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Companies Announcements Office  
Australian Securities Exchange

## **OPTION TO ACQUIRE INTEREST IN TUINA COPPER PROJECT IN CHILE**

RMG Limited (ASX:RMG) ("RMG" or "the Company") is pleased to announce it has reached an agreement with a Chilean mining company, Chile Metals, for an option to acquire a 75% interest in the Tuina copper project in northern Chile. The agreement is subject to completion of legal due diligence, execution of full joint venture documentation, and shareholder approval for the issue of the vendor shares.

### **Highlights**

- Option to acquire 75% of a number of mining and exploration leases in northern Chile, many with past copper oxide production
- Significant land package located in a world class copper district near to Chuquicamata, one of the world's largest copper deposits
- Excellent regional infrastructure and proximity to exploration services
- Considerable potential to discover high grade copper-silver replacement style mineralisation down dip from existing copper oxide open pits
- Potential exists for large tonnage porphyry hosted copper mineralisation
- Near term production opportunity from widespread copper oxide mineralisation
- RMG's first walk-up target is to drill down dip from an open pit with historical production of 1Mt copper oxide ore.

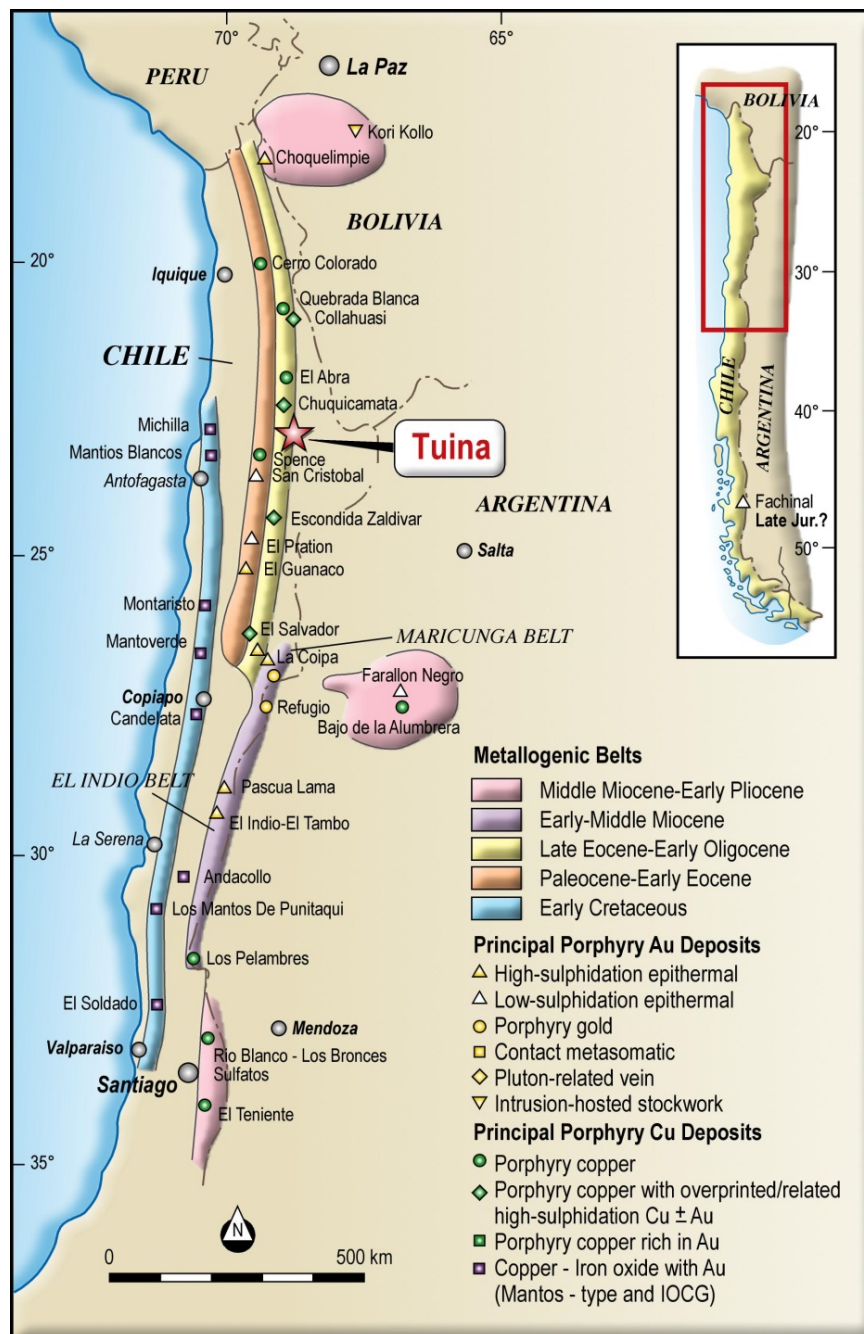
### **Introduction**

RMG is pleased to advise that it has entered into a Heads of Agreement ("HOA") with a private Chilean company, Chile Metals Consulting Ltda ("Chile Metals"), for the option to acquire a 75% interest in the Tuina Project in northern Chile. The agreement is subject to the completion of legal due diligence, execution of formal Farm-In and Joint Venture documentation, and RMG shareholder's approval for the issue of shares to Chile Metals' shareholder and the raising of funds to meet the minimum expenditure obligations. A notice of meeting seeking the relevant approvals will be circulated to shareholders.

The Tuina Project is located 55 kilometres south-east of Chuquicamata in the highly mineralised district around Calama in the Atacama region of northern Chile (Figure 1).

The Tuina Project comprises 55 permits covering the Permian Tuina Formation. The permits cover structures and stratigraphy that are host to significant copper mineralisation as evidenced by the large number of copper mines in the general district operated by Chilean mining companies. Many of the Tuina Project permits contain significant copper workings exploiting copper oxide mineralisation.

RMG plans to drill down-dip of the highest priority copper oxide zones to determine the extent of the sulphide mineralisation and, where appropriate, drill these zones to enable resource estimates and scoping studies to be completed of both oxide and sulphide mineralisation.



**Figure 1 Location plan of Tuina Copper Project**

## **Location**

### **Chile**

The Tuina Project is located in Chile, the world's leading copper producing nation. Chile produces 34% of the world's copper and holds 28% of the world's copper reserves<sup>1</sup>. Copper presents over 55% of the country's exports and around 20% of the country's GDP.

Chile has a long history of copper and gold mining and has a Government and population that are strongly supportive of mining. As a result of the Government reinvesting the mining benefits into independent and transparent judiciary, legal and financial systems the country has continued to grow in stature as a stable and effective nation for long term capital investment. As a result, Chile has;

- AA- Standard & Poor's credit rating (same as Japan and China)
- an inflation rate of 1.5% as at January 2013
- became the first South American nation to join the OECD
- been ranked first in South America by the World Economic Forum for Global Competitiveness
- been ranked third in the world (behind Canada and Australia) for mining capital
- been ranked ahead of USA, France and Spain in the International Corruption Index

### **Calama**

The city of Calama (population of 145,000) is located 1,220kms north of Santiago and 188kms north-east of Antofagasta, and is approximately 50kms from the Tuina Project. Calama has;

- modern airport serviced by regular jet flights from Santiago
- numerous accommodation alternatives
- exploration and mining industry support services including
  - drilling contractors
  - maintenance contractors
  - supply depots
  - assay laboratories
- electricity distribution network
- water distribution network

### **Tuina Project**

The Project is located in the Atacama desert at an elevation of around 2,500m to 3,500m with, on average, 30mm of rain p.a. The Project area is accessed by a combination of bitumen roads from Calama and from San Pedro de Atacama, and graded gravel roads. The combination of good roads and dry weather should enable year-round exploration activities.

Grid power and a fresh water pipeline are located approximately 30kms from the Tuina Project at the ENAMI acid leach plant. The Government utilities have agreed in principle, to supply power and water to a moderate sized flotation plant in the Tuina area.

There are no landowners, habitations, tenants, livestock or agricultural activities in the area.

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<sup>1</sup> USGS Commodity Survey 2011

## **Geology**

### **Regional**

The Calama district is the host to a number of large porphyry copper-molybdenum-gold mines including

- Chuquicamata – 10.5Bt @ 0.6%Cu<sup>2</sup>
- Radomiro Tomic – 7.2Bt @ 0.4%Cu<sup>2</sup>
- Mina Mansa – 1.3Bt @ 0.9%Cu<sup>2</sup>
- Sierra Gorda – 1.35Bt @ 0.4%Cu<sup>3</sup>
- Spence – 285Mt @ 0.9%Cu<sup>4</sup>

The Tuina Project is located on the eastern margin of the Domeyko Cordillera that is host to these porphyry copper deposits.

### **Tuina District**

The copper mineralisation at Tuina is hosted by Mesozoic andesites and sediments of the Tuina Formation. The Tuina Formation has been deformed by north-south dip-slip faults (for example, the San José Fault) that are also the controlling structures on significant manto replacement style and fault breccia style copper deposits.

The previously and currently exploited copper deposits in the Tuina district are all located along significant faults and the larger copper deposits are located at the intersection of the larger faults with favourable stratigraphy.

Historical and current copper production at Tuina is mostly from copper oxide deposits with ore being toll treated at either a privately owned oxide plant or the Government owned (ENAMI) acid leach SX-EW plant located approximately 30 kms distant. It is estimated that around 4,000 tonnes of copper metal per annum has been produced over the last few years from the Tuina district<sup>5</sup> from small scale copper oxide mining.

To date, the most significant copper sulphide operation in the Tuina district is located at Rulita-Pampita. A small copper oxide resource (Pampita) was drilled at depth resulting in a 3.7Mt @ 2.0%Cu, 25g/t Ag sulphide resource (Rulita) that was mined by underground methods by a Chilean mining company in which Chile Metals was a shareholder (this mine site is no longer an asset of Chile Metals). The manto-style copper deposit was reported to be 10-50m in width and 300m in length and at least 250m in depth<sup>6</sup>. The 350,000 tpa of sulphide ore was trucked over 150kms to a toll flotation plant, and the concentrate trucked to Antofagasta for shipping. The concentrate averaged 32%Cu and 225g/t Ag with no deleterious penalties.

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<sup>2</sup> Codelco Annual Report 2010

<sup>3</sup> KGHM Presentation Dec 2011

<sup>4</sup> BHPBilliton Annual Report 2011

<sup>5</sup> [http://www.e-seia.cl/archivos/DIA\\_Ampliacion\\_y\\_Desarrollo\\_TUINA.pdf](http://www.e-seia.cl/archivos/DIA_Ampliacion_y_Desarrollo_TUINA.pdf)

<sup>6</sup> Independent consultant report – H.Roza Rulita Mine March 2010

## Geology Model

The types of copper deposits at Tuina have been classified as manto copper-silver copper deposits and there are a number of examples in northern Chile including Mantos Blancos (300Mt @ 1.2%Cu), and Mantos de la Luna (50Mt @ 1.4%Cu). Other deposits of this type are considerably smaller but overall reserves add up to several millions of tonnes of ore at 1%-3.8% Cu and 8–25g/t Ag<sup>7</sup>.

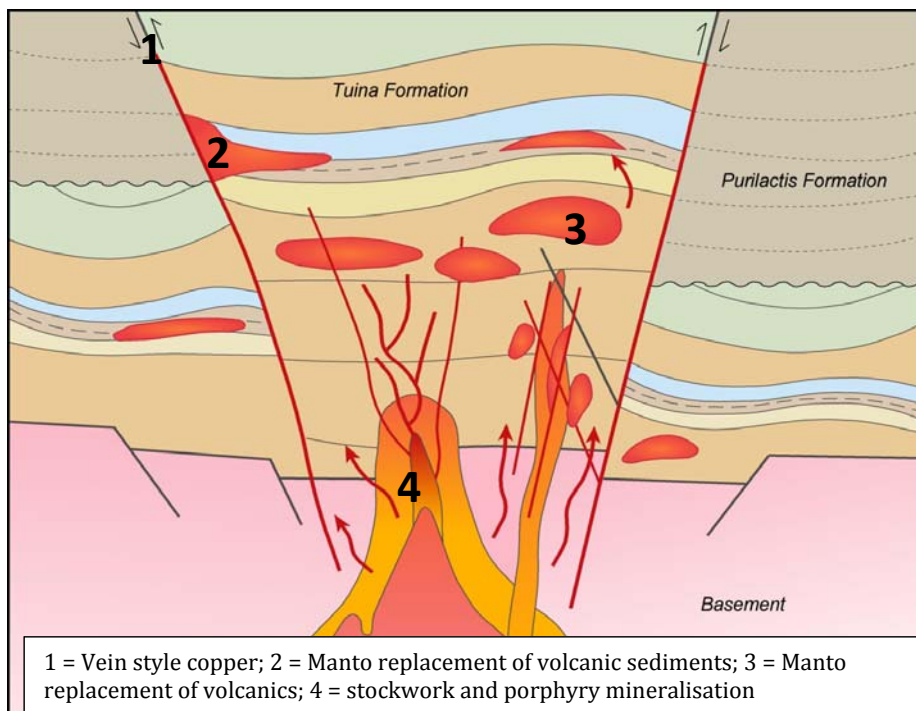
The main exploration targets at Tuina are manto replacements of favourable tuffaceous and sediment units within the andesite sequence (types 2 and 3 in Figure 2) of which the Rulita-Pampita mine is an example.

A private Chilean mining company working in the Tuina district has identified several manto style copper deposits and is proposing to mine around 2.8Mt of ore per annum to produce around 40,000 tonnes of copper metal per year from a total reserve of 40Mt @ 1.8%Cu<sup>8</sup>.

RMG's objective is to drill the larger copper oxide deposits within the Chile Metals permits to identify the presence, volume and tenor of manto style copper sulphide mineralisation.

### **Porphyry Copper Exploration**

The Tuina district has recently become of interest to the larger copper mining companies operating in the Atacama District. Both BHP Chile and Codelco have recently been granted exploration licences abutting Chile Metals permits to the south-west of the Morro del Inca mining lease and have commenced exploration. We await with interest the results of this exploration activity and its implication for the prospectivity of Chile Metals permits.



**Figure 2 Exploration model**

<sup>7</sup> The Geology of Chile by T. Moreno, publ The Geological Society, 2007 pp 190

<sup>8</sup> [http://www.e-seia.cl/archivos/DIA\\_Ampliacion\\_y\\_Desarrollo\\_TUINA.pdf](http://www.e-seia.cl/archivos/DIA_Ampliacion_y_Desarrollo_TUINA.pdf)

## **Tuina Project**

### **Permits**

Figure 3 shows the location of the 55 mineral permits held or in application by Chile Metals (a total of 9,600 hectares) and subject to the HOA with RMG. Of the 55 mineral permits;

- 26 (4,562 ha) are granted Mining Leases
- 19 (2,951 ha) are Mining Leases in various stages of being granted
- 3 (190 ha) are applications for Mining Leases
- 7 (1,900 ha) are applications for Exploration Licences

The title due diligence by a Chilean lawyer for RMG indicates that 2 of the Mining Leases (in process of being granted) have objections pending from overlapping claims and may require modification before being granted. Neither of these 2 permits have any known copper mineralisation. The remaining 27 permits still to be granted should be approved as shown in Figure 3.

All permits are held 100% by Chile Metals or by its wholly owned subsidiary Minera Explora S.A.

### **Santa Rosa Target**

The **Santa Rosa** Mining Lease is located along the northern extent of the strongly mineralised San José Fault and has previously been mined by two Chilean companies. These two companies excavated a small open pit on the copper oxide mineralisation to produce a total of around 1 million tonnes of copper ore<sup>9</sup> for processing on site via acid leach and SX-EW. The open pit is around 250m long by 100m wide by 45m deep.

The copper mineralisation at Santa Rosa would appear to be similar to volcanic hosted Manto copper style (type 3 in Figure 2).

Chile Metals undertook several campaigns of percussion and reverse circulation drilling along the Santa Rosa pit area in 2007 and 2008. These results cannot be reported as they do not meet JORC criteria for reporting of exploration results. However, the drill holes were planned, supervised, logged and reported by an independent geological consulting group<sup>10</sup> to have intersected copper sulphide and oxide mineralisation for 150m beneath the pit floor of unknown width and tenor. The drilling is reported to have intersected four parallel copper zones, which is consistent with RMG's mapping of the current open pit walls.

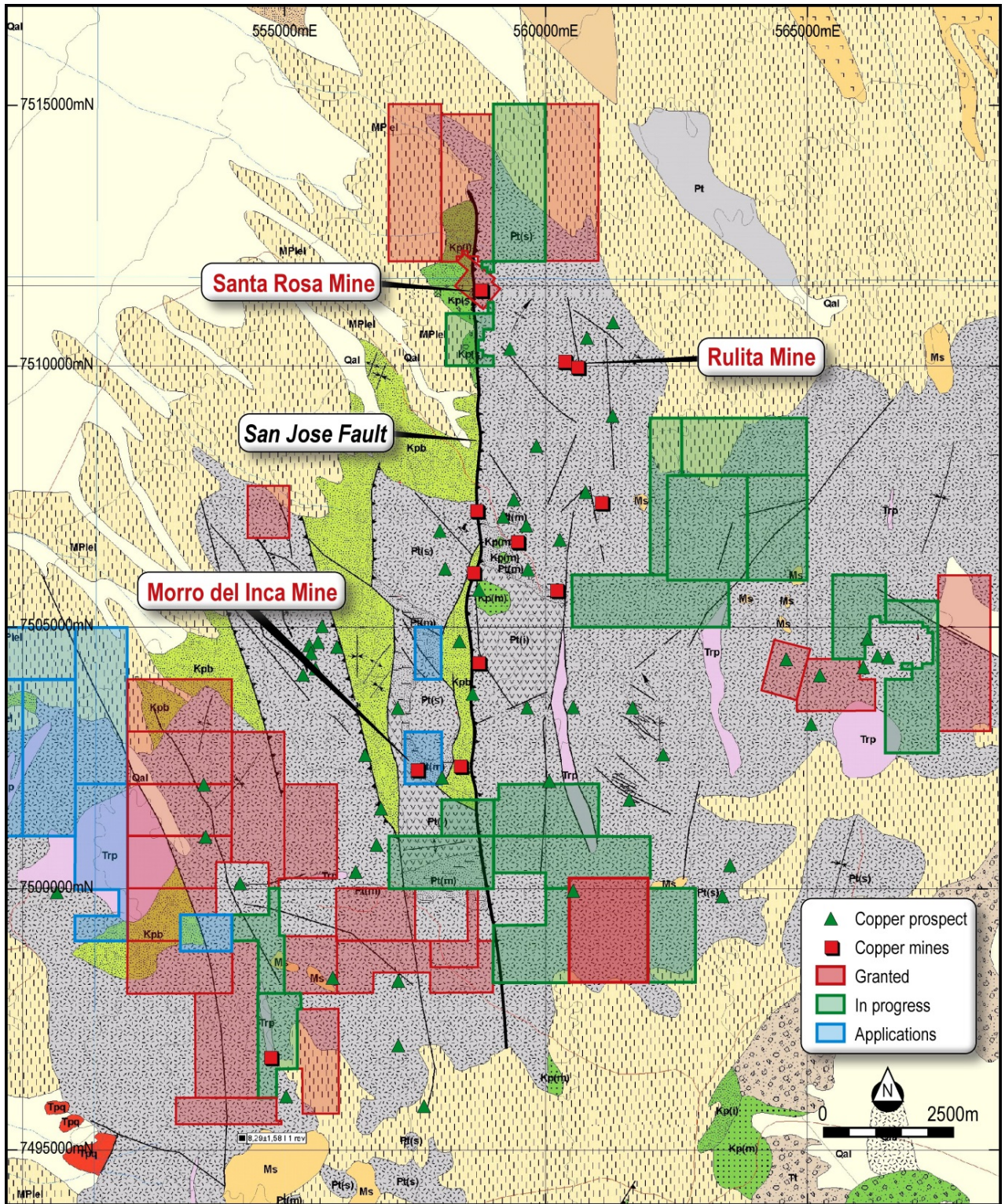
Figure 4 shows the copper oxide mineralisation in the northern wall of the Santa Rosa pit and indicating that the mineralisation may continue to the north along the San José Fault.

On present knowledge, this lease is the highest priority for RMG and will be the focus for the first drilling campaign.

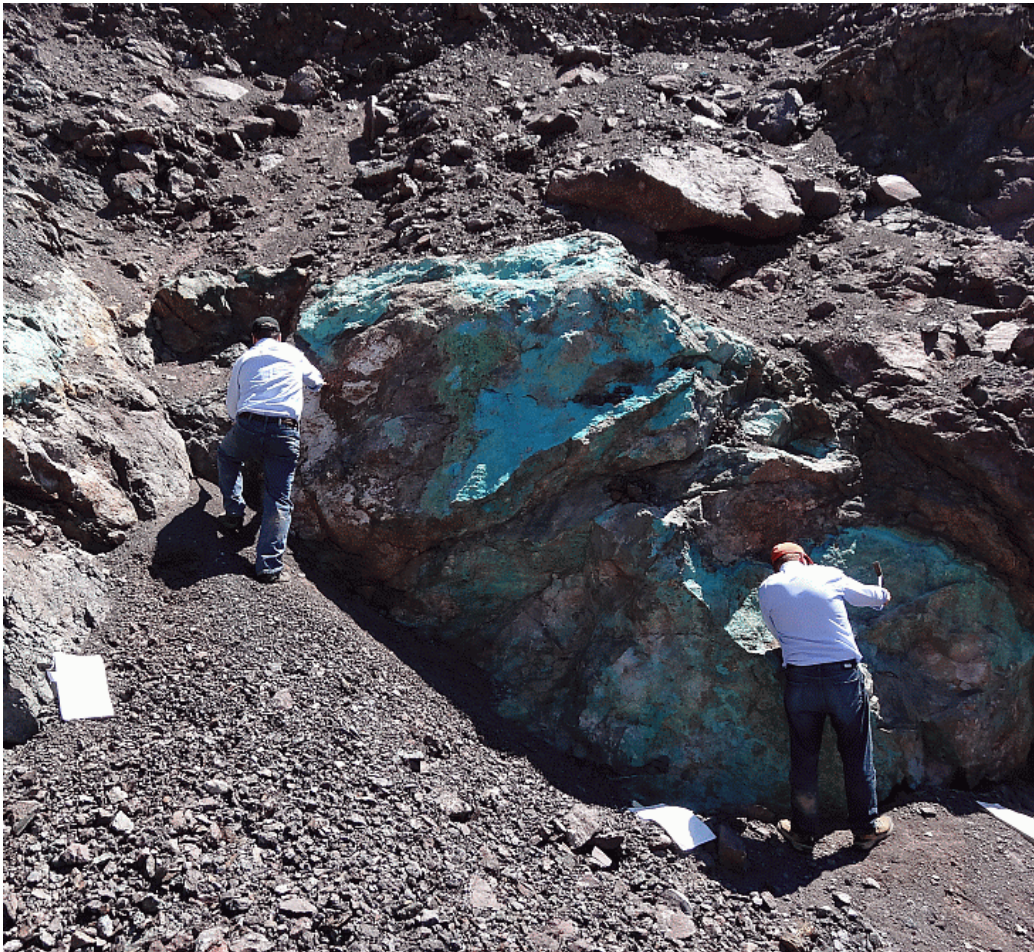
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<sup>9</sup> Estimated from volume of leached ore dumps at site

<sup>10</sup> South American Management S.A. 2008



**Figure 3 Tuina geology and permits**



**Figure 4 Copper Oxide mineralisation at Santa Rosa**

### Morro del Inca Target

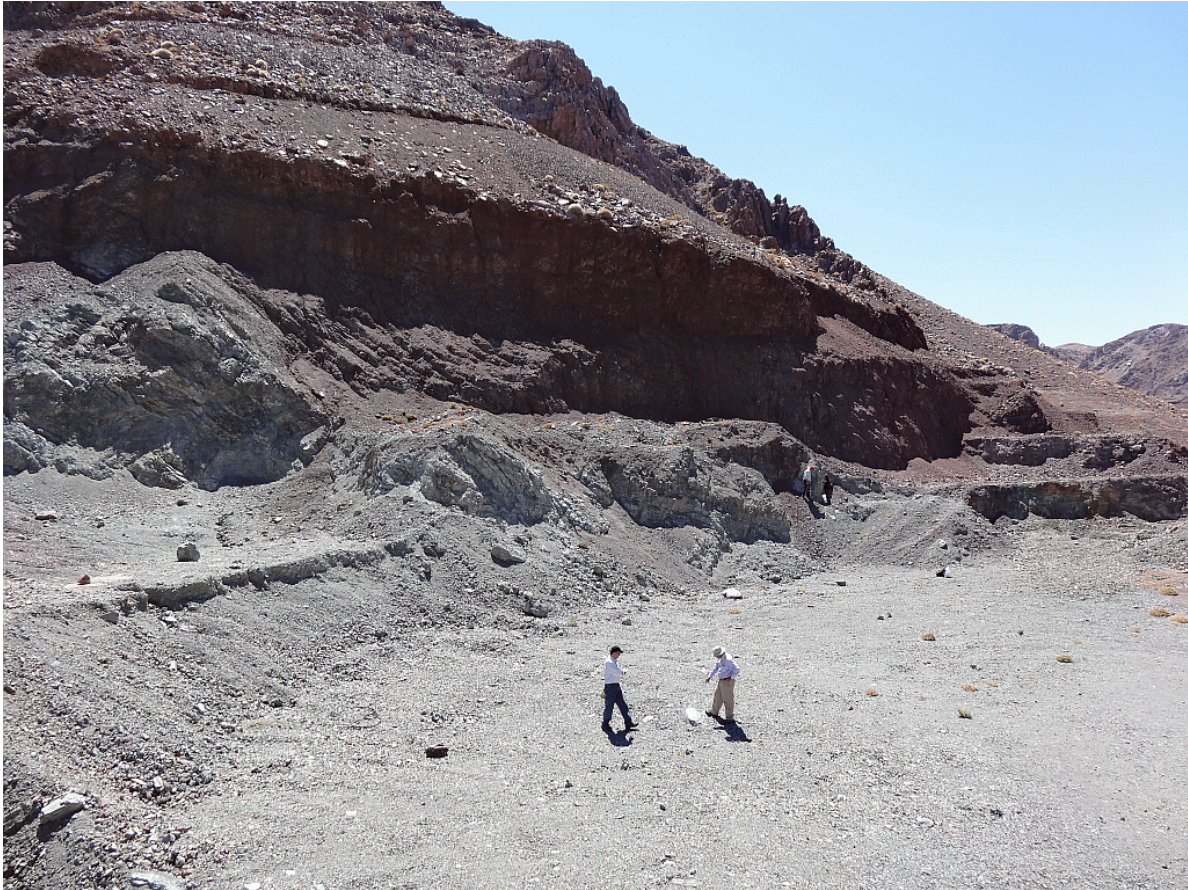
The copper mineralisation on the vendor owned **Morro del Inca** Mining Lease (Figure 5) occurs along a district scale fault, parallel to the San José Fault, the Aguada del Burro Fault. The copper oxide mineralisation has been mined by a small Chilean company and an unknown volume transported to be toll treated at the ENAMI acid leach plant. Mapping by RMG geologists indicates the oxide mineralisation is over 50m wide, extends for around 300m in length, and is hosted within interbedded sediments, tuffs and andesites. It continues under cover both north and south. To our knowledge there has not been any drilling of the mineralisation.

RMG geologists consider that the copper mineralisation at Morro del Inca is characteristic of sediment hosted Manto style (type 2 in Figure 2).

This lease is currently the second drill target for RMG, subject to further mapping and I.P.<sup>11</sup> geophysics to confirm the sulphide target.

<sup>11</sup> [http://en.wikipedia.org/wiki/Induced\\_polarization](http://en.wikipedia.org/wiki/Induced_polarization)





**Figure 5 Copper oxide mineralisation at Morro del Inca**

### Other Targets

There are numerous copper oxide working across the Chile Metals permits. See Figure 6 for a collage of various copper oxide prospects within Chile Metals' permits. A number of these have been visited by RMG geologists and two of the more significant targets are discussed above.

### Exploration Programme

- Drill the down dip mineralisation at Santa Rosa
- Prioritise and drill the next best copper target – currently Morro del Inca
- Define and mine the copper oxides for early cash flow, toll treating the ore through the ENAMI oxide plant
- Confirm an economic resource and establish a central flotation plant for mining and processing of the sulphide ore
- Identify and target 3<sup>rd</sup> party land packages in the area for acquisition
- Explore the potential for an economic porphyry copper deposit

## Proposed Budget for Year One

- Mapping \$50k
- IP Geophysics \$80k
- Drilling Santa Rosa \$450k
- Drilling Target #2 \$450k
- Admin \$50k
- TOTAL \$1,080k

## **Option Terms**

The Heads of Agreement between RMG and Chile Metals has the following terms

- RMG to issue 100 million shares to Chile Metals upon execution of the full Farm-In and Joint Venture Agreement and shareholder approval (Commencement Date)
- RMG must expend a minimum of A\$1million on exploration activities within 18 months of the Commencement Date before RMG can withdraw. Then
- RMG has the option to expend a further A\$2million within 3 years of Commencement Date to earn 25% interest in Chile Metals, then
- RMG has the option to expend a further A\$5million within 5 years of Commencement Date to earn a further 26% interest in Chile Metals, then
- RMG has the option to expend a further A\$7million within 8 years of Commencement Date to earn a further 24% interest in Chile Metals (RMG's total interest will then be 75%).
- Thereafter Chile Metals is free-carried to completion of Pre-Feasibility Study

It is important to note that there are no vendor cash payments, no royalties, no claw-backs, and no concentrate or metal off-take rights within this HOA.

In contrast to several farm-in or option agreements recently negotiated by exploration companies in Chile, these Option Terms do not include any calendar based cash payments to a Chilean family or company. In this agreement, the earn-in interest is acquired through exploration expenditure.

Commencement of the Agreement is conditional upon a full Farm-In and Joint Venture Agreement being executed, shareholder approval for the issue of the 100 million vendor shares, and shareholder approval for the issue of sufficient capital to meet the minimum expenditure obligation of A\$1million. These conditions must be completed within three months. A notice of meeting seeking the relevant approvals will be circulated to shareholders.

Chile Metals is 100% owned by a USA based investment fund whose principals have been involved in mining and copper trading activities in Chile over the past ten years. These connections are believed to be a significant advantage for RMG, to enable further project acquisitions, both in the Tuina District and elsewhere in Chile.

## **Chile Summary**

- 🌟 There are over 50 copper occurrences within Chile Metals' permits, for which there has only been minor drilling for the sulphide opportunity. The largest of these, Santa Rosa, has had 1Mt of copper oxide ore mined and treated and is expected to continue to depth.
- 🌟 Near term production potential of oxide copper mineralisation
- 🌟 9,600 hectares of granted and pending Mining and Exploration Leases, located in an area with established mining infrastructure
- 🌟 Chile Metals owns 100% of the permits. There are no vendor payments or private company/family option payments
- 🌟 RMG will immediately commence an aggressive work programme on prioritised copper targets
- 🌟 RMG's objective is to define significant copper sulphide resources of >1%Cu to enable the rapid establishment of moderate sized copper flotation plant at Tuina.

## **Kamarga Project**

The Kamarga Project which the Company holds under option from Teck Australia Pty Ltd ("Teck") is located 20kms southeast of the world class Century Zn-Pb mine. Century is the world's second largest producer of zinc concentrate.

RMG commenced exploration in May 2011 and has completed the following activities in 2011 and 2012;

- drilled 15 diamond drill holes through the JB zinc mineralisation
- mapped an outcropping high grade zinc zone with 15% Zn (JE Zone)
- drilled 3 holes at the Triangle Prospect to complete the testing of one Teck Target
- completed a soil survey over three copper zones (Barramundi, Grunter, Torpedo)
- drilled one hole through the Grunter copper zone for 6m @ 1.1%Cu, 10g/t Ag
- completed a maiden resource for a portion of the JB zinc deposit

The Company has an exclusive right to earn up to 100% of the Kamarga zinc project from Teck subject to certain back-in rights (see release dated March 18, 2011).

The Company intends to continue to explore ways to add value to the Kamarga Project.

**For further information, visit the website [www.rmgltd.com.au](http://www.rmgltd.com.au) or please contact:**

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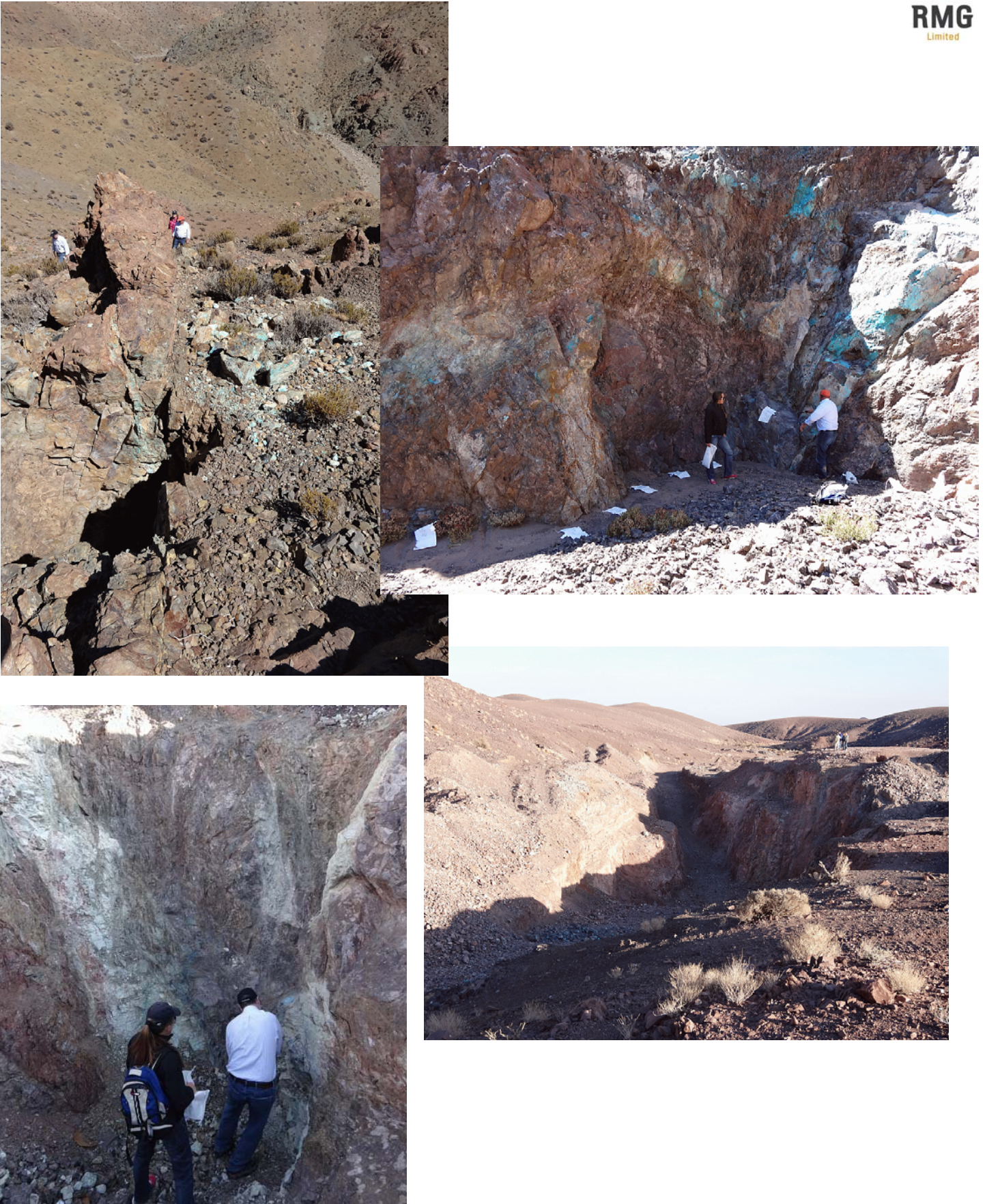
**Peter Rolley**  
**Executive Director and Chief Geologist**

#### *Competent Person Statement*

*The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr Peter Rolley, a Competent Person who is a Member of the Australian Institute of Geoscientists (MAIG). Mr Rolley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 an Executive Director and shareholder of RMG Ltd. Mr Rolley consents to the inclusion of the information in this report in the form and context in which it appears.*

#### *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", "forecast", "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 undertaken or completed will be consistent with these forward looking statements.*



**Figure 6 A collage of copper oxide prospects within Chile Metals permits**