RMG Limited

ABN 51 065 832 377

FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2019

CONTENTS

Corporate Directory

Directors	Mr Kinpo Yu – Non-Executive Chairman Mr Ken Poon – Executive Director Mr Liang Li – Executive Director
Company Secretary	Mr Ken Poon
Registered Office	Suite 5, Level 1 12-20 Railway Road, Subiaco WA 6008
Share Register	Computershare Investor Services Pty Limited Level 11 172 St Georges Terrace Perth WA 6000 Telephone: 1300 557 010
Auditor	Ernst & Young 11 Mounts Bay Road Perth WA 6000
Solicitors	Corrs Chambers Westgarth Level 6 Brookfield Place Tower 2 123 St Georges Terrace Perth WA 6000
Bankers	National Australia Bank Limited Level 1, 88 High Street Fremantle WA 6160
Stock Exchange Listing	RMG Limited's shares and options are listed on the Australian Securities Exchange. ASX Code: RMG
Website Address	www.rmgltd.com.au

Directors' Report

The directors present their report on RMG Limited (the "Company" or "RMG") and its subsidiaries which form the consolidated group ("RMG Group" or the "Group") for the half–year ended 31 December 2019.

Directors

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

		Appointed	Resigned
Mr Kinpo Yu	Non - Executive Chairman	13 September 2016	Current
Mr Ken Poon	Executive Director	20 December 2018	Current
Mr Liang Li	Executive Director	20 December 2018	Current

Company Secretary

The Company Secretary during the period is as follows:

	Appointed	Resigned
Mr Ken Poon	1 July 2019	Current

Principal Activities

During the half year, the Group's principal activities consist of exploration for minerals. The Group currently holds a copper exploration project in Tuina, Chile.

Significant Changes in the State of Affairs

On 1 July 2019, Mr Ken Poon was appointed as the new Company Secretary.

On 2 July 2019 the Company issued a total of 84,800,000 shares to be held in voluntary escrow until 2 July 2020 for the purpose of converting 200,000 Convertible Notes issued on 30 January 2019 and 150,000 Convertible Notes issued on 20 May 2019 into shares.

On 20 August 2019 the Group raised $195,000 by the issue of 15,000,000 fully paid ordinary shares at an issue price of A$0.013 per share.

On 18 September 2019 the Group received $100,000 by way of an interest-bearing loan and on 25 November 2019, received further $200,000 from Kinpo Yu, director. The repayment dates of these loans were 12 months from 9 September 2019 and 15 October 2019 respectively, however, on 23 October 2020, the Group received written confirmation from the loan provider that repayment was postponed until the Group has sufficient funds to pay its debts when they fell due.

On 13 November 2019, the Group received a redemption notice for convertible notes issued on 1 August 2018 with balance of $720,179 as at 31 December 2019. The repayment date is within 3 months from redemption date being 13 February 2020.

Subsequent to 31 December 2019, the Group has negotiated the following redemption payment terms, being 4 equal instalments of US$125,000 by 13 February 2020, 13 July

2020, 13 October 2020 and 13 January 2021.The Group expects to raise sufficient capital to enable repayment of the remaining balance of these convertible notes by its redemption repayment date.

On 9 November 2020, the Group received redemption notice from Eternal Gold Limited for its $500,000 convertible note with repayment to occur by 9 February 2021. Management is currently negotiating with the noteholder to amend the repayment terms from one instalment to four instalments over a period of 12 months.

Results of Operations

During the half-year the Group made a loss from operations after tax of $492,006 (31 December 2018: loss of $1,159,239). Additional information on the financial position and performance of the Group is set out in the financial statements.

Review of Operations

<u>Tuina Copper Project - Chile</u>

The Tuina Project comprises over 95 sq. kms of mining licences in the Atacama Desert copper region of northern Chile (Figure 1).

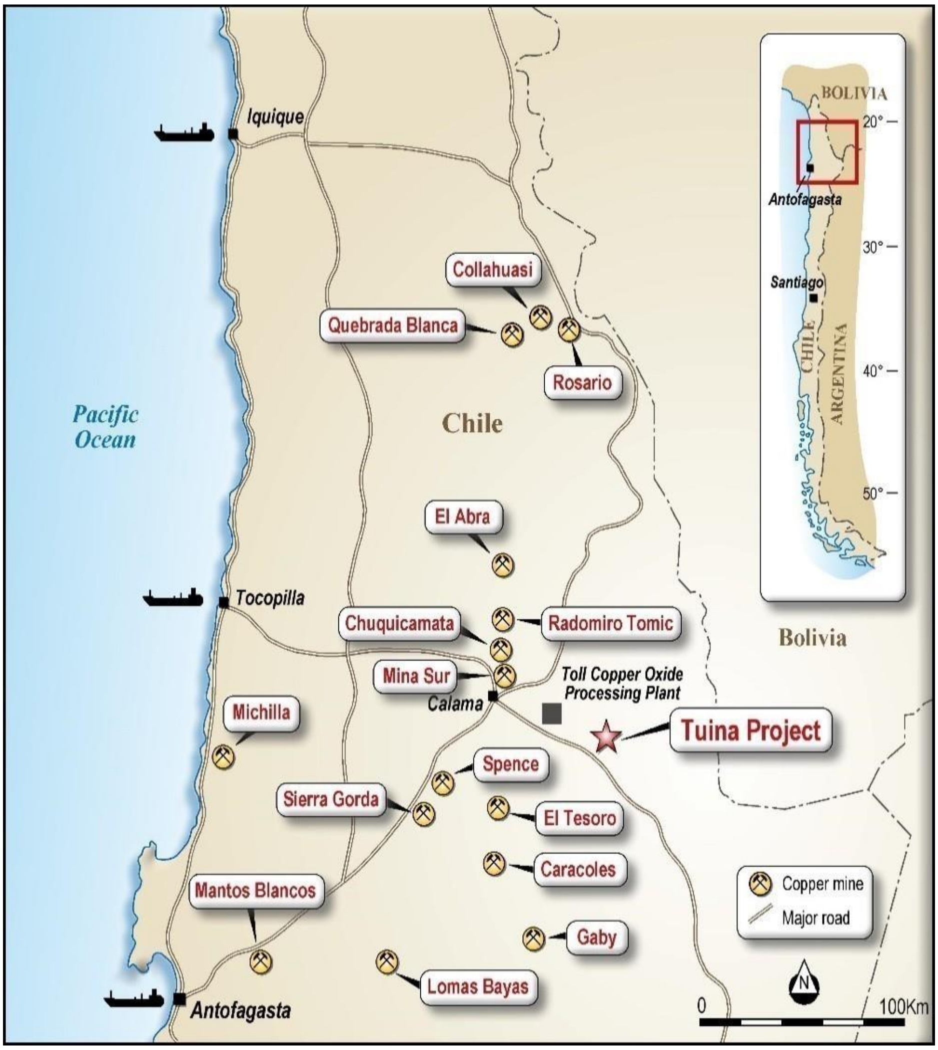

Figure 1: **Location of Tuina Project, Chile**

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.

Mineralisation & Permits
The copper-silver 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-silver deposits.

The Group retains a robust land package with exploration upside at a number of existing sites in copper operations and from new leads created by the Group.

Company Strategy

RMG has undertaken limited physical activity at the Tuina Project for the period and continues to meet all expenditure commitments there. Geological work programs are currently being costed and are proposed to include ground programs, induced polarisation and drilling.

RMG has reviewed and continues to review a number of operational and development assets.

Matters subsequent to the end of the Half-Year

On 3 January 2020, the Group received $700,000 from an overseas investor as a subscription for 70,000,000 fully paid ordinary shares at an issue price of A$0.01 per share. The 70,000,000 shares were issued on 5 June 2020 and 8 July 2020 for 54,100,000 fully paid ordinary shares and 15,900,000 fully paid ordinary shares respectively.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. This event had impact on the cash flows of the Group as they have experienced some delays in being able to raise funds as required.

On 24 June 2020, the Group has also received a total of $500,000 proceeds from loan agreements entered into with three third party investors subsequent to period end. These loans are to be repaid by 24 June 2021 or can be converted into shares at any time prior to repayment date at the discretion of the Company.

On 8 July 2020 the Company issued a total of 15,900,000 shares to be held in voluntary escrow until 8 July 2021. This is the remaining amount of the A$700,000 that the Group received on 3 January 2020 from an overseas investor as a subscription for 70,000,000 fully paid ordinary shares at an issue price of A$0.01 per share.

On 18 November 2020 the Group received an additional $160,000 by way of short-term loan provided by a company director. The director has confirmed that this loan will not be required to be repaid until the Group has the funds to do so and such repayment will not place the Group in a position where it would be unable to pay its debts as and when they fall due.

On 9 November 2020 the Group received redemption notice from Eternal Gold Limited for its $500,000 convertible note with repayment to occur by 9 February 2021. Management is currently negotiating with the noteholder to amend the repayment terms from one instalment to four instalments over a period of 12 months.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

Liang Li
Executive Director
Melbourne, Victoria, Australia
16 December 2020

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Auditor's independence declaration to the directors of RMG Limited

As lead auditor for the review of the half-year financial report of RMG Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Pierre Dreyer
Partner
16 December 2020

	Notes	31 December 2019 $	31 December 2018 $
Other income	4	16,022	286
Expenses			
Exploration expenditure written off	5	(19,309)	(474,372)
Administration costs		(235,874)	(395,525)
Directors fees and employee benefits		(146,127)	(178,921)
Interest expense		(127,693)	(93,362)
Gain on re-measurement of embedded derivative	7	32,500	33,500
Gain on remeasurement of financial liabilities	7	19,023	-
Foreign exchange loss arising on re-measurement of financial liability		(30,548)	(50,845)
Total expenses		(508,028)	(1,159,525)
Loss before income tax		**(492,006)**	**(1,159,239)**
Income tax expense		**-**	**-**
Loss for the period from continuing operations attributable to:			
Owners of parent		(492,006)	(1,159,239)
		(492,006)	**(1,159,239)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(583)	(2,412)
Total other comprehensive income for the period		(583)	(2,412)
Total comprehensive loss for the period		**(492,589)**	**(1,161,651)**

	Cents	Cents
Loss per share attributable to the ordinary equity holders of the Group:		
Basic and diluted loss per share	**(0.07)**	**(0.19)**

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

	Notes	31 December 2019 $	30 June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents		66,608	28,821
Other receivables		29,944	49,226
Total current assets		**96,552**	**78,047**
Non-current assets			
Bank deposits		86,284	86,284
Right of use assets	1	82,782	-
Exploration and evaluation expenditure	5	2,050,000	2,050,000
Total non-current assets		**2,219,066**	**2,136,284**
Total assets		2,315,618	2,214,331
LIABILITIES			
Current liabilities			
Trade and other payables		423,212	437,561
Lease liabilities	1	80,413	-
Financial liabilities	6	1,508,274	1,147,142
Embedded derivative	7	-	32,500
Total current liabilities		**2,011,899**	**1,617,203**
Lease liabilities	1	7,476	-
Total non-current liabilities		**7,476**	**-**
Total liabilities		2,019,375	1,617,203
Net assets		**296,243**	**597,128**
EQUITY			
Contributed equity	8(b)	154,587,403	154,395,699
Reserves	9(b)	2,331,795	2,331,795
Foreign currency translation reserve	9(a)	(79,261)	(78,678)
Equity reserve		(2,309,759)	(2,309,759)
Accumulated losses		(154,233,935)	(153,741,929)
Total equity		**296,243**	**597,128**

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

Consolidated	Contributed equity	Share Based Payment Reserves	Equity Reserves	Accumulated losses	Foreign currency translation reserve	Total
Balance at 1 July 2018	**153,562,311**	**2,331,795**	**(2,309,759)**	**(152,097,306)**	**(75,988)**	**1,411,053**
Loss for the period	-	-	-	(1,159,239)	(2,412)	(1,161,651)
Total comprehensive loss for the half-year	-	-	-	(1,159,239)	(2,412)	(1,161,651)
Balance at 31 December 2018	**153,562,311**	**2,331,795**	**(2,309,759)**	**(153,256,545)**	**(78,400)**	**249,402**
Balance at 1 July 2019	**154,395,699**	**2,331,795**	**(2,309,759)**	**(153,741,929)**	**(78,678)**	**597,128**
Share issue	191,704	-	-	-	-	191,704
	154,587,403	**2,331,795**	**(2,309,759)**	**(153,741,929)**	**(78,678)**	**788,832**
Loss for the period	-	-	-	(492,006)	(583)	(492,589)
Total comprehensive loss for the half-year	**-**	**-**	**-**	**(492,006)**	**(583)**	**(492,589)**
Balance at 31 December 2019	**154,587,403**	**2,331,795**	**(2,309,759)**	**(154,233,935)**	**(79,261)**	**296,243**

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

	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Payments to suppliers and employees	(341,159)	(524,474)
Interest received	22	286
Other income received	4,000	-
Interest paid	(61,565)	(47,837)
Net cash outflow from operating activities	**(398,702)**	**(572,025)**
Cash flows from investing activities		
Payments for exploration activities	(22,114)	(474,372)
Net cash outflow from investing activities	**(22,114)**	**(474,372)**
Cash flows from financing activities		
Proceeds from convertible notes	-	929,381
Proceeds from issue of shares	191,704	-
Proceeds from borrowings	300,000	-
Lease repayments	(33,101)	-
Net cash inflow from financing activities	**458,603**	**929,381**
Net increase/(decrease) in cash and cash equivalents	**37,787**	**(117,016)**
Cash and cash equivalents at the beginning of the half-year	28,821	170,115
Cash and cash equivalents at the end of the half-year	**66,608**	**53,099**

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

1 Basis of preparation

This general purpose condensed financial report for the half–year ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The financial statements have been presented in Australian Dollars.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the group's annual financial report for the year ended 30 June 2019, other than as detailed below.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective 1 July 2019, including:

AASB 16 *Leases*

Overview

AASB 16 supersedes AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-*15 Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117 other than the requirements applying to subleases. Lessors will continue to classify all leases as either operating leases or finance leases using similar principles as in AASB 17. AASB 16 does not have any impact for leases where the Group is the lessor.

AASB 16 also requires lessees and lessors to make more extensive disclosures than under AASB 117.

Impact on RMG Limited

The Group has one lease contract for its office space in Melbourne. It does not have any subleases at transition date. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The Group had no finance leases.

The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. Under this method, the Group chose to recognise the right-of-use asset at an amount equal to the lease liability. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group, as set out below:

Leases previously accounted for as operating leases

The Group's lease was only an operating lease. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review.

As at 1 July 2019:

- 'Right-of-use assets' were recognised and presented separately in the statement of financial position.
- Lease liabilities were recognised separately in the statement of financial position'.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities at initial adoption and the movements during the period:

	Right-of-use Assets $	Lease Liabilities $
As at 1 July 2019	**120,990**	**120,990**
Depreciation expense	(38,208)	-
Interest expense	-	10,028
Payments	-	(43,129)
As at 31 December 2019	**82,782**	**87,889**

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$
Operating lease commitments as at 30 June 2019	**187,999**
Weighted incremental borrowing rate as at 1 July 2019	20%
Operating lease commitments discounted	(67,009)
Lease liabilities at 1 July 2019	**120,990**

Accounting policy applicable prior to 1 July 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets) are not explicitly specified in an arrangement. The Group is not a lessor in any transactions, it is only a lessee.

(a) Group as a lessee

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Accounting policy applicable from 1 July 2019

The Group assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

(ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(b) Group as a lessor

The Group entered into sublease in September 2019.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Under a sublease arrangement, the intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:

(a) if the head lease is a short-term lease and the entity, as a lessee, has applied the short-term recognition exemption, the sublease is classified as an operating lease; or

(b) otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, the item of property, plant, or equipment that is the subject of the lease).

AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating lease. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

2 Going concern

The Group had a net current asset deficiency at 31 December 2019 of $1,915,347 (30 June 2019: deficiency of $1,539,156) and had a cash outflow from operating and investing activities of $420,816 for the half year ended 31 December 2019 (31 December 2018: net cash outflow of $1,046,397). As at 31 December 2019 the Group had cash and cash equivalents of $66,608 (30 June 2019: $28,821). The net current asset deficiency is largely due to the convertible notes (amounting to $1,208,274 at 31 December 2019) being classified as current as they are due for repayment following the contractual repayment terms.

Notwithstanding the above the directors consider they have a reasonable basis to prepare the financial statements on a going concern basis after having regard to the following:

- On 3 January 2020 the Group received $700,000 from an overseas investor as a subscription for 70,000,000 fully paid ordinary shares at an issue price of $0.01 per share. The 70,000,000 shares were issued on 5 June 2020 and 8 July 2020 for 54,100,000 fully paid ordinary shares and 15,900,000 fully paid ordinary shares respectively.
- In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. This event had impact on the cash flows of the Group as they have experienced some delays in being able to raise funds as required.
- On 24 June 2020, the Group has also received a total of $500,000 proceeds from loan agreements entered into with three third party investors subsequent to period end. These loans are to be repaid by 24 June 2021 or can be converted into shares at any time prior to repayment date at the discretion of the Company.
- On 18 November 2020 the Group received an additional $160,000 by way of short-term loan provided by a company director. The director has confirmed that none of these loans will not be required to be repaid until the Group has the funds to do so and such repayment will not place the Group in a position where it would be unable to pay its debts as and when they fall due.

  This director who has also previously provided other short-term loans of $300,000 has confirmed that these will not be required to be repaid until the Group has the funds to do so and such repayment would place the Group in a position where it would be unable to pay its debts as and when they fall due.

  This director has also confirmed that he will continue to support the Company and provide additional funding by way of short term loans or otherwise to the Company as needed to enable the Company to repay instalments on US$500,000 convertible note, currently due on 13 January 2021 and to enable the Company to meet its other obligations as and when they fall due.
- On 9 November 2020 the Group has also received redemption notice from Eternal Gold Limited its $500,000 convertible note with repayment to occur by 9 Feb 2021. Management is currently negotiating with the noteholder to amend the repayment terms from one instalment to four instalments over a period of 12 months.
- The current and former directors have agreed not to demand repayment of outstanding director's fees amounting to $200,200 until the Group has the capacity to repay them.
- The current directors have also confirmed they will not be seeking payment of director's fee from November 2020 to April 2021 or until the Company has the capacity to pay them.
- The Group expects to receive the additional amounts required to repay the convertible notes by their due dates by raising amounts under ASX listing rules 7.1 and 7.1A (15% and 10% rules respectively).

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;
- The Group retains the ability, if required, to wholly or in part dispose of interests in mineral exploration assets;
- The Directors regularly monitor the Group's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.

The Directors acknowledge that in order to repay debt, fund ongoing corporate costs and exploration activities at the Group's Chile project and to fund other potential opportunities within the resources sector, the Group will require additional funding. The Directors believe that they will be able to raise additional funding as required however if they are unable to, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether the Group will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements does not include any adjustments relating to the recoverability or classification of recorded asset amounts (including capitalised exploration and valuation expenditure), or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

3 Segment information

Business segment

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

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

All revenue and expenses relate to corporate activities (with the exception of write-off of exploration expenditure) and would not be used to assess segment performance.

4 Other income	**31 December 2019 $**	**31 December 2018 $**
Interest income	22	286
Rental income	16,000	-
	16,022	**286**

5 Exploration and evaluation expenditure	31 December 2019 $	30 June 2019 $
Balance carried forward	2,050,000	1,700,000
Exploration expenditure capitalised, exploration and evaluation phase	19,309	588,946
Impairment of exploration and evaluation expenditure (a)	(19,309)	(238,946)
Ending balance	**2,050,000**	**2,050,000**

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.

Exploration Licences are carried at cost of acquisition, less net impairment charges.

Capitalised costs amounting to $19,309 (June 2019: $588,946) have been included in cash flows from investing activities in the consolidated statement of cash flows.

(a) On the basis that the valuation of $2,050,000 is still appropriate as at 31 December 2019, exploration and evaluation expenditure incurred during the period has been written off.

Impairment recorded as at 30 June 2019 of capitalised exploration and evaluation expenditure relates to assets for which the expenditure is not expected to be fully recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. The impairment is the result of the Group's capitalised exploration and evaluation assets at 30 June 2019 being recorded at fair value based upon a third-party valuation.

The fair value was based on an independent valuation by C2 Mining International Corporation in August 2019. The fair value was based on an average calculated using the Multiples of Exploration Expenditure and the Comparable Transaction methods. The key inputs used in determining fair value as at 30 June 2019 included:

(i) Copper price (Cu) of US$5,970/AU$8,512 per tonne
(ii) Exchange rate of A$1:US$0.7013

The impairment of exploration expenditure capitalised in both the current and prior year relates to the Tuina project in Chile.

In determining whether any further impairment write-downs or reversals of impairment were required during the current half-year, the following was taken into consideration:

- Key input in the valuation is Australian Dollar copper price which have not significantly changed from 30 June 2019.

As at 31 December 2019, the Group has determined that the valuation method that applied at 30 June 2019 is still appropriate and that the estimated fair value of the project remains unchanged from 30 June 2019 at $2,050,000.

6 Financial liabilities	31 December 2019 $	30 June 2019 $
Debt component of convertible notes at amortised cost issued at 22 March 2017 (a)	488,095	481,592
Debt component of convertible notes at amortised cost issued at 1 August 2018 (b)	720,179	665,550
Loans (c)	300,000	-
Ending balance	**1,508,274**	**1,147,142**

(a) Convertible notes issued 22 March 2017

The terms of the original 500,000 convertible notes issued on 22 March 2017 were varied by agreement in April 2018. The material terms of the modified 500,000 convertible notes are:

i. Face value of $1.00 each;
ii. The notes are unsecured;
iii. Coupon of 10%pa repayable on a quarterly basis;
iv. A conversion price of $0.013 per share, for the issue of up to 38,461,538 shares, subject to shareholder approval;
v. Redemption at the Company's election – The Company may at any time redeem (by repayment) the Convertible Notes by giving not less than 3 months' notice; and;
vi. Redemption at the Noteholder's election – If the Company has not redeemed all the Convertible Notes prior to 22 March 2019, the Noteholder may:
   - at any time up until 22 March 2019 convert the Convertible Notes into shares; or
   - at any time redeem the Convertible Note by repayment by giving no less than 3 months' notice.

The Convertible Notes were not redeemed prior to 22 March 2019 and the balance of the Convertible Notes including accrued interest will therefore become payable subject to the 3 months' notice period. As at the date of this report, the Company has not received a redemption notice.

The Company considers that the convertible notes are a compound instrument and in this regard a portion of the convertible notes was recognised in equity on initial recognition.

The fair value of the debt component of the original convertible notes on initial recognition was determined to be $455,676 using a discounted cash flow methodology over the twelve months to maturity. Inputs utilised in assessing the fair value of convertible notes:

Coupon (paid quarterly)	10%
Face value	$500,000
Market interest rate	20%
Fair value at initial recognition, 22 March 2017	$455,676
Equity component	$44,324
Fair value at remeasurement date of 31 December 2019	$488,095

Reconciliation of debt component of convertible notes	**31 December 2019 $**	**30 June 2019 $**
Opening balance at amortised cost	481,592	472,403
Accrued interest upon redemption	18,408	-
Gain on remeasurement	(11,905)	(29,938)
Accrued interest	-	39,127
Closing balance at amortised cost	**488,095**	**481,592**

Subsequent to 31 December 2019, on 9 November 2020 redemption notice has been received.

(b) Convertible notes issued 1 August 2018

On 1 August 2018, the Company issued 500,000 Notes. The material terms of the 500,000 Notes are:

i. Face value of US$1.00 each;
ii. The Notes are unsecured;
iii. The Notes are subject to the receipt of certain necessary regulatory approvals, including shareholder approval for the purposes of ASX Listing Rule 7.1
iv. Coupon of 10% pa payable on a quarterly basis;
v. A conversion price of AU$0.016 per share subject to shareholder approval;
vi. Redemption at the Company's election – The Company may at any time redeem the Notes (by repaying them) by giving not less than 3 months' notice; and
vii. Redemption at the Noteholder's election – If the Company has not redeemed all the Convertible Notes prior to 30 June 2019, the Noteholder may:
    - at any time up until 30 June 2019 convert the Convertible Notes into shares; or
    - at any time redeem the Convertible Note by repayment by giving no less than 3 months' notice.

Shareholder approval was obtained at the AGM held on 28 November 2018 for the Company to convert the 500,000 Notes issued on 1 August 2018 into 500,000 convertible notes. The fair value of the debt component of the instrument was calculated as the fair value of the instrument less the value of the derivative liability at 28 November 2018.

The instrument includes a debt component and a derivative liability, being the conversion right. The fair value of the debt component of the instrument was calculated as the face value of the instrument less the value of the derivative liability at inception. The debt component then accretes up to the face of the instrument over the remaining term. The derivative liability is remeasured at each reporting date with the movement in fair value recorded in the income statement. The derivative liability is extinguished once it passes its maturity date.

Redemption notice was received on 13 November 2019 and subsequent to 31 December 2019, the Group has negotiated the following redemption payment terms, being 4 equal instalments of US$125,000 by 13 February 2020, 13 July 2020, 13 October 2020 and 13 January 2021.

Reconciliation of debt component of convertible notes	**31 December 2019 $**	**30 June 2019 $**
Opening balance at amortised cost	665,550	-
Fair value upon initial recognition, 28 November 2018	-	563,350
Gain on remeasurement	(7,119)	(23,706)
Foreign exchange adjustment	30,548	4,171
Accrued interest	31,200	121,735
Closing balance at amortised cost	**720,179**	**665,550**

Refer to Note 7 for details on the derivative liability.

(c) Loans

On 18 September 2019 and on 25 November 2019 the Group received $100,000 and $200,000 by way of a 10% interest-bearing loan from one of the Company's directors, Mr Kinpo Yu. On 23 October 2020, the Group received written confirmation from the loan provider that repayment was postponed until the Group has sufficient funds to pay its debts when they fell due.

7 Embedded Derivative	**31 December 2019 $**	**30 June 2019 $**
Embedded derivative arising from USD denominated financial liabilities:		
Balance at beginning of period	32,500	-
Fair value on recognition	-	130,500
Fair value movements	(32,500)	(98,000)
Ending balance	**-**	**32,500**

As Convertible Notes issued on 1 August 2018 are denominated in USD, the conversion right represents a derivative liability. For the half-year ended 31 December 2019, the maturity date of the derivative liability has passed and it no longer has a fair value at the half-year end.

8 Contributed equity

(a) Share Capital	31 December 2019 Number	30 June 2019 Number
Ordinary shares fully paid	715,664,870	700,664,870

(b) Movement in ordinary share capital		31 December 2019		30 June 2019	
Date	Details	Number of shares	Amount $	Number of shares	Amount $
1 July	**Opening balance**	**700,664,870**	**154,395,699**	**602,531,537**	**153,562,311**
27 March 2019	Placement	-	-	13,333,333	200,000
29 June 2019	Conversion of notes	-	-	84,800,000	645,810
20 August 2019	Placement	15,000,000	195,000	-	-
	Cost of issues	-	(3,296)	-	(12,422)
	Ending balance	**715,664,870**	**154,587,403**	**700,664,870**	**154,395,699**

There were no dividends recommended or paid during the period to 31 December 2019 (2018: nil).

9 Reserves		**31 December 2019 $**	**30 June 2019 $**
Foreign currency translation reserve	9(a)	(79,261)	(78,678)
Option reserves	9(b)	2,331,795	2,331,795
Equity reserves	9(c)	(2,309,759)	(2,309,759)
Ending balance		**(57,225)**	**(56,642)**

(a) Foreign Currency Translation Reserve	**31 December 2019 $**	**30 June 2019 $**
Movements in Foreign currency translation reserve were as follows:		
Balance at the beginning of the period	(78,678)	(75,988)
Exchange differences on translating foreign operations	(583)	(2,690)
Ending balance	**(79,261)**	**(78,678)**

(b) Movement in options

Date	**Details**	**31 December 2019 Number**	**31 December 2019 $**	**30 June 2019 Number**	**30 June 2019 $**
1 July	**Opening balance**	**-**	**2,331,795**	**-**	**2,331,795**
	Ending balance	**-**	**2,331,795**	**-**	**2,331,795**

10 Commitments	**Consolidated 31 December 2019 $**	**Consolidated 31 December 2018 $**
(a) Remuneration commitments(i)		
Not later than one year	168,000	168,000
Total remuneration commitments	**168,000**	**168,000**
(b) Exploration expenditure commitments(ii)		
Not later than one year	100,000	100,000
Later than one year and not later than five years	400,000	400,000
Later than five years	-	-
Total exploration expenditure commitments(iii)	**500,000**	**500,000**

(i) Commitments for remuneration under service agreements in existence at the reporting date but not recognised as liabilities payable.

(ii) The minimum expenditure requirement is in relation to granted mineral exploration licences. All exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Group 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.

11 Events occurring after the balance date

On 3 January 2020 the Group received $700,000 from an overseas investor as a subscription for 70,000,000 fully paid ordinary shares at an issue price of A$0.01 per share. The 70,000,000 shares were issued on 5 June 2020 and 8 July 2020 for 54,100,000 fully paid ordinary shares and 15,900,000 fully paid ordinary shares respectively. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. This event had impact on the cash flows of the Group as they have experienced some delays in being able to raise funds as required.

On 24 June 2020, the Group has also received a total of $500,000 proceeds from loan agreements entered into with three third party investors subsequent to period end. These loans are to be repaid by 24 June 2021 or can be converted into shares at any time prior to repayment date at the discretion of the Company.

On 8 July 2020 the Company issued a total of 15,900,000 shares to be held in voluntary escrow until 8 July 2021. This is the remaining amount of the A$700,000 that the Group received on 3 January 2020 from an overseas investor as a subscription for 70,000,000 fully paid ordinary shares at an issue price of A$0.01 per share.

On 18 November 2020 the Group received an additional $160,000 by way of short-term loan provided by a company director. The director has confirmed that this loan will not be required to be repaid until the Group has the funds to do so and such repayment will not place the Group in a position where it would be unable to pay its debts as and when they fall due.

On 9 November 2020 the Group received redemption notice from Eternal Gold Limited for its $500,000 convertible note with repayment to occur by 9 February 2021. Management is currently negotiating with the noteholder to amend the repayment terms from one instalment to four instalments over a period of 12 months.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

12 Related party transactions

There were no transactions with related parties during the period other than the settlement of remuneration liabilities in accordance with service contracts and loans received from one of the Company’s directors, Mr. Kinpo Yu amounting to $300,000.

In the directors' opinion:

1 the financial statements and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

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

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

Liang Li
Executive Director
Melbourne, Victoria, Australia
16 December 2020

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working world

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Independent auditor's review report to the members of RMG Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of RMG Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

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

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
16 December 2020