RMG Limited

ABN 51 065 832 377

FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2013

CONTENTS

Corporate Directory

Directors	Robert Kirtlan Peter Rolley Michael Griffiths
Company Secretary	Lloyd Flint
Registered Office	Unit 6, 14 Jersey Street Jolimont WA 6014 Telephone: 08 9387 6619
Share Register	Computershare Investor Services Pty Limited Level 2, 45 St George's Terrace Perth WA 6000 Telephone: 1300 557 010
Auditor	Ernst & Young 11 Mounts Bay Road Perth WA 6000
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 and options are listed on the Australian Securities Exchange. ASX Code: RMG and RMGO
Website Address	www.rmgltd.com.au

Directors' Report

Your directors present their report on the consolidated group ("RMG Group" or "the Group") for the half–year ended 31 December 2013.

Directors

The following persons were directors of RMG Limited during the half–year and up to the date of this report:

Robert Edward Kirtlan
Peter James Rolley
Michael Griffiths (appointed 6 June 2013)

Principal Activities

During the half-year the principal activities of the Group consisted of exploration for minerals.

Review of Operations

During the half-year the Group made a loss from operations of $294,027 (31 December 2012: loss of $595,749). Additional information on the financial position of the Group is set out in the financial statements.

Report on Exploration Activity

Tuina Copper - Chile

The Company executed two option agreements to acquire a 75% interest in over 117 sq. kms of mineral concessions in the Tuina area in northern Chile. The concessions have extensive outcrops of oxide copper mineralisation and significant drill intercepts through primary copper sulphide mineralisation. This project has become a major focus for the Company over the past 6 months.

The Company has initially focused on compilation and review of the extensive exploration and drill hole data sets that accompanied the option agreements. Various field activities including re-assaying drill core, re-surveying drill hole collars and down-hole surveys, and re-logging drill core and RC chips have been completed to validate the previous drilling undertaken between 2004 and 2008. ASX Releases of 6 September, 17 October and 26 November have reported this work. The best drill hole through the sulphide copper mineralisation is reported as;

- DDH-MSJ-04 107.7m @ 1.2%Cu, 19g/t Ag from 243m down-hole at the San Jose zone of mineralization.

The data review resulted in the release of an Exploration Target of 30-50 million tonnes @ 0.9-1.4% Cu, 8-11g/t Ag from previous drilling and its immediate extensions (ASX release 12 September 2013).

Note: An Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Company has also commenced regional exploration in the Tuina area and made several discoveries of new copper-silver mineralisation over extensive strike lengths (ASX Release 29 August 2013) within the concessions held under the option agreements.

<u>Kamarga Zinc and Copper – Queensland</u>

The Kamarga Project is located 20kms southeast of the world class Century Zn-Pb mine in north-west Queensland. Century is the world's second largest producer of zinc concentrate and is scheduled to cease production in 2016[1].

The Company believes that it's exploration activities have confirmed the significant copper and zinc endowment of the Kamarga Project and is committed to continue to build the resource base subject to the availability of exploration funding, with the objective of eventual economic exploitation.

<u>Zeehan Zinc - Tasmania</u>

After an internal review, this project was abandoned during the period. The current zinc prices, the stock market's lack of enthusiasm for zinc exploration projects, and the high cost of exploration in Tasmania conspire against the Company being able to advance the exploration in this area.

Competent Persons Statements

Competent Person statement on the reporting of results under the 2004 JORC Code.
All geologic information and Exploration Targets in this Half Yearly Report was prepared and first disclosed under the 2004 edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2004). It has not been updated since the initial ASX Report to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
This Half Yearly Report does not present any new information that has not previously been reported in the ASX releases as described below.

Competent Person statement on the use of previously issued Public Reports
The information in this Half Yearly Report is extracted from 2013 ASX Releases titled "Porvenir Agreement Executed" dated 23 August 2013, "Copper Exploration Target" dated 12 September 2013, "San Jose Drilling" dated 26 November 2013, and "Completion of Chile Metals Agreement" dated 30 December 2013. Each of these ASX releases are available for viewing on www.rmgltd.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented herein have not been materially modified from the original market announcements.

Competent Persons Statement for the Exploration Results and Exploration Targets that were Previously Reported under JORC Code 2004
The data in this report that relates to the reporting of previous Exploration Results and Exploration Targets as described above, and previously reported in accordance with JORC Code 2004, are based on information compiled by Mr Peter Rolley who is a Member of The Australian Institute of Geoscientists (MAIG) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is

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

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 (the "JORC Code 2004"). Mr Rolley is a shareholder and an Executive Director of RMG Ltd and he consents to the inclusion of the information in the form and context in which they appear.

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning RMG Limited's planned exploration programme and other statements that are not historic facts. When used in this document, the words such as "could", "indicates", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Such statements involve risks and uncertainties, and no assurances can be provided that actual results or work completed will be consistent with these forward looking statements.

Corporate

Pursuant to the formalisation and execution of the Chile Metals agreement referred to above to acquire a 75% interest in over 117 sq. kms of mineral concessions in the Tuina area in northern Chile, 100,000,000 ordinary fully paid were issued on 31 December 2013.

Other than the execution of the agreements referred to in the operations report, there were no corporate actions during the period.

Matters subsequent to the end of the Half-Year

Since 31 December 2013 there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

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 5.

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

Robert Kirtlan
Director
Perth
14 March 2014

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Auditor's Independence Declaration to the Directors of RMG Limited

In relation to our review of the consolidated financial report of RMG Limited and its controlled entities for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
14 March 2014

GB:EH:RMG:014

	Notes	31 December 2013 $	31 December 2012 $
Interest revenue		17,030	6,468
Other income	4	146,819	78,836
Expenses			
Compliance and regulatory costs		40,579	46,769
Administration costs		175,500	224,769
Directors fees and employee benefits		239,589	367,829
Interest expense		2,208	41,686
Total expenses		457,876	681,053
Loss before income tax		**(294,027)**	**(595,749)**
Income tax expense		**-**	**-**
Loss for the period from continuing operations		**(294,027)**	**(595,749)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation		**4,571**	**-**
Total comprehensive income for the period		**4,571**	**-**
Total comprehensive loss attributable to the owners of RMG Limited		**(289,456)**	**(595,749)**
		Cents	**Cents**
Loss per share attributable to the ordinary equity holders of the Group:			
Basic and diluted loss per share		**(0.01)**	**(0.04)**

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

	Notes	31 December 2013 $	30 June 2013 $
ASSETS			
Current assets			
Cash and cash equivalents		1,019,661	1,992,246
Other receivables		215,221	116,601
Total current assets		**1,234,882**	**2,108,847**
Non-current assets			
Plant and equipment		24,852	31,689
Exploration and evaluation expenditure	5	9,242,597	8,797,872
Total non-current assets		**9,267,449**	**8,829,561**
Total assets		**10,502,331**	**10,938,408**
LIABILITIES			
Current liabilities			
Trade and other payables		109,693	341,214
Total current liabilities		**109,693**	**341,214**
Total liabilities		**109,693**	**341,214**
Net assets		**10,392,638**	**10,597,194**
EQUITY			
Contributed equity	6(c)	143,972,547	143,887,647
Reserves	7	1,493,271	1,488,700
Accumulated losses		(135,073,180)	(134,779,153)
Total equity		**10,392,638**	**10,597,194**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated	Contributed equity	Reserves	Accumulated losses	Total
Balance at 1 July 2013	**143,887,647**	**1,488,700**	**(134,779,153)**	**10,597,194**
Foreign Currency translation	-	4,571	-	4,571
Loss for the period	-	-	(294,027)	(294,027)
Total comprehensive income/loss for the half-year	-	4,571	(294,027)	(289,456)
Issue of Securities	100,000	-	-	100,000
Cost of issue of securities	(15,100)	-	-	(15,100)
Balance at 31 December 2013	143,972,547	1,493,271	(135,073,180)	10,392,638
Balance at 1 July 2012	**140,545,652**	**1,331,333**	**(133,404,084)**	**8,472,901**
Loss for the period	-	-	(595,749)	(595,749)
Total comprehensive income/loss for the half-year	-	-	(595,749)	(595,749)
Director and employee incentives option issued	-	150,100	-	150,100
Balance at 31 December 2012	140,545,652	1,481,433	(133,999,833)	8,027,252

	31 December 2013 $	31 December 2012 $
Cash flows from operating activities		
Receipts from customers	65,229	86
Payments to suppliers and employees	(694,421)	(301,268)
Net cash outflow from operating activities	**(629,192)**	**(301,182)**
Cash flows from investing activities		
Interest received	17,030	6,468
Purchase of property, plant and equipment	(598)	(16,750)
Exploration expenditure incurred	(344,725)	(1,168,732)
Net cash outflow from investing activities	**(328,293)**	**(1,179,014)**
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Cost of capital raising	(15,100)	-
Proceeds from convertibles note issued	-	1,000,000
Net cash (outflow)/inflow from financing activities	**(15,100)**	**1,000,000**
Net decrease in cash and cash equivalents	**(972,585)**	**(480,196)**
Cash and cash equivalents at the beginning of the half-year	1,992,246	678,876
Cash and cash equivalents at the end of the half-year	**1,019,661**	**198,680**

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

1 Basis of preparation

This general purpose condensed financial report for the half–year ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB134, *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2013, other than as detailed below.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective from 1 July 2013.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'; and
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.
- AASB 119 (Revised 2011) 'Amendments to Australian Accounting Standards – Employee Benefits'.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other new or revised standard or interpretation or amendment have been issued but are not yet effective.

2 Going concern

The Group incurred a net loss after income tax of $294,027 for the half-year ended 31 December 2013 (2012: net loss after income tax of $595,749) and a net cash outflow of $972,585 (2012: net cash outflow of $480,196). As at 31 December 2013 the Group had cash and cash equivalents of $1,019,661 (30 June 2013: $1,992,246) and a working capital surplus of $1,125,189 (30 June 2013: $1,767,633 surplus). The Group's available cash on 12 March 2014 amounted to $599,405.

The Group will require further funding during the next 12 months in order to meet day to day obligations as they fall due and to progress its exploration projects. Based on the Group's cash flow forecast the Board of Directors is aware of the Group's need to access additional working capital in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration interests.

The directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;
- The Group retains the ability, if required, to wholly or in part dispose of interests in mineral exploration assets.
- The directors regularly monitor the Group's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.
- The Directors have determined that future equity raisings will be required to provide funding for the Group's activities and to meet the Group's objectives. Consideration is ongoing as to the most appropriate means of raising equity including an Entitlement Offer, a Share Purchase Plan or a Placement.

Should the Group not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The half-year financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

3 Segment information

Business segment

Management has determined that the Group has one reporting segment being mineral exploration. As the Group is 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.

The exploration assets as presented relate to the reporting segment, as identified above.

All revenue and expenses relate to corporate activities and would not be used to assess segment performance.

4 Other Income

	December 2013 $	**December 2012 $**
Other income		
Other income	173	86
Government grant	146,646	
Fair value movement of derivative financial instrument	-	78,750
	146,819	**78,836**

5 Exploration and evaluation expenditure

	December 2013 $	**June 2013 $**
Balance carried forward	8,797,872	8,516,538
Porvenir Project option agreement payment	10,919	104,437
Exploration expenditure capitalised net of cost recoveries, exploration and evaluation phase	433,806	762,181
Exploration expenditure written-off, net of cost recoveries	-	(585,284)
	9,242,597	**8,797,872**

Exploration Licences are carried at cost of acquisition.

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

6 Equity

(a) Share Capital	**31 December 2013 Shares Number**	**30 June 2013 Shares Number**
Ordinary shares fully paid	3,209,384,592	3,109,384,592
(b) Other Equity Securities	**31 December 2013 Number**	**30 June 2013 Number**
Options exercisable at 2 cents on 30 April 2014	390,001,000	390,001,000
Options exercisable at 2 cents on 01 April 2015	10,000,000	10,000,000
Options exercisable at 2 cents on 01 April 2017	10,000,000	10,000,000
Options exercisable at 0.6 cents on 31 August 2016	80,000,000	80,000,000

(c) Movement in ordinary share capital

		31 December 2013		**30 June 2013**	
Date	**Details**	**Number of shares**	**Amount $**	**Number of shares**	**Amount $**
	Opening balance	**3,109,384,592**	**143,887,647**	**1,375,134,592**	**140,545,652**
12 April 2013	Capital raising 1st tranche	-	-	206,250,000	412,500
27 May 2013	Capital raising 2nd tranche	-	-	927,297,034	1,854,594
27 May 2013	Directors in lieu of fees	-	-	78,250,000	156,500
30 May 2013	Conversion of convertible notes	-	-	500,000,000	954,995
19 June 2013	Capital raising 2nd tranche balance	-	-	22,452,966	44,906
31 December 2013	Acquisition of Chile interest	100,000,000	100,000		
	Cost of issues	-	(15,100)	-	(81,500)
June 30	Balance	**3,209,384,592**	**143,972,547**	**3,109,384,592**	**143,887,647**

7 Reserves

	31 December 2013	30 June 2013
Option reserves	1,488,700	1,488,700
Translation Reserves	4,571	-
	1,493,271	1,488,700

Movement in options

Date	Details	Number of options 31 December2013	Amount 31 December 2013 $	Number of options 30 June 2013	Amount 30 June 2013 $
	Opening balance	**490,001,000**	**1,488,700**	**410,001,000**	**1,331,333**
24 April 2012	**2c options exp. at 1 April 2015**	**-**	**-**	**-**	**18,167**
28 September 2012	**0.6c options exp. at 31 August 2016**	**-**	**-**	**80,000,000**	**139,200**
	Closing balance	**490,001,000**	**1,488,700**	**490,001,000**	**1,488,700**

8 Commitments for expenditure

	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
Exploration expenditure commitments		
Not later than one year	552,000	410,000
Later than one year and not later than five years	1,460,000	2,300,000
Later than five years	20,000	-
Total exploration expenditure commitments	**2,032,000**	**2,710,000**

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.

9 Fair Value Measurement

The Group's principal financial instruments comprise receivables, payables, cash and cash equivalents. Due to the short term nature of the financial assets and financial liabilities, the carrying value is considered to approximate the fair value. At 31 December 2013 and 31 December 2012 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

10 Events occurring after the balance date

There have been no other material items, transactions or events subsequent to 31 December 2013 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

In the directors' opinion:

1 the financial statements and notes set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standard AASB134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial half-year ended on that date; and

2 subject to the achievement of the conditions set out in Note 2 to the financial report, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

R Kirtlan
Director
Perth
14 March 2014

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To the members of RMG Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying condensed half-year financial report of RMG Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RMG Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RMG Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial report. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
14 March 2014

GB:EH:RMG:013