231
Prepayments	-	-	25,504	25,504
Total assets	**-**	**-**	**2,738,862**	**2,738,862**
Liabilities				
Trade and other payables	-	-	227,759	227,759
Total liabilities	**-**	**-**	**227,759**	**227,759**

(e) Unrecognised financial instruments

The Group does not have any unrecognised financial instruments.

(f) Capital management risk

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets.

The Group monitors capital primarily on the basis of the aggregate working capital, and more specifically the cash requirements to perform the budgeted exploration expenditure programme.

3. Critical accounting estimates, significant judgements

The directors evaluate estimates and judgments 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.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Impairment tests relate particularly to Investments in Subsidiaries, Advances to subsidiaries and exploration expenditure capitalised.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure is set out in Note 1(f). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to profit or loss.

In the year ended 30 June 2012, with the acquisition of the Kamarga zinc project and Zeehan lead-zinc-silver project, and management focus on these new acquisitions, the two tenements on the South Australian areas have been relinquished. In accordance with the accounting policy, the value of this area and all related exploration costs have been written off.

The acquisition of Sunlander Nominees Pty Ltd in April 2011 included the farm-in rights to the Kamarga Zinc Project, and the two tenements granted by Tasmania DIER in Moonraker Minerals Pty Ltd. On the basis of projected exploration expenditure in the 2013 financial year, all related exploration costs have been capitalised, including the acquisition costs as applied at the date of acquisition.

4. Segment information

Business segment

Management has determined that the Group has one reporting segment being mineral exploration. As the Group are focused on mineral exploration, management make resource allocation decisions by reviewing the working capital balance, comparing cash balances to committed exploration expenditure and the current results of exploration work performed. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date and capital available to the Group.

4. Segment information (continue)

The exploration assets as presented relate to the reporting segment, as identified above. The majority of revenue and expenses relate to corporate activities as can be seen in the table below.

Business Segments	**Unallocated**	**Exploration**	**Consolidated**
2012	**$**	**$**	**$**
Segment revenue	86,632	-	86,632
Segment result Profit (Loss)	(1,197,297)	(13,590)	(1,210,887)
Segment Assets	923,089	8,516,538	9,439,627
Segment Liabilities	81,845	884,881	966,726
Segment Acquisition of Assets	152,696	230,000	382,696
Segment Amortisation and Depreciation	130,362	-	130,362
Segment Exploration Expenditure Written off (net of recoveries)	-	(13,590)	(13,590)

Business Segments	**Unallocated**	**Exploration**	**Consolidated**
2011	**$**	**$**	**$**
Segment revenue	100,904	-	100,904
Segment result Profit (Loss)	(463,761)	(739,871)	(1,203,632)
Segment Assets	2,763,533	4,694,665	7,458,198
Segment Liabilities	132,079	95,679	227,758
Segment Acquisition of Assets	-	4,479,700	4,479,700
Segment Amortisation and Depreciation	-	-	-
Segment Exploration Expenditure Written off (net of recoveries)	-	(739,871)	(739,871)

5. Parent entity information

The following details information related to the parent entity, RMG Limited, at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2012	**2011**
	$	**$**
Current assets	804,068	2,714,753
Non-current assets	4,526,428	4,609,723
Total Assets	**5,330,496**	**7,324,476**
Current Liabilities	966,726	99,726
Total Liabilities	**966,726**	**99,726**
Contributed equity	140,545,652	138,095,934
Retained earnings/(accumulated losses)	(137,513,215)	(132,198,884)
Option reserve	1,331,333	1,327,700
Total equity	**4,363,770**	**7,224,750**
Profit/(loss) for the year	(5,314,330)	(1,194,804)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	**(5,314,330)**	**(1,194,804)**

6. Revenue

From continuing operations	**2012 $**	**2011 $**
Sales revenue		
Debt collection activities	2,138	1,969
Other revenue		
Interest received	84,494	98,935
	86,632	**100,904**

7. Expenses

Loss before income tax includes the following specific expenses:	**2012 $**	**2011 $**
Directors fees	262,333	134,000
Corporate compliance costs	71,833	44,230
Employee benefit expense	253,319	130,800
Depreciation and amortisation	130,362	-
General administration expenses	566,082	134,708
Exploration expenditure written off – net of recoveries (Note 12)	13,590	739,871
	1,297,519	**1,304,535**

8. Income tax expense

(a) Income Tax Expense	**Consolidated 2012 $**	**Consolidated 2011 $**
Current tax	-	-
Deferred tax	-	-

(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable	**Consolidated 2012 $**	**Consolidated 2011 $**
Loss from continuing operations before income tax expense	(1,210,887)	(1,203,632)
Tax at the Australian rate of 30% (2011: 30%)	(363,266)	(361,090)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry non-assessable	55,178	1,964
Other – adjustment to prior years	-	(22,970)
Movements in prepayments and deposits	15,806	-
Movements in accruals and provisions	2,344	(13,078)
Exploration expenditure	(1,146,562)	135,272
Unrecognised tax loss	1,436,500	259,902
Income tax expense	-	-

8. Income tax expense (continued)

(c) Tax Losses - All unused tax losses were incurred by an Australian entity	**Consolidated 2012 $**	**Consolidated 2011 $**
Unused tax losses for which no deferred tax asset has been recognised at 30%		
Carry forward revenue losses	13,742,835	4,473,494
Potential tax benefit @ 30%	4,122,850	1,342,048

(d) Unrecognised Temporary Differences	**Consolidated 2012 $**	**Consolidated 2011 $**
Temporary differences		
Provisions and accruals	31,314	7,050
Accrued income and prepayments	-	(15,806)
Exploration expenditure	(8,516,539)	64,490
Subtotal	(8,485,224)	(73,246)
Potential tax benefit of losses per (c)	13,742,835	(1,342,048)
Net unrecognised deferred tax asset	5,257,611	1,268,802

Note – the deferred tax assets of the Group have not been recognised as assets as their recovery is not considered by the Directors' to be probable.

(e) Tax consolidation legislation

RMG Limited and its wholly owned subsidiaries implemented the tax consolidation legislation from acquisition of the subsidiaries on 28 September 2007. Sunlander Nominees Pty Ltd has been included since date of acquisition on 29 April 2011 and Moonraker Minerals Pty Ltd has been included on 1st January 2012. The entities have not entered into either a tax sharing agreement or a tax funding agreement. The accounting policy in relation to this legislation is set out in Note 1 (h).

9. Current assets – Cash and cash equivalents

These are interest bearing with a floating interest rate of 5.62% (2011: 5.87%) per annum	**Consolidated 2012 $**	**Consolidated 2011 $**
Cash at bank and on hand	678,876	2,550,127
	678,876	**2,550,127**

10. Current assets – Other receivables

	Consolidated 2012 $	**Consolidated 2011 $**
Security Deposit of Moonraker Exploration	34,000	-
Other receivables	154,977	163,231
Total	**188,977**	**163,231**

10. Current assets – Other receivables (continued)

Other receivables

(a) Allowance for impairment loss

Other receivables which are primarily from the ATO are non-interest bearing and are generally paid on 30 days settlement terms. Other receivables are neither past due nor impaired at 30 June 2012.

(b) Fair value and credit risk

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value.

11. Non-current assets – Plant and equipment

	Consolidated 2012 $	**Consolidated 2011 $**
Plant and equipment		
Plant and equipment at cost - Less accumulated depreciation	58,735 (12,309)	22,989 -
Total plant and equipment	**46,426**	**22,989**
Plant and equipment		
At 1 July, net of accumulated depreciation	22,989	-
Additions	36,323	22,989
Disposals	(577)	-
Depreciation charge for the year	(12,309)	-
Net carrying amount	**46,426**	**22,989**

12. Non-current assets – Intangible assets

	Consolidated 2012 $	**Consolidated 2011 $**
Intangible assets		
Intangible assets at cost - Less amortisation	118,052 (118,052)	1,681 -
Total intangible assets	**-**	**1,681**
Intangible assets		
At 1 July, net of amortisation	1,681	-
Additions	116,371	1,681
Disposals	-	-
Amortisation for the year	(118,052)	-
Net carrying amount	**-**	**1,681**

13. Non-current asset - Exploration and evaluation expenditure

	Consolidated 2012 $	Consolidated 2011 $
Opening balance	4,694,665	665,662
Fair value acquisition of Kamarga Zinc Project	-	4,479,700
Fair value acquisition of Zeehan Lead-Zinc-Silver Project (see Note 24)	230,000	-
Exploration expenditure capitalised, exploration and evaluation phase	3,605,463	289,174
Write down of exploration acquisition costs	-	(352,625)
Write down of exploration expenditure incurred previously capitalised, net of recoveries	(13,590)	(387,246)
Closing balance	**8,516,538**	**4,694,665**

Exploration Licences are carried at cost of acquisition.

Ultimate recoupment of the remaining carrying amount of exploration assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

Capitalised costs amounting to $2,882,616 (2011: $148,548) have been included in cash flows from investing activities in the statement of cash flows.

14. Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c):

Name	Ordinary Share Consolidated Entity Interest 2012 %	2011 %
Parent:		
RMG Limited		
Controlled entities:		
Resource Mining Group Pty Ltd (formerly Springfield Minerals Pty Ltd)	100	100
San Saba Pty Ltd	100	100
Sunlander Nominees Pty Ltd	100	100
Moonraker Minerals Pty Ltd	100	-

All controlled entities are incorporated in Australia and are active in mineral exploration activities. For details on the acquisition of Zeehan Lead-Zinc-Silver Project refer to Note 24.

15. Current liabilities – Trade and other payables

	Consolidated 2012 $	Consolidated 2011 $
Trade creditors	687,976	106,635
Other payables	278,750	121,124
	966,726	**227,759**

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

16. Contributed equity

(a) Share Capital	Company 2012 Shares	Company 2011 Shares	Company 2012 $	Company 2011 $
Ordinary shares fully paid	1,375,134,592	1,040,133,592	140,545,652	138,095,935

(b) Other Equity Securities	Company 2012 Options	Company 2011 Options	Company 2012 $	Company 2011 $
Options(i) exercisable at 2.0 cents on 30 April 2014	390,001,000	150,000,000	-	-
Options(i) exercisable at 2.0 cents on 30 June 2012	-	8,750,000	127,700	127,700
Options(i) exercisable at 2.0 cents on 01 April 2015	10,000,000	-	3,633	-
Options(i) exercisable at 2.0 cents on 01 April 2017	10,000,000	-	-	-
Options(ii) exercisable at 2.0 cents on 01 April 2015	-	75,000,000	1,200,000	1,200,000

(i) Options carry no rights to dividends and have no voting rights.
(ii) Performance options carry no rights to dividends and have no voting rights.

16. Contributed equity (continued)

(c) Movement in ordinary share capital

		Company 2012	**Company 2012 $**	**Company 2011**	**Company 2011 $**
July 1	Opening balance	1,040,133,592	138,095,935	512,257,365	132,772,373
13 September 2010	Placement (i)	-	-	75,000,000	300,000
1 November 2010	Entitlement issue (i)	-	-	97,876,227	391,505
29 April 2011	Consideration, acquisition of Sunlander	-	-	205,000,000	3,280,000
29 April 2011	Placement (i)	-	-	150,000,000	1,500,000
10 November 2011	Placement (i)	75,000,000	750,000	-	-
29 November 2011	Conversion of Performance Options	61,008,000	6,100	-	-
19 December 2011	Conversion of Performance Options	7,440,000	744	-	-
19 December 2011	Placement (i)	165,000,000	1,650,000	-	-
24 February 2012	Placement (i)	1,000	10	-	-
12 March 2012	Conversion of Performance Options	6,552,000	655	-	-
2 April 2012	Stonehenge Purchases	20,000,000	160,000	-	-
	Cost of issues	-	(117,792)	-	(147,943)
June 30	Balance	**1,375,134,592**	**140,545,652**	**1,040,133,592**	**138,095,935**

(i) The funds raised by the placements and entitlement issue was for working capital purposes to support the exploration projects of the Company.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

16. Contributed equity (continued)

(d) Movement in options

Date	Details	Number of options 2012	Amount $ 2012	Number of options 2011	Amount $ 2011
July 1	Opening balance	158,750,000	127,700	8,750,000	127,700
29 April 2011	Options issues attaching to placement	-	-	150,000,000	-
10 November 2011	Options issues attaching to placement	75,000,000	-	-	-
22 December 2011	Options issues attaching to placement	165,000,000	-	-	-
24 December 2011	Options issues attaching to placement	1,000	-	-	-
24 April 2012	Employee Incentives	10,000,000	3,633	-	-
24 April 2012	Employee Incentives	10,000,000	-	-	-
30 June 2012	Expiring 5c Options	(8,750,000)	-	-	-
June 30	Closing balance	**410,001,000**	**131,333**	**158,750,000**	**127,700**

The terms and conditions of the 150,000,000 options issued on 29 April 2011 are as follows:

(i) each option entitles the holder, when exercised, to one (1) share;
(ii) the exercise price of the options is 2 cents each exercisable on or before 30 April 2014;
(iii) subject to the *Corporations Act 2001*, the Constitution and the ASX Listing Rules, the options are fully transferable;
(iv) the options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the option holder to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the options held does not affect the holder's right to exercise the balance of any options remaining;
(v) all shares issued upon exercise of the options will rank pari passu in all respects with the Company's then issued shares. The options will be unlisted however the Company reserves the right to apply for quotation at a later date;
(vi) there are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that, for the purpose of determining entitlements to any issue, option holders will be notified of the proposed issue at least seven (7) business days before the record date of any proposed issue. This will give option holders the opportunity to exercise the options prior to the date for determining entitlements to participate in any such issue;

16. Contributed equity (continued)

(d) Movement in options (continued)

(vii) if at any time the issued capital of the Company is reorganised, the rights of an option holder are to be changed to the extent necessary to comply with the *Listing Rules* applying to a reorganisation of capital at the time of the reorganisation; and

(viii) in the event the Company makes a pro rata issue of securities, the exercise price of the options will change in accordance with the formula set out in *ASX Listing Rule 6.22.2*.

The terms and conditions of the 75,000,000, 165,000,000 and 1,000 options issued on 10 November 2011, 22 December 2011 and 24 February 2012 respectively are equivalent in all respects to the above. We have assessed the terms and conditions relating to the options and the probability of the vesting conditions being met is 0%, therefore no expense has been recognised.

20,000,000 employee incentives options were issued on 24 April 2012, in which 10,000,000 options have exercise price at 2 cents each exercisable on or before 01 April 2015 vesting after 12 months; and 10,000,000 options have the exercise price at 2 cents each exercisable on or before 01 April 2017 vesting after certain hurdles.

Date	Number of options	Exercise price	Expiring date	Risk free interest rate	Stock Price	Expected volatility	Value per option
24/04/2012	10,000,000	$ 0.02	1-Apr-15	3.05%	$ 0.008	75%	$0.00218

The 8,750,000 options issued in 2007 to the vendors of San Saba Pty Ltd and Resource Mining Group Pty Ltd expired on 30 June 2012.

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2012								
1/07/2007	30/06/2012	$ 0.05	8,750,000	-	-	(8,750,000)	-	-
29/04/2011	30/04/2014	$ 0.02	150,000,000	240,001,000	-	-	390,001,000	390,001,000
24/04/2012	1/04/2015	$ 0.02	-	10,000,000	-	-	10,000,000	-
24/04/2012	1/04/2017	$ 0.02	-	10,000,000	-	-	10,000,000	-
Total			158,750,000	260,001,000	-	(8,750,000)	410,001,000	390,001,000
Weighted average exercise price			$ 0.02	$ 0.02	$ -	$ 0.05	$ 0.02	$ 0.02

16. Contributed equity (continued)

(d) Movement in options (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2011								
1/07/2007	30/06/2012	$ 0.05	8,750,000	-	-	-	8,750,000	8,750,000
29/04/2011	30/04/2014	$ 0.02	-	150,000,000	-	-	150,000,000	-
Total			8,750,000	150,000,000	-	-	158,750,000	8,750,000
Weighted average exercise price			$ 0.05	$ 0.02	$ -	$ -	$ 0.02	$ 0.05

(e) Movement in performance options

Date	Details	Number of performance options	Amount $
1 July 2011	Opening balance	75,000,000	1,200,000
29 November 2011	Conversion of Performance Options	(61,008,000)	-
19 December 2011	Conversion of Performance Options	(7,440,000)	-
12 March 2012	Conversion of Performance Options	(6,552,000)	-
30 June 2012	Balance	**-**	**1,200,000**

17. Reserves and accumulated losses

(a) Reserves	Consolidated 2012 $	Consolidated 2011 $
Share option reserve pursuant to an issue of options	1,331,333	1,327,700
Movements in reserves		
Opening balance 1 July	1,327,700	127,700
Premium on issue of employee incentive options	3,633	1,200,000
Reduction in reserve due to expiry of options	-	-
Closing balance 30 June	**1,331,333**	**1,327,700**

(b) Accumulated Losses	Consolidated 2012 $	Consolidated 2011 $
Movements in accumulated losses were as follows:		
Balance at the beginning of the year	(132,193,197)	(130,989,566)
Net Loss for the year	(1,210,887)	(1,203,631)
Transfer on expiry of options	-	-
Balance at the end of the year	**(133,404,084)**	**(132,193,197)**

17. Reserves and accumulated losses (continued)

(c) Nature and purpose of reserves

Share option reserve is used to record the funds received on the issue of options as well as the assessed fair value of options issued as consideration for the acquisition of assets.

18. Dividends

There were no dividends recommended or paid during the financial year (2011: Nil).

19. Commitments

	Consolidated 2012 $	Consolidated 2011 $
(a) Operating lease commitments		
Not later than one year	54,158	54,158
Later than one year and not later than five years	45,132	99,290
Total minimum lease payments	**99,290**	**153,448**
(b) Remuneration commitments[(i)]		
Not later than one year	128,000	87,000
Total remuneration commitments	**128,000**	**87,000**
(c) Exploration expenditure commitments[(ii)]		
Not later than one year	235,000	-
Later than one year and not later than five years	550,000	-
Total exploration expenditure commitments	**785,000**	-

(i) Commitments for remuneration under service agreements in existence at the reporting date but not recognised as liabilities payable.
(ii) The minimum expenditure requirement under which the mineral exploration licences are granted under Kamarga Project is $610,000 over five years to June 2017 and $175,000 for Zeehan Project for one year to July 2013.

All exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Consolidated Entity has the option to relinquish these licences or its contractual commitments at any stage, at the cost of its expenditure up to the point of relinquishment.

20. Key management personnel disclosures

(a) Key management personnel remuneration

The following persons were directors and key management personnel of RMG Limited during the whole of the past financial year unless otherwise noted:

(i) Directors

RE Kirtlan — *Executive Chairman*
PJ Rolley — *Executive Director* - (appointed 20 April 2012)
S Chadwick — *Non-Executive Director*
ME Stevenson — *Non-Executive Director*

(ii) Key management personnel

PJ Rolley — *Exploration Manager* - (for the period of 1st July 2011 to 19 April 2012)

20. Key management personnel disclosures (continued)

(a) Key management personnel remuneration (continued)

Directors	Company 2012 $	Company 2011 $
Remuneration paid to directors and/or entities associated with directors	262,333	134,000
Fees paid to director for mineral exploration and operational management	186,667	130,800
	449,000	**264,800**

(b) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of RMG Limited, including their personally related parties, are set out below:

2012 Directors	Balance at the start of the year	Expired during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Robert Kirtlan (i)	5,000,000	-	-	5,000,000	5,000,000
Peter Rolley (v)	8,000,000	-	-	8,000,000	8,000,000
Mark Stevenson (iii)	7,000,000	7,000,000	-	-	-
Steven Chadwick (iv)	5,000,000	-	-	5,000,000	5,000,000
Other key management personnel of the Group					
-	-	-	-	-	-
Total	**25,000,000**	**7,000,000**	**-**	**18,000,000**	**18,000,000**

2011 Directors	Balance at the start of the year	Expired during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Robert Kirtlan (i)	-	-	5,000,000 (vi)	5,000,000	5,000,000
John Risinger (ii)	1,750,000	-	(1,750,000)	-	-
Mark Stevenson (iii)	7,000,000	-	-	7,000,000	7,000,000
Steven Chadwick (iv)	-	-	5,000,000 (vi)	5,000,000	5,000,000
Other key management personnel of the Group					
Peter Rolley (v)	-	-	8,000,000 (vi)	8,000,000	8,000,000
Total	**8,750,000**	**-**	**16,250,000**	**25,000,000**	**25,000,000**

(i) all held by ARK Securities & Investments Pty Ltd, a company related to R Kirtlan
(ii) all held by Larca Pty Ltd. J Risinger resigned as a director on 30 June 2011
(iii) all held indirectly by Holloman Holdings Corp, a company related to M Stevenson
(iv) all held by Spectrum Metallurgical Consultants Pty Ltd, a company related to S Chadwick
(v) all held by Anne Rolley as trustee for Rolley Family Trust
(vi) acquired as part of the placement made on 29 April 2011.

20. Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(i) Option holdings (continued)

All options are vested and exercisable at the end of the year. There were no options granted during the current or prior reporting period as compensation.

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of RMG Limited, including those held personally or held indirectly by related parties, are set out below:

2012 **Directors**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Robert Kirtlan (iv)	53,024,000	21,576,000 (i)	-	74,600,000
Peter Rolley (v)	89,144,000	36,456,000 (ii)	-	125,600,000
Mark Stevenson(vi)	70,600,000	-	-	70,600,000
Steven Chadwick (vii)	21,560,000	7,440,000 (iii)	-	29,000,000
Other key management personnel of the Group				
-	-	-	-	-
Total	**234,328,000**	**65,472,000**	**-**	**299,800,000**

(i) Conversion of performance options on 29 November 2011
(ii) Conversion of performance options on 19 December 2011
(iii) Conversion of performance options on 12 March 2012
(iv) Held by ARK Securities & Investments Pty Ltd, a company related to R Kirtlan
(v) Held by Anne Rolley as trustee for Rolley Family Trust
(vi) Held by Mark Stevenson (600,000) and Holloman Value Holdings LLC (70,000,000).
(vii) Held by Spectrum Metallurgical Consultants Pty Ltd, a company related to S Chadwick

2011 **Directors**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Robert Kirtlan	-	-	53,024,000 (i)	53,024,000
Gary Steinepreis (viii)	23,763,498	-	3,960,585 (ii) (27,724,083) (iii)	-
John Risinger (ii)	15,000,000	-	750,000 (iv) 2,625,000 (ii) (18,375,000) (v)	-
Mark Stevenson (vii)	60,600,000	-	10,000,000 (ii)	70,600,000
Steven Chadwick	-	-	21,560,000 (i)	21,560,000
Other key management personnel of the Group				
Peter Rolley	-	-	81,144,000 (i) 8,000,000 (vi)	89,144,000
Total	**99,363,498**	**-**	**134,964,502**	**234,328,000**

20. Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(ii) Share holdings (continued)

- (i) Received as shareholder of Sunlander Nominees Pty Ltd as consideration for the acquisition of Sunlander on 29 April 2011.
- (ii) Acquired under the 1: 6 Entitlement issue made by the Company in November 2010.
- (iii) Gary Steinepreis resigned as a director on 29 April 2011. This number (held by Jacqueline Mary Steinepreis (2,333,692), Oakhurst Enterprises Pty Ltd (19,557,057) and LeisureWest Consulting Pty Ltd as trustee for the LeisureWest Trust (5,833,334) represents the shares held as at date of resignation.
- (iv) Acquired by Larca off-market
- (v) John Risinger resigned as a Director on 30 June 2011. This number represents the shares held as at date of resignation.
- (vi) Acquired as part of the placement made on 29 April 2011
- (vii) held by Mark Stevenson (600,000) and Holloman Value Holdings LLC (70,000,000).

There were no shares granted to KMP during the reporting period as compensation.

(iii) Convertible performance option holdings

The numbers of convertible performance options in the Company held during the financial year by each director of RMG Limited, including their personally related parties, are set out below:

2012 Director	**Balance at the start of the year**	**Exercised during the year**	**Balance at the end of the year**
Robert Kirtlan (i)	21,576,000	21,576,000	-
Peter Rolley (ii)	36,456,000	36,456,000	-
Steven Chadwick (iii)	7,440,000	7,440,000	-
Other key management personnel of the Group			
-	-	-	-
Total	**65,472,000**	**65,472,000**	**-**

- (i) Held by ARK Securities & Investments Pty Ltd.
- (ii) Held by Anne Rolley as trustee for Rolley Family Trust
- (iii) Held by Spectrum Metallurgical Consultants Pty Ltd.

2011 Director	**Balance at the start of the year**	**Acquired during the year**	**Balance at the end of the year**
Robert Kirtlan (i)	-	21,576,000 (iii)	21,576,000
Steven Chadwick (ii)	-	7,440,000 (iii)	7,440,000
Other key management personnel of the Group			
Peter Rolley (iv)	-	36,456,000 (iii)	36,456,000
Total	**-**	**64,728,000**	**64,728,000**

- (i) held by ARK Securities & Investments Pty Ltd.
- (ii) held by Spectrum Metallurgical Consultants Pty Ltd.
- (iii) Received as shareholder of Sunlander Nominees Pty Ltd as consideration for the acquisition of Sunlander on 29 April 2011
- (iv) Held by Anne Rolley as trustee for Rolley Family Trust

20. Key management personnel disclosures (continued)

(c) Other transactions with key management personnel

During the year, there were no transactions with the key management personnel.

Aggregate amounts of each of the above types of other transactions with key management personnel of RMG Limited. Amounts recognised as expense:	**Consolidated 2012 $**	**Consolidated 2011 $**
Exploration and operational management services	-	130,800
Exploration drilling services	-	31,250
	-	**162,050**

21. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group: **Assurance Services -** *Audit services*	**Consolidated 2012 $**	**Consolidated 2011 $**
BDO Audit (WA) Pty Ltd; -Audit or review of financial reports under the *Corporations Act 2001*	33,397	35,450
Total remuneration for audit services	**33,397**	**35,450**

There were no non-assurance services provided by the auditor during the current or previous reporting period.

22. Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

Additionally RMG Limited has undertaken a commercial arrangement with Aviva Corporation Limited where Robert Kirtlan is a director for both companies. The arrangement is for a sub-lease of commercial premises which is RMG Limited's registered office at commercial terms equal to the lease terms received by Aviva Corporation Limited in an arms-length transaction with a third party, being the lessor of the main lease. Details of operating lease are set out in Note 18 under operating lease commitments.

(b) Transactions with subsidiary companies

During the year the parent company, RMG Limited advanced $8,969 (2011: $47,496) to its subsidiary company San Saba Pty Ltd, $3,404,358 (2011: 105,052) to its subsidiary Sunlander Nominees Pty Ltd and $603,006 (2011: Nil) to its subsidiary Moonraker Minerals Pty Ltd for working capital purposes.

22. Related party transactions (continued)

(c) Outstanding balances arising from sales / purchases of goods and services

At 30 June 2012 the subsidiary company San Saba Pty Ltd had a balance owing to RMG Limited of $854,241 (2011: $845,271), Sunlander's owing amount is $3,509,410 (2011: $105,052) and Moonraker's owing amount is $643,006 (2011: Nil). These advances are interest free with no terms of repayment.

A provision of $854,241 (2011: $845,271) for the year has been made against the advance to San Saba Pty Ltd, a provision of $3,509,410 (2011: Nil) has been made against the advance to Sunlander Nominees Pty Ltd and a provision of $603,006 (2011: Nil) has been made against the advance to Moonraker Minerals Pty Ltd for non-recovery of the advanced funds. These loans/advances are provided for in full.

At 30 June 2012 the following balances were owing to associated companies or companies associated with directors as follows;

- The Rolley Family Trust - $22,000 (2011: Nil) for director's fees
- Aviva Corporation Limited - $5,646 (2011: Nil) for sub-lease fees
- Credo Resources Limited - $6,794 (2011: Nil) for reimbursement of operating expenses
- Spectrum Metallurgical Consultants Pty Ltd – $9,900 (2011: Nil) for director's fees

Except for the above, there were no outstanding balances at the reporting date in relation to transactions with related parties.

23. Events occurring after the reporting date

Since 30 June 2012 the Company has agreed to issue a total of 1,000,000 convertible notes to Simpaug Investment Fund LP to raise AUD$1.0m before costs, in August 2012, 700,000 convertible notes were issued already.

The terms and conditions of the 700,000 convertible note issued on 3 August 2012 are as follows;

(i) Each convertible note has a face value of $1.00;
(ii) Coupon rate is 5% pa payable 6 monthly in arrears;
(iii) Notes convertible at the noteholder's election at quarterly intervals into ordinary fully paid shares in the company at a price equal to a 10% discount to the volume weighted average price of 10 trading days prior to the noteholder electing to convert, subject to a minimum price of $0.0035 per share and a maximum price of $0.008 per share. Protective exist covenants in the event the Company issues shares at less than the agreed minimum price. The 700,000 convertible notes are also convertible at the noteholders election (provided always that the noteholder has not previously converted any notes into fully paid ordinary shares in the company) into a 1.75% equity interest in Sunlander Nominees Pty Ltd, the company's subsidiary that holds the Kamarga project.
(iv) A two year term from date of issue;
(v) Redeemable at company's election any time in the twelve month period prior to maturity;

The issue of an additional 300,000 convertible notes (on the same terms and conditions as above), the issue of 60,000,000 director options and the adoption of the employee incentive plan were approved in general meeting of the shareholders on 14 September 2012,.

Other than the above, there have been no significant events since 30 June 2012 and up to the date of this report.

24. Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated 2012 $	Consolidated 2011 $
Loss for the year	(1,210,887)	(1,203,631)
Exploration Acquisition Write-off	-	352,625
Exploration Expense Write-down	13,590	387,246
Employee option expenses	3,633	-
Depreciation & amortisation	130,362	
Changes in operating assets and liabilities:		
Increase/(decrease) in trade and other payables	(17,881)	28,953
(Increase)/decrease in trade and other receivables	24,948	(95,621)
Net cash outflow from operating activities	**(1,056,235)**	**(530,428)**

25. Non-cash investing and financing activities

	2012 $	2011 $
Acquisition of Zeehan Lead-Zinc-Silver Project from Stonehenge Metals Ltd on 2 April 2012 (i)	230,000	-
Acquisition of subsidiary company, Sunlander Nominees Pty Ltd (Sunlander) on 29 April 2011 (ii)	-	4,480,000

(i) Upon the approval of two permits acquired from Stonehenge Metals Ltd by the Department of Infrastructure, Energy and Resources in Tasmania and the Director of Mines for transfer to RMG, the company owns a 100% interest in these two licenses in the Zeehan district in Tasmania.

The acquisition of these two permits consisted of an A$70,000 cash payment and the issue of 20 million FPO shares in RMG Ltd to Stonehenge Metals Ltd.

Details of the purchase consideration are set out as follows:

	$
Purchase consideration (see above)	230,000
The assets recognised as a result of the transaction are as follows:	
Cash	70,000
Issue of 20 million FPO shares	160,000
Net assets acquired	**230,000**

The assets and liabilities recognised as a result of the acquisition on 13 December 2011 are as follows:

	Fair Value $
Intangible assets: exploration & evaluation	230,000
Net assets acquired	**230,000**

25. Non-cash investing and financing activities (continued)

Fair value of the tenements acquired was negotiated and agreed to by the competent persons within the vendor company and RMG Limited and represents exploration and evaluation work performed to date and mining information acquired.

(ii) On 29 April 2011 RMG acquired the Kamarga zinc project through the acquisition of Sunlander. Sunlander has an exclusive right to earn up to 100% of the Kamarga project from Teck Australia Pty Ltd (Teck) pursuant to a Farm-in Agreement.

The consideration for the acquisition of Sunlander was the issue of 165,000,000 ordinary shares to the shareholders of Sunlander, as well as 75,000,000 Performance Options. In addition, under the terms of the Teck Farm-in Agreement, a further 40,000,000 ordinary shares were issued to Teck. The fair value for each of the ordinary shares and performance options issued as consideration was assessed at $0.016, being the market share trading price for RMG Limited on the day of the transaction.

Details of the purchase consideration and the net assets acquired are set out as follows;

	$
Purchase consideration (see above)	4,480,000
The assets recognised as a result of the transaction are as follows:	
Cash	100
Exploration area of interest [(i)]	4,479,900
Net assets acquired	**4,480,000**

(i) Kamarga zinc project.

26. Loss per share

(a) Basic loss per share	**2012 Cents**	**2011 Cents**
Loss attributable to the ordinary equity holders of the Company	**(0.100)**	**(0.173)**

(b) Reconciliation of loss used in calculating loss per share

	2012 $	**2011 $**
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(1,210,887)	(1,203,631)

(c) Weighted average number of shares used as the denominator

	2012 Number	**2011 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,221,786,376	697,246,535

26. Loss per share (continued)

(d) Information concerning the classification of securities

Options

Options are considered to be potential ordinary shares. The options have not been included in the determination of basic earnings per share as the Company is in a position of loss.

27. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2012.

In the directors' opinion:

1 the financial statements and notes set out on pages 25-64 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the Company's and the Group's financial position as at 30 June 2012 and of their performance, for the financial year ended on that date; and

2 the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a);

3 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

4 the remuneration disclosures included in the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2012 comply with Section 300A of the *Corporations Act 2001*.

The directors' acting in the capacity of Chief Executive Officer and Chief Financial Officer have given the declarations required by section 295(A) of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Robert Kirtlan
Director
Perth
21 September 2012

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RMG LIMITED

Report on the Financial Report

We have audited the accompanying financial report of RMG Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 Company's preparation of the financial report that gives a true and fair view 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 Company'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 opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RMG Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of RMG Limited 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 positions as at 30 June 2012 and of their performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(b) in the financial report which indicates that the company incurred a net loss of $1,210,887 during the year ended 30 June 2012. The company will have to seek additional funding in order to progress exploitation of its exploration assets and meet ongoing working capital requirements. These conditions, along with the other matters as set forth in Note 1(b) indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the values stated in these financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of RMG Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 21st day of September 2012

Corporate Governance Statement

RMG Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance for the Company and the Group. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The disclosure of corporate governance practices can be viewed on the Company website at www.rmgltd.com.au

The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Executive Chairman who reports to the Board.

Corporate Governance Compliance

A description of the Group's main corporate governance practices are set out below. The Group has considered the ASX Corporate Governance Principles and the corresponding Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices
Summary Statement

Principle :	**ASX Corporate Governance Council Recommendations**	**Comply**
1	**Lay solid foundations for management and oversight**	
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	Yes
2	**Structure the Board to add value**	
2.1	A majority of the Board should be independent Directors.	No
2.2	The chair should be an independent director.	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No
2.4	The Board should establish a nomination committee.	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	Yes
3	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct and disclose the code or a summary as to:	Yes
	• the practices necessary to maintain confidence in the Company's integrity;	
	• the practices necessary to take into account the Company's legal obligations and the reasonable expectations of its stakeholders; and	
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy which includes requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually the objectives and progress in achieving them.	Yes
3.3	Disclose annually the measurable objectives set for achieving gender diversity and progress towards achieving them.	No
3.4	Disclose annually the proportion of woman employees in the whole organization,	Yes

	women in senior executive positions and women on the board.	
3.5	Provide the information indicated in the Guide to reporting on principle 3.	Yes
4	**Safeguard integrity in financial reporting**	
4.1	The Board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	No
	• consists only of non-executive Directors;	
	• consists of a majority of independent Directors;	
	• is chaired by an independent chair, who is not chair of the Board; and	
	• has at least three members.	
4.3	The audit committee should have a formal charter	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	Yes
5	**Make timely and balanced disclosure**	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	Yes
6	**Respect the rights of shareholders**	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	Yes
7	**Recognise and manage risk**	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	Yes
8	**Remunerate fairly and responsibly**	
8.1	The Board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it : • consists of a majority of independent directors • is chaired by an independent director • has at least three members	No
8.3	Clearly distinguish the structure on non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	Yes

Disclosure – Principles & Recommendations

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:
Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:
The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Executive Chairman (CEO equivalent) who reports regularly to the Board on the performance of the Business.

The matters that the Board has specifically reserved for its decision are:
- approval of the overall strategy and annual budgets of the business; and
- compliance with constitutional documents.

Recommendation 1.2:
Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:
The review is currently informal but is based on a review of goals for a CEO equivalent and Exploration Manager. The goals are based on corporate requirements and any areas for improvement that may be identified. The Board will provide the CEO equivalent with confidential feedback on his or her performance.

Recommendation 1.3:
Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

Principle 2 – Structure the board to add value

Recommendation 2.1:
A majority of the Board should be independent directors.

Disclosure:
The Company does not have a majority of independent directors.

Consistent with the size of the Group and its activities, the Board is comprised of four (4) directors, none of whom are currently considered to be independent directors. Two directors are non executive. The Board's policy is that the majority of directors shall be independent, non-executive directors. The composition of the Board does not currently conform to its policy. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 2.2:
The Chair should be an independent director.

Disclosure:
Mr Kirtlan acts as Chair of the Board meetings and is not considered to be independent. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 2.3:
The roles of the Chair and CEO should not be exercised by the same individual.

Disclosure:
The roles of the Chairman and the CEO are exercised by the same person.
The division of responsibilities between the Chairman and the CEO is set out in the Board Charter. It is intended that when the size of the operations of the Group warrant it, the position of CEO will be separated from that of the Chairman.

Recommendation 2.4:
The Board should establish a Nomination Committee.

Disclosure:
A nomination committee has not been established.
The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.

Recommendation 2.5:
Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:
The Chairman is responsible for evaluation of the Board, the exploration manager and the committees.
The review is currently informal but is based on a review of goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his or her performance.
Induction procedures are in place for all directors, and senior executives report to the Board as to their area of responsibility at each Board meeting, if required.

Recommendation 2.6:
Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and term of office of each Director and re-election procedure
A profile of each director containing their skills, experience and expertise is set out in the Directors' Report.
In accordance with the Constitution, one third of the directors retire by rotation each year and may offer themselves for re-election.
There is no Nominations Committee. In determining candidates for the board, the Board considers the procedure as detailed in the Board Charter and the skills and qualifications of potential candidates that will best enhance the Board's effectiveness taking into consideration the current composition of the Board.

Identification of Independent Directors
There are no independent directors of the Company.

Statement concerning availability of Independent Professional Advice
To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:
Companies should establish a Code of Conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the Group's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:
The Group has a Code of Conduct that applies to all Directors, senior executives, employees and contractors.

Recommendation 3.2:
Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy which includes requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually the objectives and progress in achieving them.

Disclosure:
The Group has a Diversity Policy that delineates the company’s approach to diversity in accordance with recommendations 3.2 to 3.4. It also identifies that measurable objectives are difficult to establish and achieve given the use of contract staff and also given the stage of the company’s life cycle.

Recommendation 3.3:
Companies should disclose annually the measurable objectives set for achieving gender diversity and progress towards achieving them.

Disclosure:
Apart from the directors the Group has only two permanent employees. The group then utilizes contract staff on an as needs basis from time to time. Measurable objectives have yet to be set.

Recommendation 3.4:
Companies should disclose annually the proportion of woman employees in the whole organization, women in senior executive positions and women on the board.

Disclosure:
The Group has no women on the board of directors, one permanent staff (50% thereof) in an accounting role and contracts two women in geological roles.

Recommendation 3.5:
Provide the information indicated in the Guide to reporting on principle 3.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1
The Board should establish an Audit Committee.

Disclosure:
An Audit Committee was established in September 2011. The role of the Audit Committee has been assumed by two non-executive directors operating under the Audit Committee Charter adopted by the Board.

Recommendation 4.2:
The Audit Committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent Chair, who is not Chair of the Board; and
- has at least three members.

Disclosure:
An Audit Committee has been established and consists of two non-executive directors.

Recommendation 4.3:
The Audit Committee should have a formal charter.

Disclosure:
The Company has an Audit Committee Charter.

Recommendation 4.4:
Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:
The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:
Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:
The Board Charter contains the policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2 :
Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:
Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:
The Company has a Shareholder Communications Policy contained within the Policy on Continuous Disclosure and a website for making information available to shareholders. Shareholders are encouraged to attend and participate in general meetings.

Recommendation 6.2 :
Companies should provide the information indicated in the *Guide to reporting on Principle 6.*

Principle 7 – Recognise and manage risk

Recommendation 7.1:
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:
The Board has adopted a Risk Management Policy. As detailed in 7.2 no risk management committee has been formed and this role is undertaken by the Board, however, the overall basis for risk management is to provide recommendations about:

1. Assessing the internal processes for determining and managing key risk areas, particularly:
   - non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
   - litigation and claims; and
   - relevant business risks other than those that are dealt with by other specific Board Committees.
2. Ensuring that the Group has an effective risk management system and that major risks to the Group are reported at least annually to the Board.
3. Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.
4. Evaluating the process the Group has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
5. Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
6. Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Group's control environment.

Recommendation 7.2:
The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.

Disclosure:
Management designs, implements and maintains risk management and internal control systems to manage the Group's material business risks. As part of the monthly reporting procedure, management report to the Board confirming that those risks are being managed effectively.
The Group policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.
A Risk Management Committee has not been formed and no internal audit function exists. All functions, roles and responsibilities with regard to risk oversight and management and internal control are undertaken by the Board and Management as at the date of this report.

Recommendation 7.3:
The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:
Due to the size of the Company, the Board signed the declaration in accordance with section 295A of the Corporations Act. The declaration is made and is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4 :
Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:
The Board should establish a Remuneration Committee.

Disclosure:
A Remuneration Committee has been established consisting of two persons.
A Remuneration Committee Charter has been adopted by the Board.

Recommendation 8.2:
The remuneration committee should be structured so that it :

- consists of a majority of independent directors
- is chaired by an independent director
- has at least three members.

Disclosure:
The Remuneration Committee consists of the two non-executive directors. None of the directors of the company are independent. The chairman of the board is not the chairman of the audit committee. The board consider the given the current size of the company the function of the audit committee is achieved under this structure.

Recommendation 8.3:
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:
Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Group. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation). There are currently no options issued to non-executive directors.
Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares options granted at the discretion of the Board and subject to obtaining the relevant approvals.

Recommendation 8.4 :
Companies should provide the information indicated in the *Guide to reporting on Principle 8.*

The shareholder information set out below was applicable as at the dates specified.

1. Distribution of Equity Securities (Current as at 18 September 2012)

Analysis of numbers of equity security holders by size of holding:

Class of Security – **Ordinary Shares**

Holding Range			Number of Shareholders	Number of Ordinary Shares	%
1	-	1,000	513	189,347	0.02
1,001	-	5,000	197	454,812	0.03
5,001	-	10,000	34	243,373	0.02
10,001	-	100,000	338	18,731,606	1.36
100,001	and over		557	1,355,515,454	98.57
		Total	1,639	1,375,134,592	100.00

Class of Security – **Listed Options**

Holding Range			Number of Shareholders	Number of Ordinary Shares	%
1	-	1,000	1	1,000	-
1,001	-	5,000	-	-	-
5,001	-	10,000	-	-	-
10,001	-	100,000	-	-	-
100,001	and over		85	390,000,000	100.00
		Total	1,639	390,001,000	100.00

2. Unmarketable Parcels (Current as at 18 September 2012)

Class of Security – **Ordinary Shares**

	Minimum Parcel Size	Holders
Minimum $500.00 parcel at $0.0040 per unit	125000	1127

Class of Security – **Listed Options**

	Minimum Parcel Size	Holders
Minimum $500.00 parcel at $0.0010 per unit	500000	7

3. Unquoted Equity Securities (Current as at 18 September 2012)

No of Securities	Number of Holders	Type of security
10,000,000	1	Options exercisable at 2 cents, expiry date 1 April 2015
10,000,000	1	Options exercisable at 2 cents, expiry date 1 April 2017

4. Substantial Holders (Current as at 18 September 2012)

Substantial holders of equity securities in the Company are set out below:

Ordinary Shareholder	Number held	% of issued shares
Mrs Anne Louise Rolley <Rolley Family A/C>	125,600,000	9.13
ARK Securities & Investments Pty Ltd	74,600,000	5.42
Holloman Minerals Pty Ltd	70,000,000	5.09

5. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

1. Ordinary Shares
   On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
2. Options
   These securities have no voting rights.

6. Equity Security Holders (Current as at 18 September 2012)

The names of the twenty largest holders of quoted equity securities are listed below:

Ordinary Shares

Rank	Name	Number of Shares	%
1	Mrs Anne Louise Rolley <Rolley Family A/C>	125,600,000	9.13
2	ARK Securities & Investments Pty Ltd	74,600,000	5.42
3	Holloman Value Holdings LLC	70,000,000	5.09
4	Mr Raymond John Jones <Raymond Jones Superfund A/C>	58,000,000	4.22
5	Celtic Capital Pty Ltd <The Celtic Capital A/C>	55,451,685	4.03
6	Mr Thomas Joseph Henderson + Mrs Debra Jayne Henderson <Hillman Freycinet S/F A/C>	47,500,000	3.45
7	Noroneke Master Fund Ltd	44,707,451	3.25
8	Teck Australia Pty Ltd	40,000,000	2.91
9	JK Nominees Pty Ltd <The JK Fund A/C>	38,131,982	2.77
10	Pershing Australia Nominees Pty Ltd <Argonaut Account>	30,356,845	2.21
11	Spectrum Metallurgical Consultants Pty Ltd <Super Fund A/C>	29,000,000	2.11
12	Custodial Services Limited <Beneficiaries Holding A/C>	27,309,006	1.99
13	Trianon Investments Pty Ltd <Superannuation Fund A/C>	25,000,000	1.82
14	Jadekey Nominees Pty Ltd	21,200,000	1.54
15	Stonehenge Metals Ltd	20,000,000	1.45
16	Mr John Anthony Della Bosca + Mrs Jonina Gudbjorg Della Bosca <JA & JG Della Bosca S/F A/C>	19,500,000	1.42

17	Charles Bridge Nominees Pty Ltd <Allen Family A/C>	14,445,406	1.05
18	Birkdale Pty Limited <Risinger Superfund A/C>	14,000,000	1.02
19	Oakhurst Enterprises Pty Ltd	13,818,988	1.00
20	Newton2 Pty Limited <Newton 2 Super Fund A/C>	13,000,000	0.95
	Total	**781,621,363**	**56.83**

Options

Rank	Name	Number of Shares	%
1	Noroneke Master Fund Ltd	30,000,000	7.69
2	Tisia Nominees Pty Ltd <Henderson Family A/C>	27,534,351	7.06
3	Pershing Australia Nominees Pty Ltd <Argonaut Account>	27,500,000	7.05
4	Celtic Capital Pty Ltd <The Celtic Capital A/C>	23,500,334	6.03
5	Brooks Investments (WA) Pty Ltd	20,000,000	5.13
6	Halson Corporation Pty Ltd <Halson Account>	20,000,000	5.13
7	Jojo Enterprises Pty Ltd <SFI Family A/C>	12,000,000	3.08
8	Harshell Investments Pty Ltd	10,000,000	2.56
9	Mr Raymond John Jones <Raymond Jones Superfund A/C>	10,000,000	2.56
10	Norman Venus Management Consulting Pty Ltd <The Venus Super Fund A/C>	10,000,000	2.56
11	TM Consulting Pty Ltd <Super Fund A/C>	10,000,000	2.56
12	Mr John Della Bosca <JA&JG Della Bosca Family A/C>	8,000,000	2.05
13	Mrs Anne Louise Rolley <Rolley Family A/C>	8,000,000	2.05
14	Utrade Limited	8,000,000	2.05
15	Bannaby Investments Pty Ltd <Super Fund A/C>	7,500,000	1.92
16	Mr Geoffrey Norman Barnesby – Johnson + Ms Catherine Jane Halvorsen	6,000,000	1.54
17	Talex Investments Pty Ltd	6,000,000	1.54
18	Hamersley Equity Pty Ltd <Ardagh Super Fund A/C>	5,565,315	1.43
19	A22 Pty Limited <The Grover Family A/C>	5,000,000	1.28
20	ARK Securities & Investments Pty Ltd <ARK Family A/C>	5,000,000	1.28
	Total	**259,600,000**	**66.56**

7. On-Market Buy-Back

There is no current on-market buy-back.

8. Tenement Schedule:

Tenement ID	Location	Group Interest 30 June 2012
EL3812	Sth Aust	Surrendered
EL3813	Sth Aust	Surrendered
EPM14309	Qld	0%, subject to Earn-in
EPM19172	Qld	100%
EPMA19675	Qld	Application Pending
EL17/2003	Tas	100%
ML20/2001	Tas	100%