**RMG LIMITED**

**ABN 51 065 832 377**

**Annual Report**

**30 June 2013**

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# CORPORATE DIRECTORY

| | |
|---|---|
| **Directors** | Mr Robert Kirtlan (Executive Chairman) (appointed 29 April 2011)<br>Mr Peter Rolley (Executive Director) (appointed 20 April 2012)<br>Mr Michael Griffiths (Non-executive Director) (appointed 6 June 2013)<br>Mr Steven Chadwick (Non-executive Director) (resigned 6 June 2013)<br>Mr Mark Stevenson (Non-executive Director) (resigned 6 June 2013) |
| **Company Secretary** | Mr Lloyd Flint (appointed 24 February 2012) |
| **Registered Office** | Unit 1, 245 Churchill Avenue,<br>Subiaco WA 6008 |
| **Share Register** | Computershare Investor Services Pty Limited<br>Level 2, 45 St Georges Terrace<br>Perth WA 6000<br>Telephone: 1300 787 575 |
| **Auditor** | Ernst & Young<br>11 Mounts Bay Road<br>Perth WA 6000 |
| **Solicitors** | Corrs Chambers Westgarth<br>Woodside Plaza<br>240 St Georges Terrace<br>Perth WA 6000 |
| **Bankers** | National Australia Bank Limited<br>Level 1, 88 High Street<br>Fremantle WA 6160 |
| **Stock Exchange Listing** | RMG Limited's shares are listed on the Australian Securities Exchange (ASX), home branch being Perth<br>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 2013.

## 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 are as follows.

Robert Edward Kirtlan
Peter James Rolley
Steven John Chadwick (resigned 6 June 2013)
Mark Stevenson (resigned 6 June 2013)
Michael Griffiths (appointed 6 June 2013)

## Directors Information

### Robert Edward Kirtlan

*Executive Chairman, age 54*

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.

Mr Kirtlan is currently a director of the following listed companies:-

- Aviva Corporation Limited (ASX Listed) (11.08 years)
- Credo Resources Limited (ASX Listed) (1.5 years)
- Homeland Uranium Inc (Canada Listed) (1 year)

During the past 3 years, Mr Kirtlan has also served as Director of the following ASX listed company:

- NGM Resources Limited (resigned 31 December 2010)

### Peter James Rolley

*Executive Director, age 54*

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.

Mr Rolley was a founding Director of MM Mining Ltd from June 2005 to December 2010.

Mr Rolley has been performing the role of Chief Geologist to the company since May 2011.

## Directors Information (continued)

### Steven John Chadwick (resigned 6 June 2013)
*Non-Executive Director, age 60*

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.

During the past three years Mr Chadwick was a director of the following ASX listed companies;

- NGM Resources Limited (resigned 31 December 2010)
- BC Iron Limited (resigned 17 May 2011)

Mr Chadwick served on the Audit Committee and the Remuneration and Nomination Committee.

### Mark Ellis Stevenson (resigned 6 June 2013)
*Non-Executive Director, age 58*

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.

Mr Stevenson is currently a Non-Executive Director of Adavale Resources Ltd.

Mr Stevenson served on the Audit Committee and the Remuneration and Nomination Committee up to the date of the resignation.

### Michael Griffiths (appointed 6 June 2013)
*Non-Executive Director, age 56*

Mr Griffiths is a qualified geologist, a Fellow of AusIMM and a graduate of the Australian Institute of Company Directors. He has more than 30 years of experience in the minerals and energy sector in Australia and Africa, and has valuable technical expertise and corporate skills to the board of directors.

Mr Griffiths is currently the Director of the following companies:

- TSX-V listed Currie Rose Resources INC (President)
- ASX listed Tiger Resources Ltd (Non-Executive Director)
- ASX listed Chrysalis Resources Limited (Non-Executive Director)

Mr Griffiths is chairman of the Audit Committee and the Remuneration Committee and sits on the Nomination Committee.

## Directors Information (continued)

### Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of RMG Ltd were:

| | R Kirtlan | P Rolley | S Chadwick(i) | M Stevenson(i) | M Griffiths |
|---|---|---|---|---|---|
| **Ordinary Shares** | | | | | |
| Ordinary shares, fully paid | 124,600,000 | 165,850,000 | 38,000,000 | 79,600,000 | - |
| **Options** | | | | | |
| Listed options, exercisable at 2c expiring 30/04/14 | 5,000,000 | 8,000,000 | 5,000,000 | - | - |
| Unlisted options, exercisable at 0.6c expiring 31/8/16 | 25,000,000 | 25,000,000 | 10,000,000 | - | - |

(i) As at the date of resignation

## Company Secretary

### Lloyd Alan Flint

Mr 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.

## Principal Activities

During the year the principal continuing activities of the Group consisted of mineral exploration for base metals.

There were no significant changes in the nature of the Consolidated Groups principal activities during the financial year.

# Review of Operations

During the year the Group made a loss from continuing operations of $1,375,069 (2012: Loss of $1,210,887).

## Tuina Copper Project - Chile

RMG has executed an Option Agreement for the option to acquire a 75% interest in 11 sq. kms of Mining Licences at Tuina in the Atacama Desert copper region of northern Chile (Figure 1). RMG has also executed a non-binding Heads of Agreement for the option to acquire a 75% in an additional 95 sq. kms of mining licences in the same area.

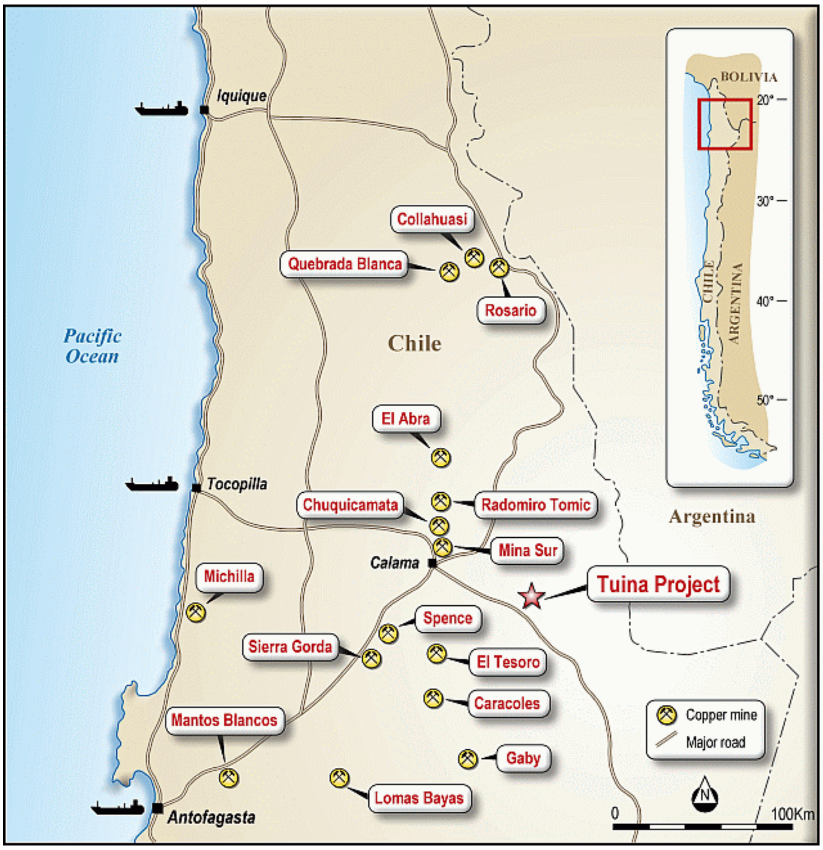


**Figure 1 Location of Tuina Project, Chile**

The vendor of the executed option agreement, Porvenir S.P.A., will receive US$10.3 million over 5 years and a 3% NSR (subject to copper price). The Company is still finalising the execution of formal Option and Shareholder Agreement documentation for the Heads of Agreement. Once the Option Agreement is formalised the vendor (Chile Metals Ltda) will receive 100 million shares in RMG and will have a 25% interest free carried to Preliminary Feasibility Study. (see ASX releases of 26 March 2013, 5 June 2013 and 23 August 2013).

### Location

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. The Tuina area is well serviced by all-weather roads and its proximity to the City of Calama with regular air and road transport services, power and water infrastructure.

The project is located at an elevation of around 2,500m to 3,500m with on average 30mm of rain per year. It is not in the high Andes.

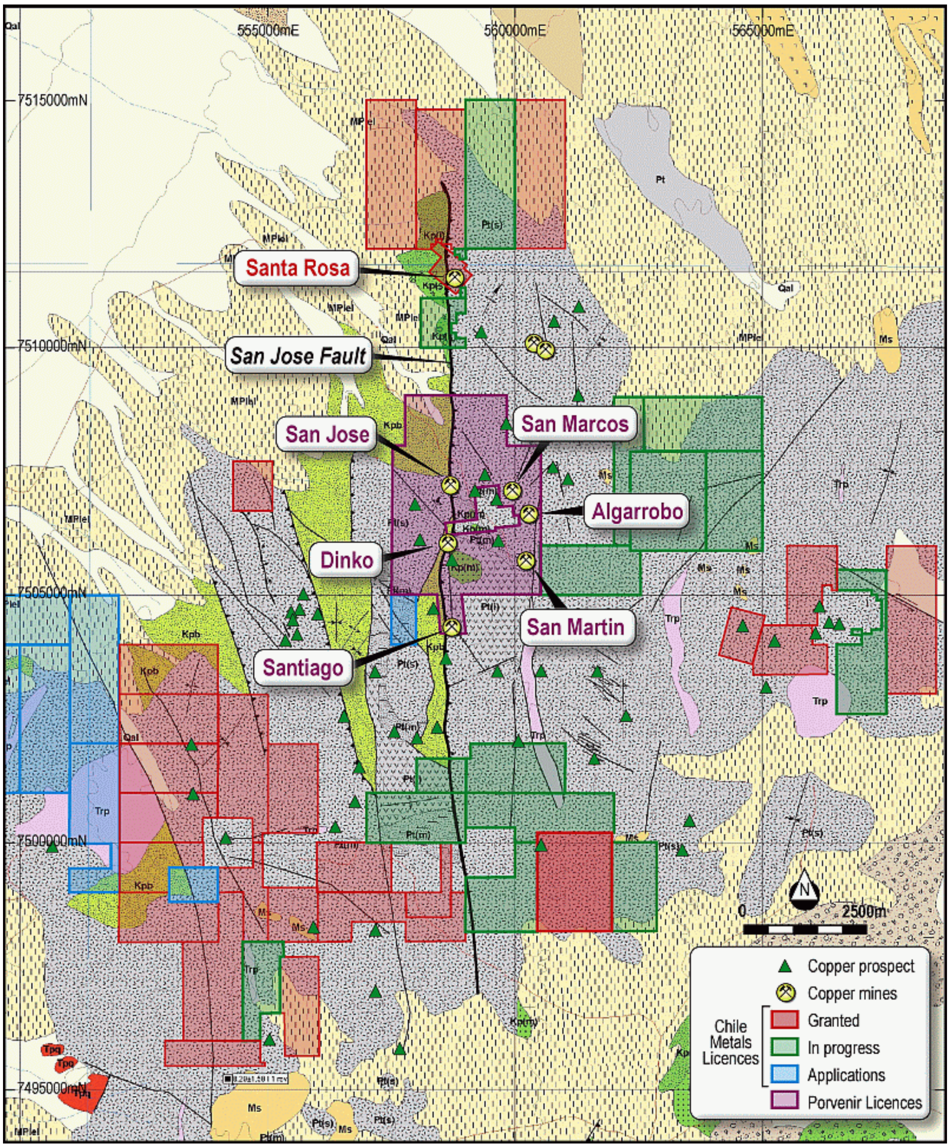


**Figure 2 Location of Tuina permits**

**History**

There has been no modern exploration or drilling of any type over most of the concessions, however artisanal copper miners have been mining oxide copper ores for decades and treating the ore at a Government toll treatment facility near to Calama, approximately 30kms to the west. In the central area on the Porvenir licences, a private Chilean mining company undertook the drilling of around 301 drill holes and mining of around 2-3 million tonnes of copper oxide ore during the period 2004 to 2008 before entering receivership in the banking collapse of late 2008.

There are over seven significant copper mining centres within the Tuina area (shown on Figure 2) with mining continuing to this day on five of these in the central area (Figure 3 is a photo of the San José pit, the largest of the artisanal workings).


**Figure 3 San José copper oxide open pit**

**Mineralisation**

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 (e.g. San José fault) with shale units dipping to the north-east at around 5-15degrees.

Rock chips and mapping within the Porvenir permits (Figure 4) have indicated that the;

- San José Fault zone is mineralised over 3,000 metres and open to the north
- San Martin Fault zone is mineralised over 1,400 metres
- Dinko Fault zone is mineralised over 600 metres and open to the south
- Copper oxide outcrops to maximum values of 6.9%Cu and 258 g/t Ag

Refer to ASX release of 29 August for a more complete description of the rock results.

**Recent Drill Results**

The previous explorer on the Porvenir permits drilled around 301 drill holes on the project in the period 2004 to 2008. RMG released on 6 September 2013 the results of the first set of 70 recent drill holes that have been validated from the San José and Dinko copper deposits. There are many other percussion drill holes along various fault zones that are still in the process of being validated.

The best[1] drill intersections at San José include:

- 107.7m @ 1.2%Cu, 19g/t Ag from 243m (DDH-MSJ-04) including
  - 21m @ 2.0%Cu, 38g/t Ag from 328.5m
- 54m @ 1.4%Cu, 6g/t Ag from 100m (RC hole MSJ-07) including
  - 15m @ 2.9%Cu, 15g/t Ag from 135m
- 67m @ 1.2%Cu, 20g/t Ag from 241m (DDH-MSJ-08) including
  - 13.8m @ 2.3%Cu, 45g/t Ag from 262.5m
- 26m @ 2.8%Cu, 50g/t Ag from 257m (RC hole MSJ-25)
- 27m @ 2.3%Cu, 38g/t Ag from 248m (DDH-MSJ-09)
- 24m @ 2.4%Cu, 35g/t Ag from 315m (DDH-MSJ-08)
- 22m @ 2.3%Cu, 7g/t Ag from 138m (RC hole MSJ-15) including
  - 10m @ 3.6%Cu 9g/t Ag from 144m

The best drill intersections at Dinko include:

- 33.3m @ 1.9%Cu, 15g/t Ag from 54m (DDH-R-043) including
  - 13.5m @ 3.2%Cu, 29g/t Ag from 64.5m
- 41m @ 1.5%Cu from 95m (RC hole R-27)

Figures 5 and 6 show a plan view and cross section respectively of some of the drill results. The figures are taken from the ASX release of 6 September.

**Exploration Target**

RMG has established an Exploration Target[2] of 30-50 million tonnes at 0.9-1.4% Cu, 8-11g/t Ag along the main copper zones within the Porvenir concessions at Tuina in northern Chile (refer to ASX release of 12 September 2013 for a description of the Exploration Target parameters).

The Exploration Target as shown in Table 1 is based on RMG's geologic interpretation of the previous drilling (2004-2008) along the San José, Dinko and San Martin Fault zones. Figure 7 illustrates the strike extent and width of mineralisation along the San José fault zone where drilled. The geologic interpretation has then been extrapolated beyond the limit of the drilling along the San José, Dinko, and San Martin Fault zones for the distance shown to be mineralised by the surficial geological mapping and sampling.

[1] This list is for intercepts with greater than 50m% copper e.g. better than 50 metres @ 1%Cu or better than 25m @ 2%Cu

[2] 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

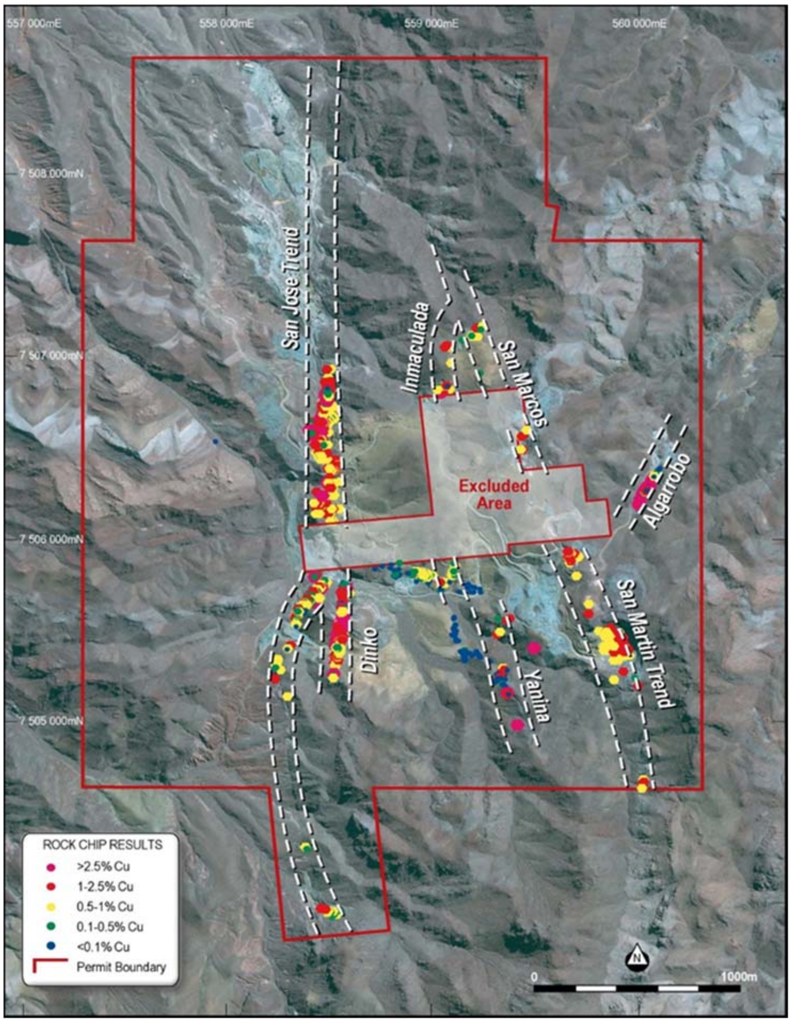


**Figure 4 Copper mineralised fault zones on the Porvenir mining licences**

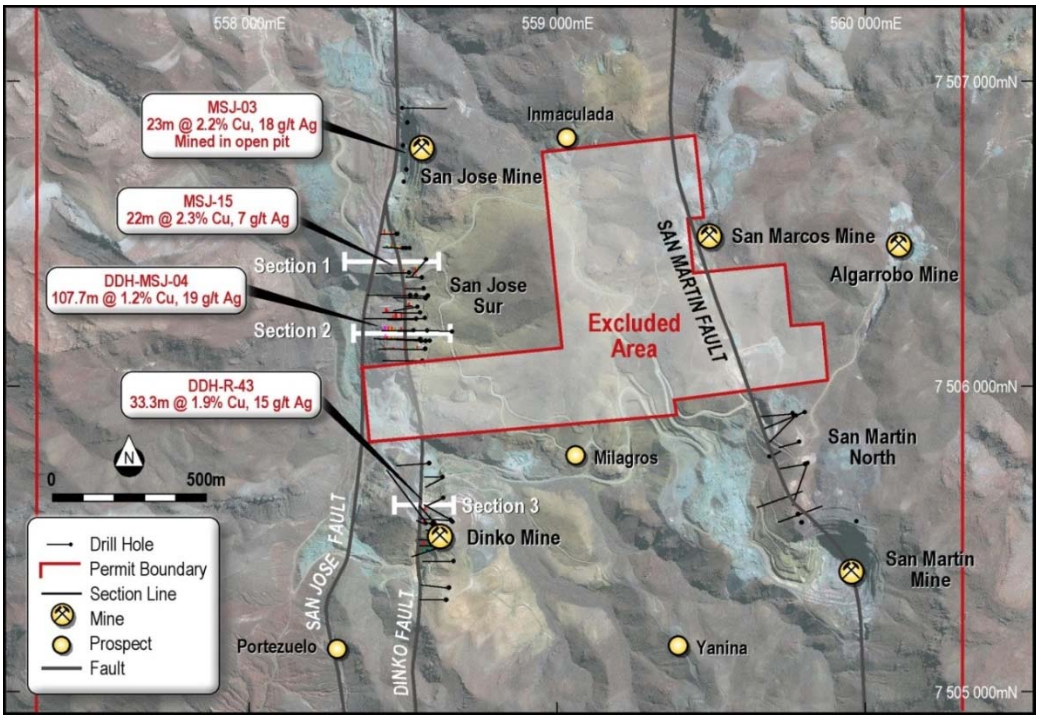


**Figure 5 Location of drill results along San José Fault zone**

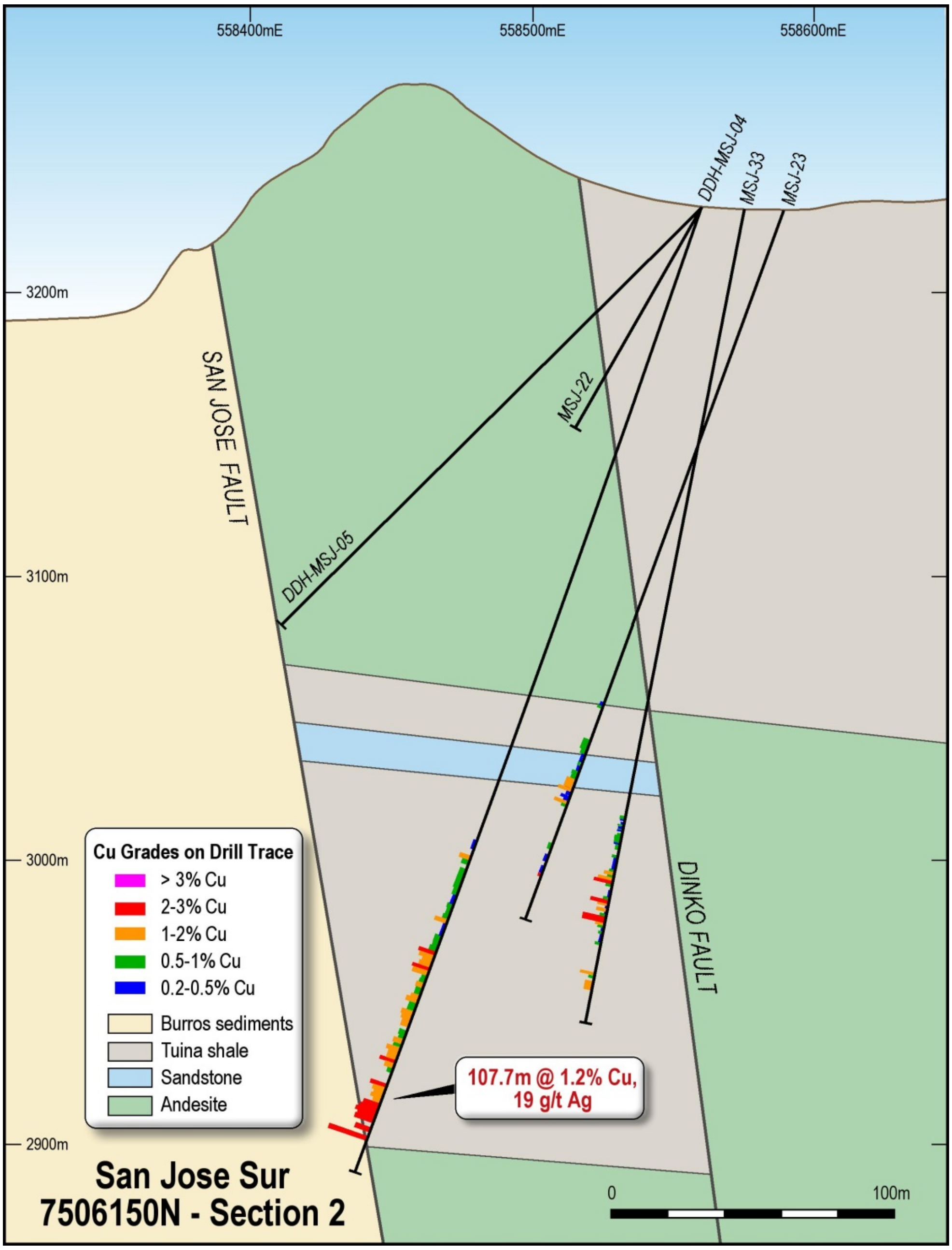


**Figure 6 Cross section of drilling at San José**

| Exploration Targets | | | |
|---|---|---|---|
| | Tonnes (mT) | Cu % | Ag g/t |
| San José | 5-7 | 0.8 - 1.2 | 10-12 |
| Dinko | 1-2 | 1.1-1.5 | 5-10 |
| San Martin | 1-3 | 0.8 - 1.2 | 5-10 |
| San José North Extension | 15-20 | 0.7 - 1.3 | 10-12 |
| Dinko South Extension | 5-10 | 1.0-1.5 | 5-10 |
| San Martin North Extension | 2-5 | 0.7 - 1.3 | 5-10 |
| San Martin South Extension | 1-2 | 0.7 - 1.3 | 5-10 |
| TOTAL | 30-50 mT | 0.9-1.4% Cu | 8-11g/t Ag |

**Table 1 Exploration Target**

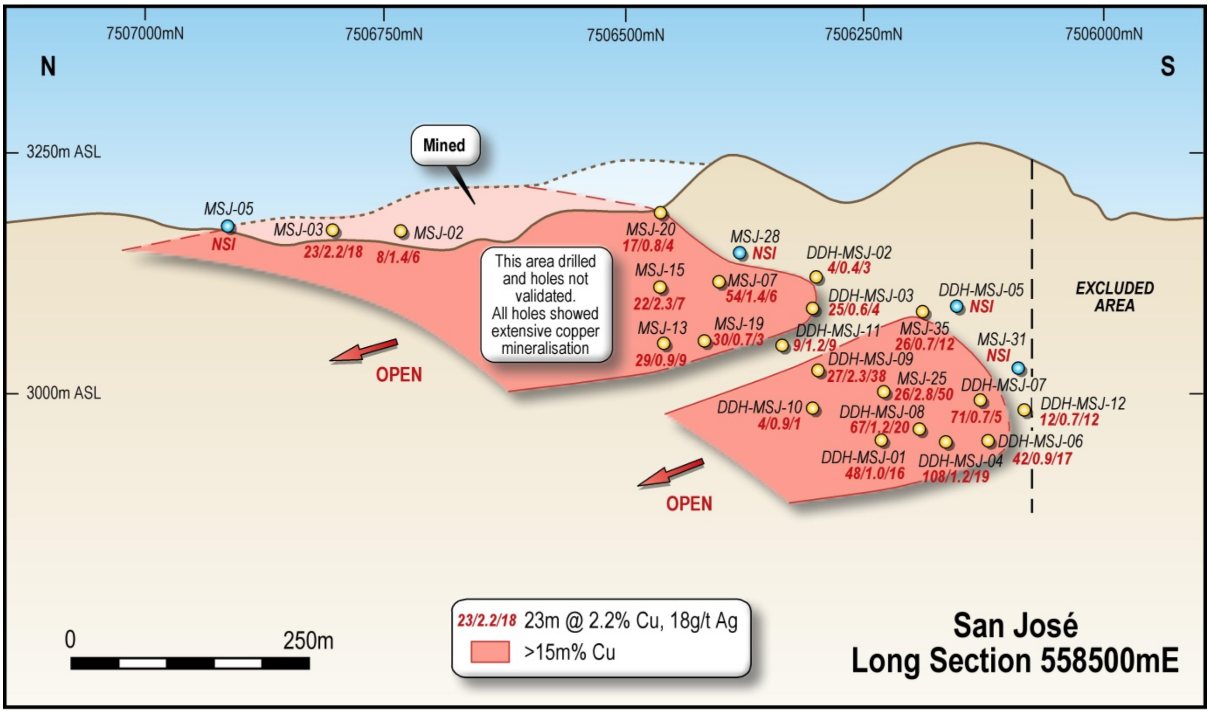


**Figure 7 Long section of San José mineralisation**

In summary;

- The concessions offer near term production opportunity from widespread copper oxide mineralisation
- Considerable potential to host higher grade copper-silver replacement deposits down-dip from existing copper-oxide mineralisation
- the mineralised copper lodes within the Porvenir leases are around 40-100m wide

## Kamarga Zinc and Copper Project – Northwest Queensland

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

The RMG 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.
4) Drill a second Teck nominated exploration target by April 2015. Not completed at this stage.

### Location

The Kamarga Project is located 20kms southeast of the world class Century Zn-Pb mine in northwest Queensland (Figure 8). 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[3]. The Kamarga project is within 50kms of bitumen road, a slurry pipeline for concentrates to a port, and high-voltage electricity transmission line.

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

**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[4] of 5-15Mt @ 5-10% Zn[5]. The Company has completed two drilling programmes totalling 6,668m since signing the Farm-in Agreement with Teck. In addition, RMG has applied for several exploration permits around the Kamarga district, most of which are currently applications. Figure 9 shows the locations of the permits.

RMG now holds or has rights to over 390 sq. km of EPM's at Kamarga (see ASX release 19 June 2013). The Company's permits comprising the Kamarga Project are now divided between those held 100% by RMG (EPM19172) those held under option from Teck (EPM14309) and those still in application (EPM's 19675, 25174, 25191).

**Mineralisation**

The JB 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.

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 upper 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. Figure 10 shows the location of the JB zone and Figure 11 shows the general geology and the collars of the drill holes on the JB mineralisation.

There are a number of other zinc (JE, UMD, Devils Gossan) and copper (Grunter North and South, Sandstone, Barramundi) targets identified by previous explorers that require further work and drill testing (Figures 10 and 12 show the locations of these targets and some rock chip results from the UMD and JE zones).

[4] 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.

[5] 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

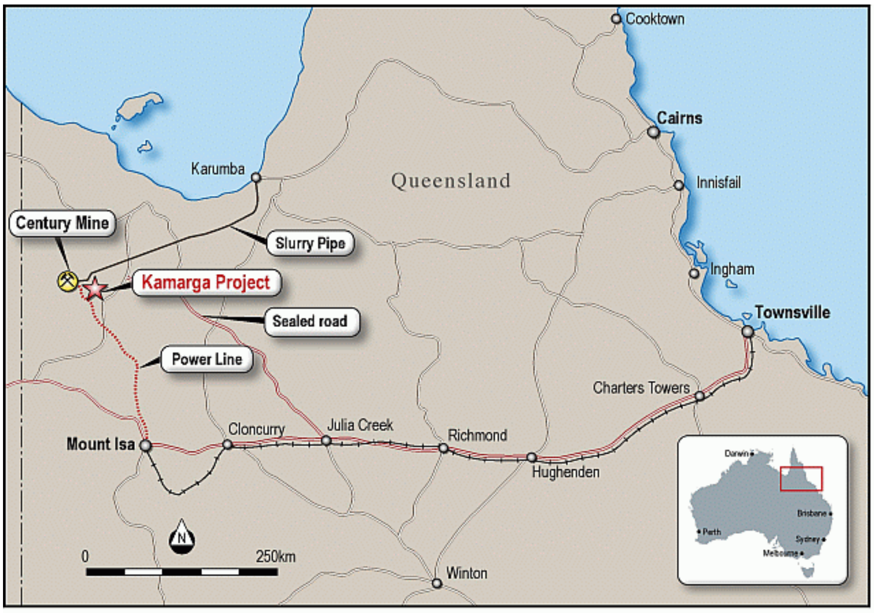


**Figure 8 Location of Kamarga Project**

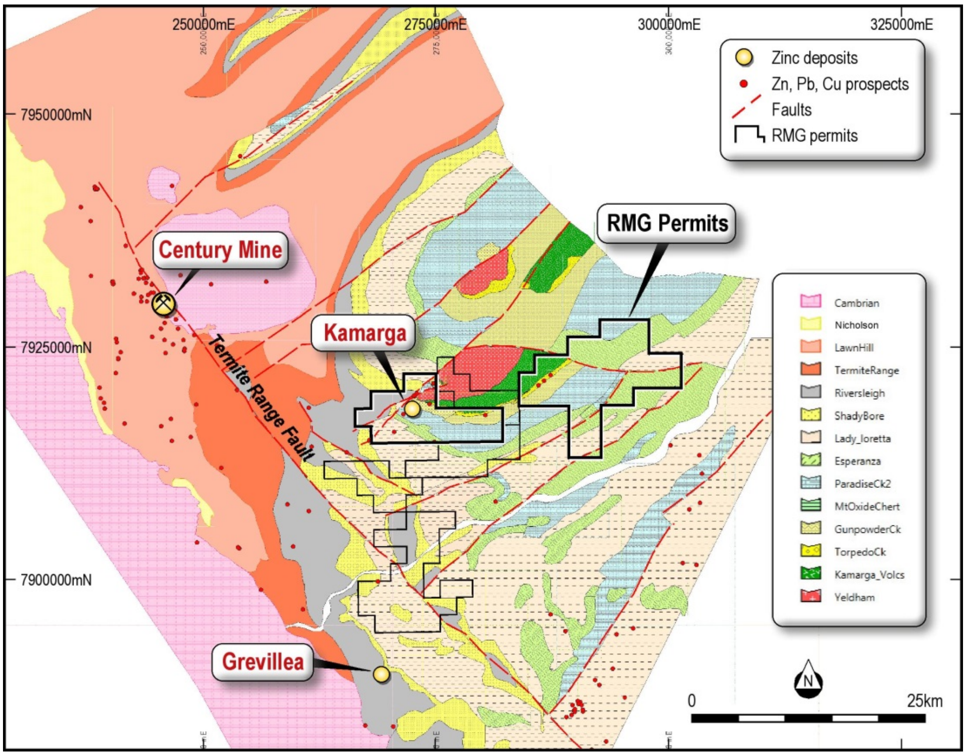


**Figure 9 Location of RMG's permits**

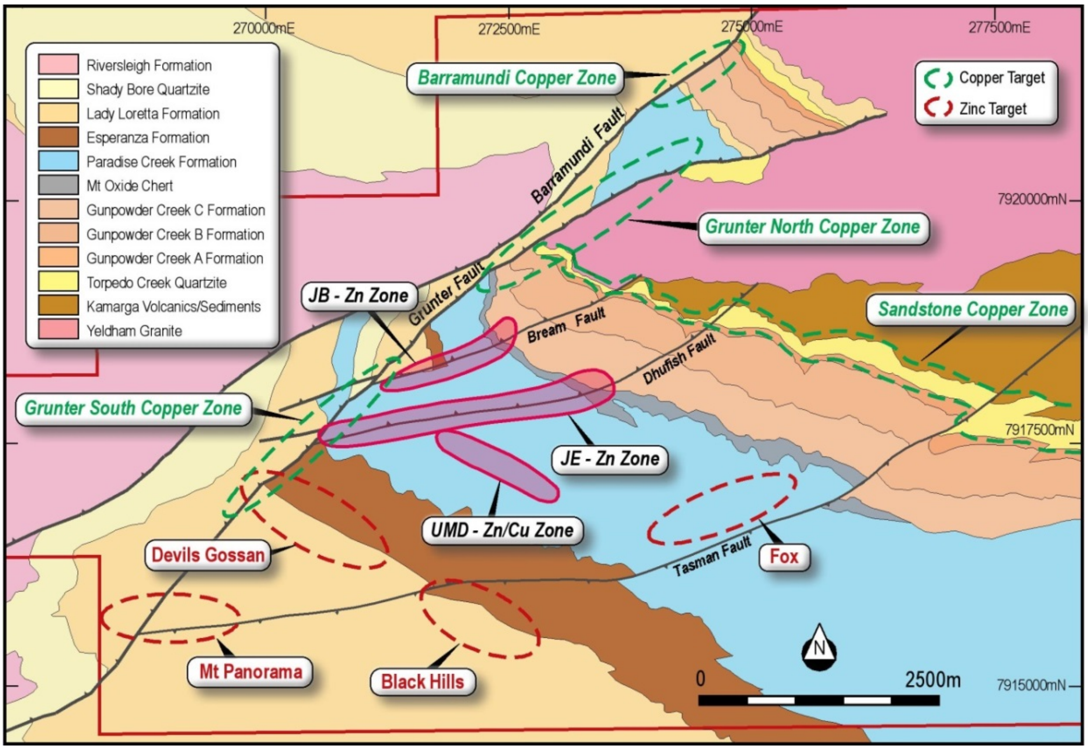


**Figure 10 Location of zinc and copper targets at Kamarga**

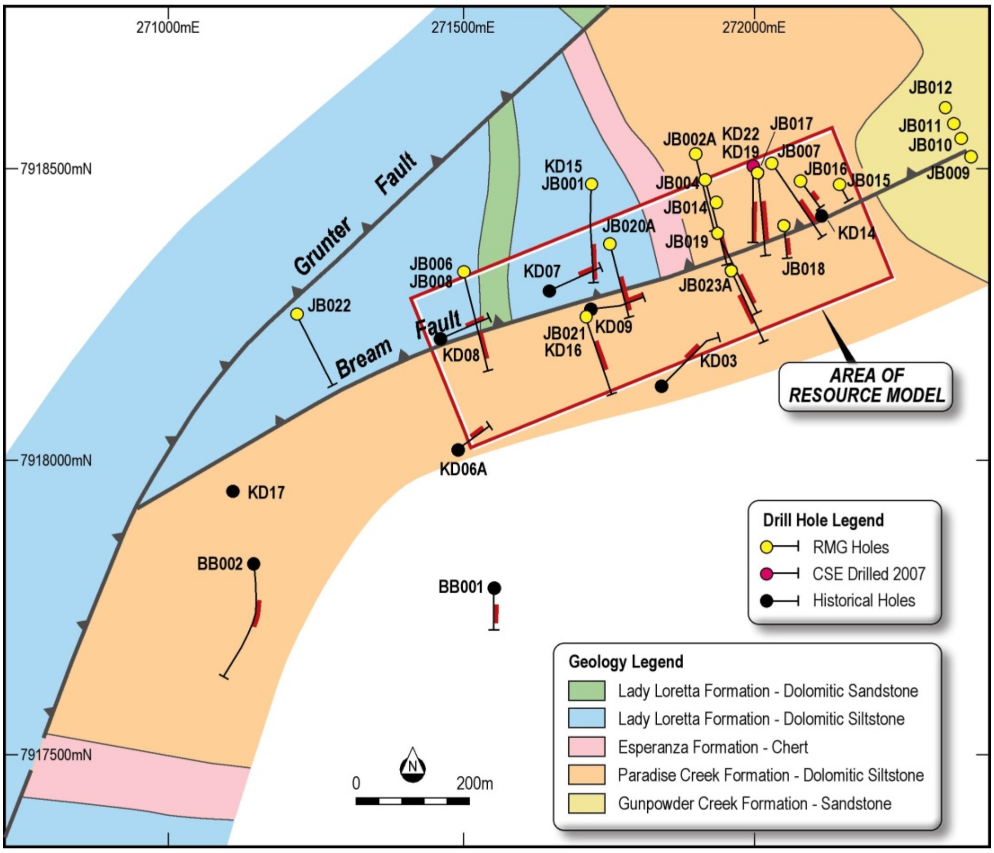


**Figure 11 Plan of drilling along JB mineralisation**

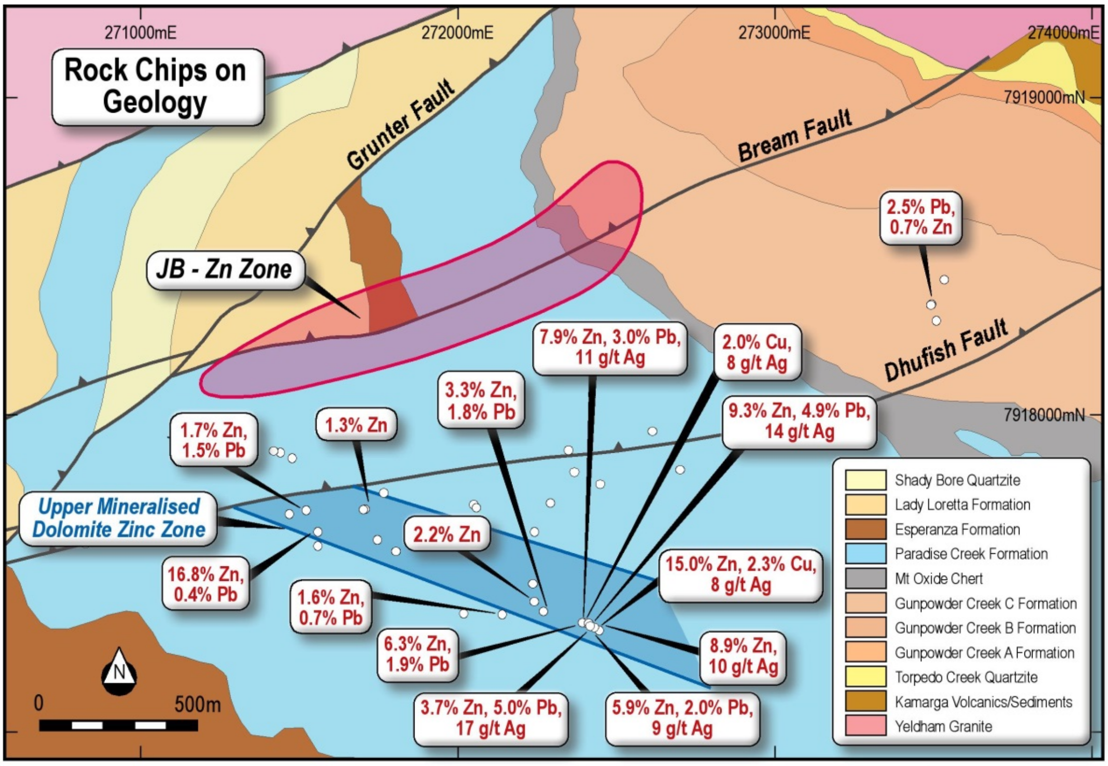


**Figure 12 Plan of high grade zinc results along UMD and JE zones**

**Metallurgical Test Work**

The metallurgical test work was undertaken by AMMTEC in Perth on material from JB007 and JB017 and reported to the ASX in releases dated 2 April 2012, 23 January 2013, and 31 July 2013. A summary of the results is shown in Tables 2 and 3. These initial results from a very simple flow sheet indicate:

- High recovery of lead and zinc to the relevant concentrates
- High concentrate grades
- Low Fe grades in concentrate

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 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 was completed in 2012-2013 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. Table 3 is a summary of the metallurgical test work results from JB017 and indicates that at a coarse crush size of 22mm, mineralisation with a mined grade of 2.6% Zn may be able to be upgraded to a mill feed grade of 11.2% Zn.

**CUMULATIVE SUMMARY OF HLS RESULTS BASED ON SG: P100 22mm**

| Product | Weight | LEAD | | ZINC | | SILVER | |
|---|---|---|---|---|---|---|---|
| | % Dist. Relative to Size Fractions | Grade (%) | % Dist. Relative to Total -22mm Feed | Grade (%) | % Dist. Relative to Total -22mm Feed | Grade (g/t) | % Dist. Relative to Total -22mm Feed |
| SG +3.0 | 17.4 | 1.36 | 89.1 | 11.2 | 85.2 | 9.07 | 83.3 |
| SG +2.85 | 33.7 | 0.72 | 91.5 | 6.33 | 93.0 | 5.04 | 89.5 |
| SG +2.7 | 98.4 | 0.25 | 93.9 | 2.29 | 98.4 | 1.84 | 95.3 |
| SG -2.7 | 99.5 | 0.25 | 94.3 | 2.28 | 98.7 | 1.83 | 95.8 |

**Table 3 Density sorting upgrade of zinc mineralisation from JB017**

### JB Mineral Resource

A maiden JORC compliant Inferred Resource has been estimated for the first 650m strike length of the JB zinc-lead deposit. Figure 11 shows the extent of the mineral resource area. ASX release for 23 January 2013 reports the resource model in more detail.

- 10.4Mt @ 2.7%Zn, 0.2%Pb, 1g/t Ag at 1.5%Zn cut-off grade
  - Including 2.6Mt @ 4.4%Zn, 0.3%Pb at a 3%Zn cut-off grade
- Over 277,000 tonnes of contained zinc metal (1.5%Zn cut-off)

### Kamarga Copper

RMG has continued to enhance the exploration of the copper potential at Kamarga. The copper targets include (locations shown in Figure 10):

- 6m @ 1.1%Cu, 10g/t Ag from 198m in JB008 along the Grunter copper target
- Grunter copper rock chips to 32.8%Cu within a copper soil anomaly over 7kms in length
- Sandstone hosted copper zone over 20kms in length (Figure 13)

### Kamarga Summary

RMG commenced exploration in May 2011 and has completed the following activities in the 2011 and 2012 field seasons:

- re-compiled historic exploration data
- undertaken new field mapping and rock sampling
- drilled 15 diamond drill holes through the JB zinc mineralisation
- mapped a 2km long outcropping high grade zinc zone with up to 15% Zn (UMD Zone)
- drilled 3 holes to complete the testing of one Teck Target
- completed a soil survey over three copper zones (Barramundi, Grunter, Torpedo)
- mapped the Grunter Copper zone with copper up to 32% Cu in rock chips
- drilled one hole through the Grunter copper zone returning 6m @ 1.1% Cu, 10g/t Ag
- completed a maiden resource for a portion of the JB zinc deposit

The Company believes that its exploration activities have confirmed the significant copper and zinc endowment of the Kamarga Project and affirm its commitment to continue to build the resource base with the objective of eventual economic exploitation.

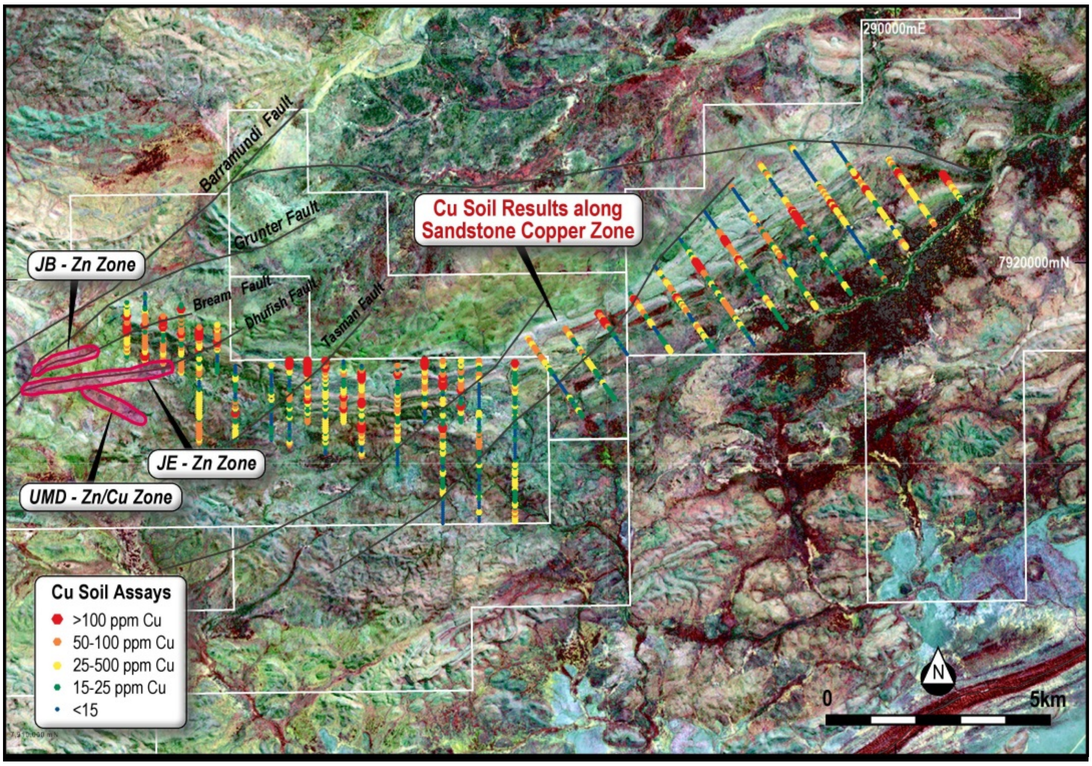


**Figure 13 Copper results along Sandstone copper target**

**<u>Tasmania – McLeans Creek</u>**

The McLeans Project is located near Zeehan 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.

In 2012 RMG undertook a program of six diamond drill holes on the shale hosted Zn-Pb-Ag mineralisation. The intersections demonstrate that the mineralised shale unit extends over a minimum of 500m and continues along strike. A number of drill holes have intersected high grade silver-lead-zinc mineralisation, providing encouragement that the mineralised shale unit is a fertile environment for Proterozoic shale hosted Zn-Pb mineralisation as originally proposed by RioTinto in 1992.

As a result of the limited exploration funding available to Australian juniors and RMG's priorities at Kamarga and Chile the McLeans Creek project has been relinquished.

*Competent Persons Statement*

*The data in this report that relates to Exploration Results, Exploration Targets, Mineral Resources, the accuracy and quality of data forming the basis of all resource estimates, and the interpretation of mineralisation at the JB Deposit, 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 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.*

## Financial Performance and Position

The consolidated loss for the year was:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Operating loss after income tax | (1,375,069) | (1,210,887) |
| Net loss of the Consolidated Group | **(1,375,069)** | **(1,210,887)** |

The net assets of the Consolidated Group for the financial year ended 30 June 2013 was $10,597,194 (2012: $8,472,901).

The Directors believe the Consolidated Group is in a strong and stable financial position and able to expand and grow its current operations.

## Company Strategy

RMG Limited announced on 26 March 2013 that it had signed a non-binding Heads of Agreement with a Chilean mining company for an option to acquire a 75% interest in the Tuina copper project in Chile. RMG's Chilean copper projects are located in the world's largest copper province. On the 5 June 2013 the Company announced a Memorandum for an option to acquire a significant land package adjacent to the Tuina Copper project. The Company's key objective is to move the project rapidly towards development and production, position it to become a secure long term supplier of copper for the growing copper industry. The company's immediate work is to validate the results of a previous feasibility study for the open pit and underground mining of the copper ores.

At the same time the company will also progress the Kamarga base metal projects (copper and zinc). RMG Ltd announce its maiden resource at its Kamarga zinc project.

## Corporate Activity

RMG Ltd issued $1,000,000 of convertible notes during the year each with a face value of $1, a two year term and a 5% coupon rate. The note holder had the election of converting into RMG Ltd shares or a 2.5% interest in the Kamarga project. The convertible note-holder elected to convert the convertible notes into RMG Limited shares and 500,000,000 shares were issued as a result of converting $1.0 million of convertible notes at $0.002 per share. For details of valuation upon inception and at conversion refer to note 25.

In March 2013 the Company entered into a non-binding Heads of 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 company issued 1,156,000,000 ordinary shares to help fund its minimum expenditure obligation and the initial part of the earn-in in the Tuina copper project. The issue of shares raised $2,312,000 before costs.

RMG Ltd adopted an Employee Incentive Plan (EIP) in September 2012. 10,000,000 options with an exercise price of $0.006 per share expiring on 31 August 2016 were issued pursuant to the EIP. A further 70,000,000 options with the same terms were issued to directors and the company secretary.

## Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the group during the financial year other than these listed above Corporate Activities.

## Dividends

No dividends were paid or are proposed to be paid to members during the financial year (2012: Nil).

## 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.

## Matters Subsequent to the End of the Financial Year

RMG Ltd is currently performing due diligence work on the Chile Metals' Tuina project. Subject to an outcome on the due diligence that is satisfactory to RMG Ltd the Company is required to issue 100,000,000 fully paid RMG Ltd shares to Chile Metals and/or its nominee.

## Likely Developments and Expected Results of Operations

Other than the developments in the operations of the Group reported in the detailed Review of Operations above, there are no other future developments anticipated.

## Directors' Meetings

The number of meetings of the Company's board of directors held during the year ended 30 June 2013, and the number of meetings attended by each director were:

| Director | Board of Directors | | Audit Committee | |
|---|---|---|---|---|
| | Held | Attended | Held | Attended |
| R Kirtlan | 2 | 2 | 1 | 1 |
| P Rolley | 2 | 2 | 1 | 1 |
| S Chadwick | 2 | 2 | 1 | 1 |
| M Stevenson | 2 | 2 | 1 | 1 |
| M Griffiths | - | - | - | - |

Note – there were 16 Circular Resolutions signed off during the year.

## 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 twelve month notice period. 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* |
| S Chadwick | *Non-Executive Director (resigned 6 June 2013)* |
| ME Stevenson | *Non-Executive Director (resigned 6 June 2013)* |
| M Griffiths | *Non-Executive Director (appointed 6 June 2013)* |

| **(b) Key management personnel remuneration** | **Company 2013** | **Company 2012** |
|---|---|---|
| | **$** | **$** |
| Directors remuneration paid to directors and/or entities associated with directors | 496,320 | 262,333 |
| Fees paid to director for exploration and operational management | - | 186,667 |
| | **496,320** | **449,000** |

The amount of remuneration of the directors and key management personnel of RMG Limited is set out in the following table. There was no remuneration of any type paid to the directors other than as reported below for the provision of management services.

| **Name** | **Short-term benefits** | | **Long-term benefits** | **Share based payment** | | **Total** | **Performance related remuneration** |
|---|---|---|---|---|---|---|---|
| | **Cash Salary & Fees** | **Non-monetary** | **Superannuation** | **Ordinary Shares (a)** | **Options (b)** | | |
| **30-Jun-13** | **$** | **$** | **$** | **$** | **$** | **$** | **%** |
| Robert Kirtlan (i) | 60,000 | - | - | 60,000 | 27,650 | 147,650 | - |
| Peter Rolley (ii) | 180,460 | - | - | 60,500 | 27,650 | 268,610 | - |
| Steven Chadwick (iii) | 15,000 | - | - | 18,000 | 11,060 | 44,060 | - |
| Mark Stevenson | 15,000 | - | - | 18,000 | - | 33,000 | - |
| Michael Griffiths | 3,000 | - | - | - | - | 3,000 | - |
| **Total** | **273,460** | **-** | **-** | **156,500** | **66,360** | **496,320** | **-** |

(a) The share-based payments referred to above are the ordinary shares issued to directors in lieu of fees, at a deemed price of \$0.002 each. These have been approved at a shareholder's General Meeting on 15 May 2013.

(b) The director options were approved at a shareholder's General Meeting on 14 September 2012 and issued on 28 September 2012. The options have been valued using the Black-Scholes pricing model and based on the following assumptions:

(i) The Director Options expire on 31 August 2016;
(ii) The exercise price is \$0.006 being 100% above the prevailing share price which is \$0.003 on the issuing date of 28 September 2012;
(iii) A weighted average volatility of 100%;
(iv) A risk free rate of 2.73%;
(v) The valuation date is 28 September 2012

Based on the above the Director Options have been valued at \$0.00174 each.

| Name | Short-term benefits | | Long-term benefits | Share based payment | Total | Performance related remuneration |
|---|---|---|---|---|---|---|
| | Cash Salary & Fees | Non-monetary | Superannuation | Ordinary Shares | | |
| **30 June 2012** | **\$** | **\$** | **\$** | **\$** | **\$** | **%** |
| Robert Kirtlan | 150,000 | - | - | - | 150,000 | - |
| Peter Rolley | 230,000 | - | - | - | 230,000 | - |
| Steven Chadwick | 36,000 | - | - | - | 36,000 | - |
| Mark Stevenson | 33,000 | - | - | - | 33,000 | - |
| **Total** | **449,000** | - | - | - | **449,000** | - |

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

(i) ARK Securities & Investments Pty Ltd, a company associated with Robert Kirtlan was paid \$120,000 for services provided by Mr Kirtlan.
(ii) The Rolley Family Trust, a trust in which Mr Rolley has an interest as a beneficiary, was paid \$240,960 for services rendered by Mr Rolley.
(iii) Spectrum Metallurgical Consultants Pty Ltd, a company associated with Steven Chadwick was paid \$33,000 for services rendered by Mr Chadwick.

### (c) Non-executive director remuneration

| The following fees have applied: | Company 2013 | Company 2012 |
|---|---|---|
| | \$ | \$ |
| **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 |
|---|---|---|---|
| Robert Kirtlan | 1 year | $ 120,000 | Nil (i) |
| Peter Rolley | 1 year | $ 240,000 (ii) | Nil (i) |

(i) 12 months notice by company or by consultant.
(ii) There is a 2.4%CPI increase in Peter Rolley's base service fee starting from 1 May 2013.

## 4. Share-based Compensation

*Ordinary shares*

The ordinary shares issued to directors in lieu of fees were approved at a shareholder's General Meeting on 15 May 2013. The shares were issued at a deemed price of $0.002 each and the shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued shares.

The details of the number of shares issued to directors in lieu of fees are as follow:

| Name | Number of shares | Fees owed |
|---|---|---|
| | | $ |
| Robert Kirtlan | 30,000,000 | 60,000 |
| Peter Rolley | 30,250,000 | 60,500 |
| Steven Chadwick | 9,000,000 | 18,000 |
| Mark Stevenson | 9,000,000 | 18,000 |
| **Total** | **78,250,000** | **156,500** |

*Options*

The options issued to directors were approved at a shareholder's General Meeting on 14 September 2012. The details of the number of options issued to directors are as follow:

| Name | Number of options granted | No. of options Vested | Value per option at Issuing date | Exercise Price | Expiry Date |
|---|---|---|---|---|---|
| | | | $ | $ | |
| Robert Kirtlan | 25,000,000 | 25,000,000 | 0.00174 | 0.006 | 31-Aug-16 |
| Peter Rolley | 25,000,000 | 25,000,000 | 0.00174 | 0.006 | 31-Aug-16 |
| Steven Chadwick | 10,000,000 | 10,000,000 | 0.00174 | 0.006 | 31-Aug-16 |
| Mark Stevenson | - | - | - | - | |
| Michael Griffiths | - | - | - | - | |
| **Total** | **60,000,000** | **60,000,000** | | | |

## 5. Use of remuneration consultants

The group does not utilise remuneration consultants.

## 6. Voting and comments made at the company's 2012 Annual General Meeting

There was significantly less than 25% of the vote against the adoption of the remuneration report for the 2012 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:

| Grant Date | Date of Expiry | Exercise Price $ | Number Under Options |
|---|---|---|---|
| 29/04/2011 (i) | 30/04/2014 | 0.02 | 150,000,000 |
| 10/11/2011 (i) | 30/04/2014 | 0.02 | 75,000,000 |
| 22/12/2011 (i) | 30/04/2014 | 0.02 | 165,000,000 |
| 24/02/2012 (i) | 30/04/2014 | 0.02 | 1,000 |
| 24/04/2012 (ii) | 01/04/2015 | 0.02 | 10,000,000 |
| 24/04/2012 (ii) | 01/04/2017 | 0.02 | 10,000,000 |
| 28/09/2012 (iii) | 31/08/2016 | 0.006 | 70,000,000 |
| 28/09/2012 (ii) | 31/08/2016 | 0.006 | 10,000,000 |
| **Total** | | | **490,001,000** |

(i) Options issues attaching to placement
(ii) Employee incentives
(iii) Director and secretary options

## 8. Shares issued on the exercise of options

There were no shares issued on the exercise of options during the year ended 30 June 2013.

## 9. Insurance of Officers

During the year ended 30 June 2013 the Company paid premiums to insure the Directors and Officers of the Group at an annual cost of $18,565 (2012: $18,000).

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 $34,345 was paid or is payable for audit and review services provided by the auditor (Ernst & Young) and $4,098 was paid to BDO Audit (WA) Pty Ltd. (2012: $33,397 (BDO Audit (WA) Pty Ltd)). 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 28 of this annual report.

## 13. Auditor

Ernst & Young 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
26 September 2013

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

## Auditor's Independence Declaration to the Directors of RMG Limited

In relation to our audit of the financial report of RMG Limited for the financial year ended 30 June 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
26 September 2013

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GB:PS:RMG:010

# CONTENTS



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, Moonraker Minerals Pty Ltd and Minera RMG Chile Limitada. 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 - 27. The directors' report does not form part of this financial report.

The financial report was authorised for issue by the directors on 26 September 2013. 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 | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **Revenue** | | | |
| Revenue from continuing operation | | 68,584 | 86,632 |
| Other income | | 552,080 | - |
| Total revenue | 6 | 620,664 | 86,632 |
| **Expenses** | | | |
| Exploration expenditure write off (net of recoveries) | | 585,284 | 13,590 |
| Administration costs | | 668,877 | 768,277 |
| Directors' fees | | 426,780 | 262,333 |
| Employment expense | | 314,792 | 253,319 |
| Total expenses | 7 | 1,995,733 | 1,297,519 |
| **Loss before income tax** | | **(1,375,069)** | **(1,210,887)** |
| Income tax expense | 8 | - | - |
| **Loss for the year from continuing operations** | 17(b) | **(1,375,069)** | **(1,210,887)** |
| **Other comprehensive income** | | | |
| Other comprehensive income | | - | - |
| Total other comprehensive income for the year | | - | - |
| **Total comprehensive loss attributable to the owners of RMG Limited** | | **(1,375,069)** | **(1,210,887)** |
| Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company: | | Cents | Cents |
| **Basic and diluted loss per share** | 27 | **(0.09)** | **(0.10)** |

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

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 1,992,246 | 678,876 |
| Current receivables | | 4,024 | 8,810 |
| Other receivables | 10 | 112,577 | 188,977 |
| **Total current assets** | | **2,108,847** | **876,663** |
| **Non-current assets** | | | |
| Exploration and evaluation expenditure | 13 | 8,797,872 | 8,516,538 |
| Plant and equipment | 11 | 31,689 | 46,426 |
| **Total non-current assets** | | 8,829,561 | 8,562,964 |
| **Total assets** | | **10,938,408** | **9,439,627** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 341,214 | 966,726 |
| **Total current liabilities** | | 341,214 | 966,726 |
| **Total liabilities** | | **341,214** | **966,726** |
| **Net assets** | | **10,597,194** | **8,472,901** |
| **EQUITY** | | | |
| Contributed equity | 16(a) | 143,887,647 | 140,545,652 |
| Reserves | 17(a) | 1,488,700 | 1,331,333 |
| Accumulated losses | 17(b) | (134,779,153) | (133,404,084) |
| **Total equity** | | **10,597,194** | **8,472,901** |

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 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** |
| **Balance at 1 July 2012** | **140,545,652** | **1,331,333** | **(133,404,084)** | **8,472,901** |
| Loss for the year | - | - | (1,375,069) | (1,375,069) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **(1,375,069)** | **(1,375,069)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| -Share issues net of transaction costs | 2,387,000 | - | - | 2,387,000 |
| -Conversion of convertible notes | 954,995 | - | - | 954,995 |
| -Options Issued | - | 139,200 | - | 139,200 |
| -Vesting employee incentives | - | 18,167 | - | 18,167 |
| **Balance at 30 June 2013** | **143,887,647** | **1,488,700** | **(134,779,153)** | **10,597,194** |

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

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | **$** | **$** |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 314 | 2,138 |
| Payments to suppliers and employees | | (762,980) | (1,170,050) |
| Interest received | | 20,386 | 111,677 |
| Other (government grant) | | 482,085 | - |
| **Net cash outflow from operating activities** | 24 | **(260,195)** | **(1,056,235)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | - | (35,748) |
| Payments for intangible assets | | (16,750) | (116,371) |
| Exploration and evaluation expenditure | | (1,640,185) | (2,882,616) |
| Payments for acquisition of exploration assets | | - | (70,000) |
| **Net cash outflow from investing activities** | | **(1,656,935)** | **(3,104,735)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 2,312,000 | 2,407,511 |
| Share issue transaction costs | | (81,501) | (117,792) |
| Convertible note issued | | 1,000,000 | - |
| **Net cash inflow from financing activities** | | **3,230,499** | **2,289,719** |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,313,370 | (1,871,251) |
| Cash and cash equivalents at the beginning of the financial year | | 678,876 | 2,550,127 |
| **Cash and cash equivalents at the end of the financial year** | 9 | **1,992,246** | **678,876** |

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

# Contents of the Notes to the Consolidated Financial Statements

**Note**

# 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 2012.

*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 Directors believe that there are sufficient funds to meet the Group’s working capital requirements for at least a 12 month period beyond the date of approval of the financial statements.

## 1. Summary of significant accounting policies (continued)

### (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 2013 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.

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.

## 1. Summary of significant accounting policies (continued)

### (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.

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.

## 1. Summary of significant accounting policies (continued)

### (i) Income tax (continued)

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.

***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.

***Convertible note***

The convertible note liability is measured initially at fair value and measured subsequently at amortised cost, using the effective interest rate method. Any derivatives embedded in the convertible note are measured at fair value using the Black Scholes valuation model with changes in fair value recognised in the profit & loss.

## 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 standards and interpretations would have been applied for the first time for entities with years ending 30 June 2013 (unless early adopted):

| Reference | Title | Application date of standard | Application date for Group |
|---|---|---|---|
| AASB 2010-8 | **Amendments to Australian Accounting Standards - Deferred Tax: *Recovery of Underlying Assets* [AASB 112]** These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into AASB 112. | 1 Jan 2012 | 1 July 2012 |
| AASB 2011-9 | **Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]** This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. | 1 July 2012 | 1 July 2012 |

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** | **Summary** | **Application date of standard** | **Application date for Group** |
|---|---|---|---|---|
| AASB 10 | *Consolidated Financial Statements* | AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.*<br><br>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.<br><br>**Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.** | 1 Jan 2013 | 1 July 2013 |
| AASB 11 | *Joint Arrangements* | AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures*.<br><br>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.<br><br>**Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.** | 1 January 2013 | 1 July 2013 |

| **Reference** | **Title** | **Summary** | **Application date of standard** | **Application date for Group** |
|---|---|---|---|---|
| AASB 12 | *Disclosure of Interests in Other Entities* | AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. | 1 January 2013 | 1 July 2013 |
| AASB 13 | *Fair Value Measurement* | AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.<br><br>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.<br><br>**Consequential amendments were also made to other standards via AASB 2011-8.** | 1 January 2013 | 1 July 2013 |
| AASB 119 | *Employee Benefits* | The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.<br><br>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.<br><br>**Consequential amendments were also made to other standards via AASB 2011-10.** | 1 January 2013 | 1 July 2013 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| Interpretation 20 | *Stripping Costs in the Production Phase of a Surface Mine* | This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".<br><br>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.<br><br>**Consequential amendments were also made to other standards via AASB 2011-12.** | 1 January 2013 | 1 July 2013 |
| AASB 2012-2 | Amendments to Australian Accounting Standards - *Disclosures - Offsetting Financial Assets and Financial Liabilities* | AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met. | 1 January 2013 | 1 July 2013 |
| AASB 2012-5 | Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle | AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:<br>► Repeat application of AASB 1 is permitted (AASB 1)<br>► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*). | 1 January 2013 | 1 July 2013 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 2012-9 | Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039 | AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia.* | 1 January 2013 | 1 July 2013 |
| AASB 2011-4 | Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124] | This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. | 1 July 2013 | 1 July 2013 |
| AASB 1053 | *Application of Tiers of Australian Accounting Standards* | This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:<br>(a) Tier 1: Australian Accounting Standards<br>(b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements<br><br>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.<br><br>The following entities apply Tier 1 requirements in preparing general purpose financial statements:<br>(a) For-profit entities in the private sector that have public accountability (as defined in this standard)<br>(b) The Australian Government and State, Territory and Local governments<br><br>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:<br>(a) For-profit private sector entities that do not have public accountability<br>(b) All not-for-profit private sector entities | 1 July 2013 | 1 July 2013 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| | | (c) Public sector entities other than the Australian Government and State, Territory and Local governments.<br><br>**Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.** | | |
| AASB 2012-3 | Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities* | AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. | 1 January 2014 | 1 July 2014 |
| Interpretation 21 | ***Levies^*** | This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation. | 1 January 2014 | 1 July 2014 |
| AASB 1055** | *Budgetary Reporting* | This standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government.<br><br>**AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment).** All budgetary reporting requirements applicable to public sector entities are now located in AASB 1055. | 1 July 2014 | |
| AASB 9 | *Financial Instruments* | AASB 9 includes requirements for the classification and measurement of financial assets. It was **further amended by AASB 2010-7** to reflect amendments to the accounting for financial liabilities.<br><br>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. | 1 Jan 2015 | 1 July 2015 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| | | (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.<br><br>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br><br>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.<br><br>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:<br>► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)<br>► The remaining change is presented in profit or loss<br><br>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.<br><br>**Further amendments were made by AASB 2012-6** which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.<br>**Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.** | | |

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.

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Financial assets** | | |
| Cash and cash equivalents | 1,992,246 | 678,876 |
| Current receivables | 4,024 | 8,810 |
| Other receivables | 112,577 | 188,977 |
| | 2,108,847 | 876,663 |
| **Financial liabilities** | | |
| Trade and other payables | 341,214 | 966,726 |
| | 341,214 | 966,726 |

### (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:

| 2013 Financial Assets | Weighted Average Interest Rate | Fixed Interest Rate maturing in 1 year or less | Floating |
|---|---|---|---|
| | % | $ | $ |
| Cash and cash equivalents | 2.68 | - | 1,992,246 |

## 2. Financial risk management (continued)

### (a) Market risk (continued)

| **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 |

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 $19,922. 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. There is no cash held in a Term Deposit during the year.

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

| **30 June 2013** | **Carrying Amount** | **Interest Rate Risk** | | | |
|---|---|---|---|---|---|
| | **$** | **-1%** | | **+1%** | |
| | | **Profit $** | **Equity $** | **Profit $** | **Equity $** |
| Cash and cash equivalents | 1,992,246 | (19,922) | (19,922) | 19,922 | 19,922 |
| Total Increase / Decrease | | (19,922) | (19,922) | 19,922 | 19,922 |
| **30 June 2012** | **Carrying Amount** | **Interest Rate Risk** | | | |
| | **$** | **-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)

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Cash at bank** | | |
| AA- (Standard and Poor) | 1,992,246 | 678,876 |
| **Total cash at bank** | **1,992,246** | **678,876** |
| | | |
| **Current receivables** | | |
| Counterparties without external credit rating* | 4,024 | 8,810 |
| **Total current receivables** | **4,024** | **8,810** |
| | | |
| **Other receivables** | | |
| Counterparties without external credit rating* | 112,577 | 188,977 |
| **Total other receivables** | **112,577** | **188,977** |

* 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 15) and are expected to be paid within one month of 30 June 2013.

### (d) 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(g). 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.

## 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 (continued)

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 |
|---|---|---|---|
| **2013** | **$** | **$** | **$** |
| Segment revenue | 68,584 | 482,085 | 550,669 |
| Segment result Profit (Loss) | (789,785) | (585,284) | (1,375,069) |
| Segment Assets | 2,140,536 | 8,797,872 | 10,938,408 |
| Segment Liabilities | 229,899 | 111,315 | 341,214 |
| Segment Acquisition of Assets | 16,750 | - | 16,750 |
| Segment Amortisation and Depreciation | 31,488 | - | 31,488 |
| Segment Exploration Expenditure Written off (net of recoveries) | - | (585,284) | (585,284) |

| 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) |

## 5. Parent entity information

The following details information related to the parent entity, RMG Limited, at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Current assets | 2,032,200 | 804,068 |
| Non-current assets | 4,844,634 | 4,526,428 |
| **Total Assets** | **6,876,834** | **5,330,496** |
| | | |
| Current Liabilities | 341,214 | 966,726 |
| **Total Liabilities** | **341,214** | **966,726** |
| | | |
| Contributed equity | 143,887,647 | 140,545,652 |
| Retained earnings/(accumulated losses) | (138,840,727) | (137,513,215) |
| Option reserve | 1,488,700 | 1,331,333 |
| **Total equity** | **6,535,620** | **4,363,770** |
| | | |
| Profit/(loss) for the year | (1,327,511) | (5,314,330) |
| Other comprehensive income/(loss) for the year | - | - |
| **Total comprehensive income/(loss) for the year** | **(1,327,511)** | **(5,314,330)** |

## 6. Revenue

| **From continuing operations** | **2013 $** | **2012 $** |
|---|---|---|
| *Sales revenue* | | |
| Debt collection activities | 314 | 2,138 |
| *Other revenue* | | |
| Interest received | 20,386 | 84,494 |
| Sale of fixed asset | 2,879 | - |
| Fair value movement in convertible notes derivative | 115,000 | - |
| Government grant | 482,085 | - |
| | **620,664** | **86,632** |

## 7. Expenses

| **Loss before income tax includes the following specific expenses:** | **2013 $** | **2012 $** |
|---|---|---|
| Directors fees | 426,780 | 262,333 |
| Corporate compliance costs | 57,428 | 71,833 |
| Employee benefit expense | 314,792 | 253,319 |
| Depreciation and amortisation | 31,488 | 130,362 |
| Interest accretion on convertible notes liability | 69,995 | - |
| General administration expenses | 509,966 | 566,082 |
| Exploration expenditure written off – net of recoveries (Note 13) | 585,284 | 13,590 |
| | **1,995,733** | **1,297,519** |

## 8. Income tax expense

| **(a) Income Tax Expense** | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Current tax | - | - |
| Deferred tax | - | - |

| **(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable** | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Loss from continuing operations before income tax expense | (1,375,069) | (1,210,887) |
| | | |
| Tax at the Australian rate of 30% (2012: 30%) | (412,521) | (363,266) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible expenses | 75,746 | 55,178 |
| Non-assessable income (R&D) | (144,625) | - |
| Other – adjustment to prior years | - | - |
| Movements in prepayments and deposits | - | 15,806 |
| Movements in accruals and provisions | 4,732 | 2,344 |
| Exploration expenditure | (66,400) | (1,146,562) |
| Unrecognised tax loss | 543,068 | 1,436,500 |
| Income tax expense | - | - |

## 8. Income tax expense (continued)

| (c) **Tax Losses -** All unused tax losses were incurred by an Australian entity | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | | |
| Carry forward revenue losses | 14,582,377 | 13,742,835 |
| Potential tax benefit @ 30% | 4,374,713 | 4,122,850 |

| (d) **Temporary Differences** | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Temporary differences | | |
| Provisions and accruals | 47,096 | 31,314 |
| Accrued income and prepayments | - | - |
| Exploration expenditure | (8,737,872) | (8,516,539) |
| Subtotal | (8,690,777) | (8,485,224) |
| Recognition of tax | 14,582,377 | 13,742,835 |
| Net unrecognised deferred tax losses | 5,891,600 | 5,257,611 |
| Potential unrealised deferred tax benefit at 30% | 1,767,480 | 1,577,283 |

Note – the balance of the deferred tax assets of the Group have not been recognised in excess of the deferred tax liabilities 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 (i).

## 9. Current assets – Cash and cash equivalents

These are interest bearing with a floating interest rate of 0% (2012: 5.62%) per annum

| | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Cash at bank and on hand | 1,992,246 | 678,876 |
| | **1,992,246** | **678,876** |

## 10. Current assets – Other receivables

| | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Security Deposit of Moonraker Exploration | 34,000 | 34,000 |
| Other receivables | 78,577 | 154,977 |
| Total | **112,577** | **188,977** |

## 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 2013.

(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 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Plant and equipment | | |
| Plant and equipment at cost<br>- Less accumulated depreciation | 58,735<br>(27,046) | 58,735<br>(12,309) |
| Total plant and equipment | **31,689** | **46,426** |
| | | |
| Plant and equipment | | |
| At 1 July, net of accumulated depreciation | 46,426 | 22,989 |
| Additions | - | 36,323 |
| Disposals | - | (577) |
| Depreciation charge for the year | (14,737) | (12,309) |
| Net carrying amount | **31,689** | **46,426** |

## 12. Non-current assets – Intangible assets

| | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| Intangible assets | | |
| Intangible assets at cost<br>- Less amortisation | 16,750<br>(16,750) | 118,052<br>(118,052) |
| Total intangible assets | - | - |
| | | |
| Intangible assets | | |
| At 1 July, net of amortisation | - | 1,681 |
| Additions | 16,750 | 116,371 |
| Disposals | - | - |
| Amortisation for the year | (16,750) | (118,052) |
| Net carrying amount | - | - |

## 13. Non-current asset - Exploration and evaluation expenditure

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Opening balance | 8,516,538 | 4,694,665 |
| Fair value acquisition of Zeehan Lead-Zinc-Silver Project (see Note 26) | - | 230,000 |
| Porvenir Project option agreement payment | 104,437 | - |
| Exploration expenditure capitalised, exploration and evaluation phase | 762,181 | 3,605,463 |
| Write down of exploration expenditure incurred previously capitalised, net of recoveries(1) | (585,284) | (13,590) |
| Closing balance | **8,797,872** | **8,516,538** |

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.

(1)As at year end management did not intend to further develop the project in Tasmania. Subsequent to year end, both tenements were surrendered and accordingly, the capitalised exploration costs associated with this project have been impaired.

Capitalised costs amounting to $1,640,185 (2012: $2,882,616) 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(d):

| | Ordinary Share Consolidated Entity Interest | |
|---|---|---|
| **Name** | **2013 %** | **2012 %** |
| **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 | 100 |
| Minera RMG Chile Limitada (incorporated in Chile) | 100 | - |

All controlled entities are incorporated in Australia other than Miner RMG Chile Limitada, and are active in mineral exploration activities.

## 15. Current liabilities – Trade and other payables

| | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---:|---:|
| Trade creditors | 188,355 | 687,976 |
| Other payables | 152,859 | 278,750 |
| | **341,214** | **966,726** |

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 2013 Shares** | **Company 2012 Shares** | **Company 2013 $** | **Company 2012 $** |
|---|---:|---:|---:|---:|
| Ordinary shares fully paid | 3,109,384,592 | 1,375,134,592 | 143,887,647 | 140,545,652 |

| **(b) Other Equity Securities** | **Company 2013 Options** | **Company 2012 Options** |
|---|---:|---:|
| Options(i) exercisable at 2.0 cents on 30 April 2014 | 390,001,000 | 390,001,000 |
| Options(i) exercisable at 2.0 cents on 01 April 2015 | 10,000,000 | 10,000,000 |
| Options(i) exercisable at 2.0 cents on 01 April 2017 | 10,000,000 | 10,000,000 |
| Options(i) exercisable at 0.6 cents on 31 August 2016 | 80,000,000 | - |

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

## 16. Contributed equity (continued)

### (c) Movement in ordinary share capital

| Date | Details | Company 2013 | Company 2013 $ | Company 2012 | Company 2012 $ |
|---|---|---|---|---|---|
| July 1 | Opening balance | 1,375,134,592 | 140,545,652 | 1,040,133,592 | 138,095,935 |
| 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 |
| 12 April 2013 | Capital raising 1st tranche (i) | 206,250,000 | 412,500 | | |
| 27 May 2013 | Capital raising 2nd tranche (i) | 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 (see Note 25) | 500,000,000 | 954,995 | | |
| 19 June 2013 | Capital raising 2nd tranche balance (i) | 22,452,966 | 44,906 | | |
| | Cost of issues | - | (81,500) | - | (117,792) |
| June 30 | Balance | **3,109,384,592** | **143,887,647** | **1,375,134,592** | **140,545,652** |

(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 2013 | Amount 2013 $ | Number of options 2012 | Amount 2012 $ |
|---|---|---|---|---|---|
| July 1 | Opening balance | 410,001,000 | 131,333 | 158,750,000 | 127,700 |
| 10 November 2011 | 2c options expiring at 30 April 2014 | - | - | 75,000,000 | - |
| 22 December 2011 | 2c options expiring at 30 April 2014 | - | - | 165,000,000 | - |
| 24 December 2011 | 2c options expiring at 30 April 2014 | - | - | 1,000 | - |
| 24 April 2012 | 2c options expiring at 1 April 2015 | - | 18,167 | 10,000,000 | 3,633 |
| 24 April 2012 | 2c options expiring at 1 April 2017 | - | - | 10,000,000 | - |
| 30 June 2012 | 5c options expired at 30 June 2012 | - | - | (8,750,000) | - |
| 28 September 2012 | 0.6c options expired at 31 August 2016 | 80,000,000 | 139,200 | | |
| June 30 | Closing balance | **490,001,000** | **288,700** | **410,001,000** | **131,333** |

The terms and conditions of the options issued on 28 September 2012 are as follows:

| Date | Number of options | Exercise price | Expiring date | Risk free interest rate | Stock Price | Expected volatility | Value per option |
|---|---|---|---|---|---|---|---|
| 28/09/2012 | 80,000,000 | $0.06 | 31/08/2016 | 2.73% | $0.003 | 100% | $0.00174 |

(i) each option entitles the holder, when exercised, to one (1) share;

(ii) the exercise price of the options is 0.6 cents each exercisable on or before 31 August 2016;

(iii) subject to the *Corporations Act 2001*, ASTC Settlement Rules and the ASX Listing Rules, with the consent of the Board, 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;

(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

## 16. Contributed equity (continued)

### (d) Movement in options (continued)

(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*.

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 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| 29/04/2011 | 30/04/2014 | $ 0.02 | 390,001,000 | - | - | - | 390,001,000 | 390,001,000 |
| 24/04/2012 | 1/04/2015 | $ 0.02 | 10,000,000 | - | - | - | 10,000,000 | 10,000,000 |
| 24/04/2012 | 1/04/2017 | $ 0.02 | 10,000,000 | - | - | - | 10,000,000 | - |
| 28/09/2012 | 31/08/2016 | $ 0.006 | - | 80,000,000 | - | - | 80,000,000 | 80,000,000 |
| Total | | | 410,001,000 | 80,000,000 | - | - | 490,001,000 | 480,001,000 |
| Weighted average exercise price | | | $ 0.02 | $ 0.006 | $ - | $ - | $ 0.018 | $ 0.018 |

| 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 |

## 17. Reserves and accumulated losses

| (a) Reserves | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Share option reserve pursuant to an issue of options | 1,488,700 | 1,331,333 |
| **Movements in reserves** | | |
| Opening balance 1 July | 1,331,333 | 1,327,700 |
| Issue of directors and secretary options | 121,800 | - |
| Issue of employee incentive options | 17,400 | - |
| Vesting of employee incentive options | 18,167 | 3,633 |
| **Closing balance 30 June** | **1,488,700** | **1,331,333** |

| (b) Accumulated Losses | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Movements in accumulated losses were as follows: | | |
| Balance at the beginning of the year | (133,404,084) | (132,193,197) |
| Net Loss for the year | (1,375,069) | (1,210,887) |
| **Balance at the end of the year** | **(134,779,153)** | **(133,404,084)** |

### (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 (2012: Nil).

## 19. Commitments

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| **(a) Operating lease commitments** | | |
| Not later than one year | 61,911 | 54,158 |
| Later than one year and not later than five years | - | 45,132 |
| Total minimum lease payments | **61,911** | **99,290** |
| **(b) Remuneration commitments(i)** | | |
| Not later than one year | 390,000 | 128,000 |
| Total remuneration commitments | **390,000** | **128,000** |
| **(c) Exploration expenditure commitments(ii)** | | |
| Not later than one year | 410,000 | 235,000 |
| Later than one year and not later than five years | 2,300,000 | 550,000 |
| Total exploration expenditure commitments | **2,710,000** | **785,000** |

## 19. Commitments (continued)

(i) Commitments for remuneration under service agreements in existence at the reporting date but not recognised as liabilities payable.
(ii) The minimum expenditure requirement is in relation to granted mineral exploration licences .
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* |
| S Chadwick | *Non-Executive Director (resigned 6 June 2013)* |
| ME Stevenson | *Non-Executive Director (resigned 6 June 2013)* |
| M Griffiths | *Non-Executive Director (appointed 6 June 2013)* |

| **Directors** | **Company 2013 $** | **Company 2012 $** |
|---|---|---|
| Remuneration paid to directors and/or entities associated with directors | 496,320 | 262,333 |
| Fees paid to director for mineral exploration and operational management | - | 186,667 |
| | **496,320** | **449,000** |

### (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:

| **2013** **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 | - | 25,000,000 | 30,000,000 | 30,000,000 |
| Peter Rolley (iv) | 8,000,000 | - | 25,000,000 | 33,000,000 | 33,000,000 |
| Mark Stevenson (ii) | - | - | - | - | - |
| Steven Chadwick (iii) | 5,000,000 | - | 10,000,000 | 15,000,000 | 15,000,000 |
| Michael Griffiths | - | - | - | - | - |
| **Other key management personnel of the Group** | | | | | |
| - | - | - | - | - | - |
| **Total** | **18,000,000** | **-** | **60,000,000** | **78,000,000** | **78,000,000** |

## 20. Key management personnel disclosures (continued)

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

***(i) Option holdings (continued)***

| 2012<br>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 (iv) | 8,000,000 | - | - | 8,000,000 | 8,000,000 |
| Mark Stevenson (ii) | 7,000,000 | 7,000,000 | - | - | - |
| Steven Chadwick (iii) | 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** |

(i) all held by ARK Securities & Investments Pty Ltd, a company related to R Kirtlan
(ii) all held indirectly by Holloman Holdings Corp, a company related to M Stevenson
(iii) all held by Spectrum Metallurgical Consultants Pty Ltd, a company related to S Chadwick. Year end balance is nil as S Chadwick resigned 6 June 2013
(iv) all held by Delrio Pty Ltd as trustee for Rolley Family Trust

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:

| 2013<br>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 (i) | 74,600,000 | - | 50,000,000 | 124,600,000 |
| Peter Rolley (ii) | 125,600,000 | - | 40,250,000 | 165,850,000 |
| Mark Stevenson(iii) | 70,600,000 | - | 9,000,000 | 79,600,000(iii) |
| Steven Chadwick(iv) | 29,000,000 | - | 9,000,000 | 38,000,000(iv) |
| Michael Griffiths | - | - | - | - |
| **Other key management personnel of the Group** | | | | |
| - | - | - | - | - |
| **Total** | **299,800,000** | **-** | **108,250,000** | **408,050,000** |

## 20. Key management personnel disclosures (continued)

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

### *(ii) Share holdings (continued)*

| 2012<br>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 | 21,576,000 (vi) | - | 74,600,000 |
| Peter Rolley | 89,144,000 | 36,456,000 (vii) | - | 125,600,000 |
| Mark Stevenson | 70,600,000 | - | - | 70,600,000 |
| Steven Chadwick | 21,560,000 | 7,440,000 (viii) | - | 29,000,000 |
| **Other key management personnel of the Group** | | | | |
| - | - | - | - | - |
| **Total** | **234,328,000** | **65,472,000** | **-** | **299,800,000** |

(i) held by ARK Securities & Investments Pty Ltd, a company related to R Kirtlan
(ii) held by Delrio Pty Ltd as trustee for Rolley Family Trust and Rolley Super Fund A/c
(iii) held by Mark Stevenson and Holloman Value Holdings LLC (a company related to Mark Stevenson); as at the resignation date, Mark Stevenson held a total of 70,600,000 ordinary shares
(iv) held by Spectrum Metallurgical Consultants Pty Ltd, a company related to S Chadwick; as at the resignation date, Steven Chadwick held a total of 38,000,000 ordinary shares
(v) resigned on 6 June 2013
(vi) conversion of performance options on 29 November 2011
(vii) conversion of performance options on 19 December 2011
(viii) conversion of performance options on 12 March 2012

### *(iii) Convertible performance option holdings*

There were no movement of convertible performance options in the financial year.

The details of the numbers of convertible performance options in the Company held in 2012 financial year by each director of RMG Limited, including their personally related parties, are set out below:

| 2012<br>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.

### (c) Other transactions with key management personnel

There were no transactions with the key management personnel during the year.

## 21. Remuneration of auditors

| During the year the following fees were paid or payable for services provided by the auditor of the Group:<br>**Assurance Services -** *Audit services* | **Consolidated 2013 $** | **Consolidated 2012 $** |
|---|---|---|
| BDO Audit (WA) Pty Ltd;<br>-Audit or review of financial reports under the *Corporations Act 2001* | 4,098 | 33,397 |
| Ernst & Young;<br>-Audit or review of financial reports under the *Corporations Act 2001* | 34,345 | - |
| **Total remuneration for audit services** | **38,442** | **33,397** |

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 20.

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 19 under operating lease commitments.

### (b) Related party transactions

At 30 June 2013 the following balances were owing to associated companies or companies associated with directors as follows;

- The Rolley Family Trust - nil (2012: $22,000) for director's fees;
- Aviva Corporation Limited - $23,368 (2012: $5,646) for sub-lease fees;
- Credo Resources Limited - $903 (2012: $6,794) for reimbursement of operating expenses;
- Spectrum Metallurgical Consultants Pty Ltd – $6,600 (2012: $9,900) 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

RMG Ltd is currently performing due diligence work on the Chile Metals' Tuina project. Subject to an outcome on the due diligence that is satisfactory to RMG Ltd the Company is required to issue 100,000,000 fully paid RMG Ltd shares to Chile Metals and/or its nominee.

On 23 August, the Company has executed a binding Option Agreement with Porvenir S.C.M to have the exclusive option to acquire a 100% interest in 14 mining leases owned by Porvenir.

At the date of this report, both Tasmania tenements were surrendered.

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

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Loss for the year | (1,375,069) | (1,210,887) |
| Exploration Acquisition Write-off | - | - |
| Exploration Expense Write-down | 585,284 | 13,590 |
| Directors and Employee option expenses | 157,367 | 3,633 |
| Share issued to directors in lieu of fees | 156,500 | - |
| Depreciation & amortisation | 31,489 | 130,362 |
| Fair value movement on convertible notes derivative | (115,000) | - |
| Interest on convertible notes liability | 69,995 | - |
| **Changes in operating assets and liabilities:** | | |
| Increase/(decrease) in trade and other payables | 148,053 | (17,881) |
| (Increase)/decrease in trade and other receivables | 81,186 | 24,948 |
| **Net cash outflow from operating activities** | **(260,195)** | **(1,056,235)** |

## 25. Convertible note

On 3 August 2012, RMG announced that it had successfully raised $1.0 million by way of a convertible notes to Simpaug Investment Fund LP ("Simpaug").

The terms and conditions of the 1 million convertible notes 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 1 million 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 2.5% 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 convertible notes liability carrying value is calculated by using the amortised cost method. The convertible note was received in two tranches. The first tranche of 700,000 convertible notes was received on 3 August 2012 and the second tranche of 300,000 notes was received on 27 September 2012.

As at 29 May 2013, the total of $1,000,000 convertible notes were converted into ordinary shares.

## 25. Convertible note (continued)

The convertible notes were issued at $1,000,000 with an associated embedded derivative at inception of $127,500. On the date of conversion, 29 May 2013, the fair value of the embedded derivative was $12,500, valued using a Black-Scholes model, with the reduction in value accounted for as a mark to market gain of $115,000 in the income statement. The amortised cost of the convertible note liability as at the date of conversion was $942,495. The balance of the convertible note and embedded derivate of $954,995 upon conversion was transferred to share capital.

The following assumptions were used in the Black-Scholes valuation;

| | |
|---|---|
| Risk-free interest rate | 2.78% |
| Expected volatility | 80% |
| Expected dividend yield | 0% |

## 26. Non-cash investing and financing activities

| | 2013 $ | 2012 $ |
|---|---|---|
| Acquisition of Zeehan Lead-Zinc-Silver Project from Stonehenge Metals Ltd on 2 April 2012 (i) | - | 230,000 |

(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 valued at $160,000.00

## 27. Loss per share

| | 2013 Cents | 2012 Cents |
|---|---|---|
| **(a) Basic and diluted loss per share** | | |
| Loss attributable to the ordinary equity holders of the Company | **(0.090)** | **(0.100)** |

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

| | 2013 $ | 2012 $ |
|---|---|---|
| **Basic loss per share** | | |
| Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share | (1,375,069) | (1,210,887) |

## 27. Loss per share (continued)

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

| | **2013 Number** | **2012 Number** |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 1,552,331,852 | 1,221,786,376 |

### (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.

## 28. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2013.

In the directors' opinion:

1 the financial statements and notes set out on pages 29-70 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 Group's financial position as at 30 June 2013 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 2013 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
26 September 2013

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# Independent audit 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 2013, 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 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 controls as the directors determine are necessary to enable the preparation of the financial report that 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

## 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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

## Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
26 September 2013

## 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, women in senior executive positions and women on the board. | Yes |
| 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 :<br>• consists of a majority of independent directors<br>• is chaired by an independent director<br>• 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 three (3) directors, one of whom is currently considered to be an independent director. Two directors are executive. The Board's policy is that the majority of directors shall be independent, non-executive directors where possible.
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 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.
The full Board sits as the 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 is currently one independent director on the board 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:**
Aside from the directors, the Group has only one permanent employee. The group 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, no permanent female staff and contracts one female in an accounting role.

**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 one non-executive director and one executive director 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 one non-executive director and one executive director. The lead independent (and non-executive) director chairs the audit committee

**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 one non-executive director who is independent and is the chair of the committee and one executive director. The chairman of the board is not the chairman of the committee. The board considers that given the current size of the company the function of the remuneration 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 24 September 2013)

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 | 509 | 188,142 | 0.01 |
| 1,001 | - | 5,000 | 195 | 450,549 | 0.01 |
| 5,001 | - | 10,000 | 34 | 243,373 | 0.01 |
| 10,001 | - | 100,000 | 329 | 18,244,927 | 0.59 |
| 100,001 | and over | | 616 | 3,090,257,601 | 99.38 |
| | | Total | 1683 | 3,109,384,592 | 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 | | 84 | 390,000,000 | 100.00 |
| | | Total | 85 | 390,001,000 | 100.00 |

**2. Unmarketable Parcels** (Current as at 24 September 2013)

Class of Security – **Ordinary Shares**

| | Minimum Parcel Size | Holders |
|---|---|---|
| Minimum $500.00 parcel at $0.0020 per unit | 250000 | 1240 |

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 24 September 2013)

| 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 |
| 80,000,000 | 6 | Options exercisable at 0.6 cents, expiry date 31 August 2016 |

**4. Substantial Holders** (Current as at 24 September 2013)

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

| Ordinary Shareholder | Number held | % of issued shares |
|---|---|---|
| Simpaug Investment Fund LP | 500,000,000 | 16.08 |
| Delrio Pty Ltd <Rolley Family A/c> | 165,850,000 | 5.33 |

**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 24 September 2013)

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

**Ordinary Shares**

| Rank | Name | Number of Shares | % |
|---|---|---|---|
| 1 | Simpaug Investment Fund LP | 500,000,000 | 16.08 |
| 2 | Delrio Pty Ltd <Rolley Family A/c> | 165,850,000 | 5.33 |
| 3 | ARK Securities & Investments Pty Ltd | 124,600,000 | 4.01 |
| 4 | Pershing Australia Nominees Pty Ltd <Argonaut Account> | 99,575,000 | 3.20 |
| 5 | Mr Jason Peterson + Mrs Lisa Peterson <J & L Peterson S/F A/C> | 94,361,568 | 3.03 |
| 6 | Klip Pty Ltd <Beirne Super Fund A/C> | 87,790,973 | 2.82 |
| 7 | Holloman Value Holdings LLC | 70,000,000 | 2.25 |
| 8 | Mr Raymond John Jones <Raymond Jones Superfund A/C> | 63,400,000 | 2.04 |
| 9 | Bannaby Investments Pty Ltd <Super Fund A/C> | 57,500,000 | 1.85 |
| 10 | Dr Salim Cassim | 50,000,000 | 1.61 |
| 11 | Trianon Investments Pty Ltd <Superannuation Fund A/C> | 50,000,000 | 1.61 |
| 12 | Mr Thomas Joseph Henderson + Mrs Debra Jayne Henderson <Hillman Freycinet S/F A/C> | 46,603,693 | 1.50 |

| | | | |
|---|---|---|---|
| 13 | Noroneke Master Fund Ltd | 44,707,451 | 1.44 |
| 14 | Teck Australia Pty Ltd | 40,000,000 | 1.29 |
| 15 | Brooks Investments (WA) Pty Ltd | 38,000,000 | 1.22 |
| 16 | Dyspo Pty Ltd <Henty Super Fund A/C> | 37,500,000 | 1.21 |
| 17 | DRFT Management Pty Ltd <Denby Roberts Invest A/C> | 33,001,285 | 1.06 |
| 18 | Gandria Capital Pty Ltd <The Tedblahnki Family A/C> | 31,000,000 | 1.00 |
| 19 | Citicorp Nominees Pty Limited | 30,291,666 | 0.97 |
| 20 | Spectrum Metallurgical Consultants Pty Ltd <Super Fund A/C> | 29,000,000 | 0.93 |
| | **Total** | **1,693,181,636** | **54.45** |

**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 | Celtic Capital Pty Ltd <The Celtic Capital A/C> | 23,500,334 | 6.03 |
| 4 | Brooks Investments (WA) Pty Ltd | 20,000,000 | 5.13 |
| 5 | Halson Corporation Pty Ltd <Halson Account> | 20,000,000 | 5.13 |
| 6 | Pershing Australia Nominees Pty Ltd <Argonaut Account> | 19,500,000 | 5.00 |
| 7 | Mr Raymond John Jones <Raymond Jones Superfund A/C> | 17,500,000 | 4.49 |
| 8 | Jojo Enterprises Pty Ltd <SFI Family A/C> | 12,000,000 | 3.08 |
| 9 | Harshell Investments Pty Ltd | 10,000,000 | 2.56 |
| 10 | TM Consulting Pty Ltd <Super Fund A/C> | 10,000,000 | 2.56 |
| 11 | Ziani Corporation Pty Ltd <Ziani Property Unit 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 | Delrio Pty Ltd <Rolley Family Trust> | 8,000,000 | 2.05 |
| 14 | PKHB Holdings Pty Ltd | 8,000,000 | 2.05 |
| 15 | Utrade Limited | 8,000,000 | 2.05 |
| 16 | Bannaby Investments Pty Ltd <Super Fund A/C> | 7,500,000 | 1.92 |
| 17 | Mr Geoffrey Norman Barnesby – Johnson + Ms Catherine Jane Halvorsen | 6,000,000 | 1.54 |
| 18 | Mr Jeffrey Francis Lawler | 6,000,000 | 1.54 |
| 19 | Talex Investments Pty Ltd | 6,000,000 | 1.54 |
| 20 | ARK Securities & Investments Pty Ltd <ARK Family A/C> | 5,000,000 | 1.28 |
| | **Total** | **262,534,685** | **67.32** |

## 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 |
| EPMA25174 | Qld | Application Pending |
| EPMA25191 | Qld | Application Pending |
| | | |
| EL17/2003 | Tas | 100% |
| ML20/2001 | Tas | 100% |