RMG Limited

ABN 51 065 832 377

FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2016

CONTENTS

Corporate Directory

Directors	Mr Kinpo Yu Dr John Chen Mr Robert Kirtlan Mr John Zee
Company Secretary	Lloyd Flint
Registered Office	Suite 5, 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

Your directors present their report on the consolidated group ("RMG Group" or "the Group") for the half–year ended 31 December 2016.

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

Mr Robert Kirtlan	Executive Director - appointed 29 April 2011
Mr Michael Griffiths	Non-executive Director - appointed 6 June 2013; resigned 13 September 2016
Mr Rhett Brans	Non-executive Director – appointed 19 January 2015; resigned 13 September 2016
Mr Kinpo Yu	Non- Executive Chair – appointed 13 September 2016
Mr Chris Dai	Executive Director – appointed 13 September 2016; resigned 22 November 2016
Dr John Chen	Non-executive Director - appointed 13 September 2016
Mr John Zee	Executive Director – appointed 19 January 2017

Principal Activities

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

Review of Operations

During the half-year the Group made a loss from operations of $801,419 (31 December 2015: loss of $10,003,642). Additional information on the financial position of the Group is set out in the financial statements.

Report on Exploration Activity

<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).

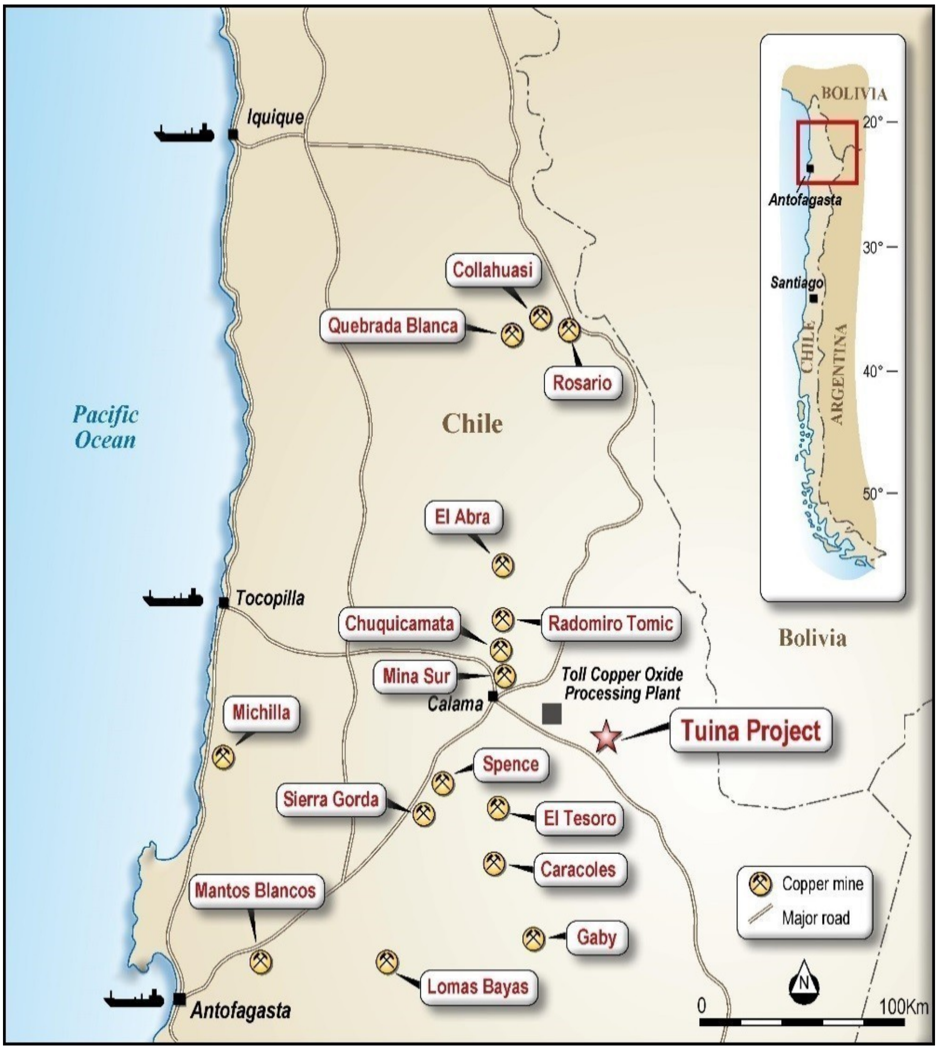

Figure 1: **Location of Tuina Project, Chile**

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 shut in copper operations and from new leads created by the Group.

Company Strategy

RMG has not undertaken any physical activity at the Tuina Project but continues to meet all expenditure commitments there. A review is currently underway to assess potential work on the Project.

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

Corporate Activity

On the 22 August 2016 the shareholders of RMG Limited approved the issue to Epoch Bliss Limited (**Epoch)** of 222,222,222 shares at 0.9 cents per share to raise $2,000,000 before expenses. The shares were issued on 13 September 2016. Epoch has effective control of RMG Ltd as it now holds 51.6% of the Group's issued capital. The three representatives from Epoch joined the Group's Board:

1. Mr Kinpo Yu (Non-Executive Chair)
2. Mr Chris Dai (Executive director)
3. Dr John Chen (Non-Executive director)

RMG directors Mr Rhett Brans and Mr Michael Griffith resigned as directors of the Group upon completion of the Share Subscription Agreement. Mr Robert Kirtlan remains on the Board as an Executive Director. Mr Dai resigned on 22 November 2016 for personal reasons. Mr John Zee has filled the vacant board position effective 19 January 2017.

Also approved by the shareholders was a restructure of terms of the Group's existing debt facilities with the Group's two largest shareholders, Ridgefield Capital Management Limited and Tyticus Master Trust. Details of the restructure of these facilities are set out below:

Facilities prior to completion of the Subscription Agreement were as follows:

Credit Limit:	Tyticus loan facility – US$600,000 Ridgefield loan facility – US$400,000
Term:	12 months, expiring on 31 March 2016;
Interest:	Interest is payable at a rate of 10% per annum, which interest may be capitalised to the loan principal;
Security:	The facilities are secured by a share mortgage over the entity holding the Group's Chile assets.

To facilitate the Share Subscription Agreement with Epoch, the Facility Providers agreed to:

- increase the size of the facilities by an aggregate amount of US$300,000 (resulting in an increase in the Ridgefield facility limit to US$520,000 and an increase in the Tyticus facility limit to US$780,000);
- extend the repayment date for both facilities until 31 March 2017;
- Interest is payable on amounts drawn down under the facilities from July 1st 2016 (previously interest was able to be capitalised);
- US$110,000 of drawdowns was repaid to the lenders; and
- Repayment of loans by way of capital raising.

Repayment of loans

In the event that RMG does not successfully raise a minimum sum of A$1.5 million at a minimum subscription price of 1.25 cents ($0.0125) per share to enable repayment of these facilities by the scheduled repayment date of 31 March 2017, then each of the Facility Providers will have a call option which allows them to convert their outstanding loan amounts into shares in the Group at the same subscription price at which shares are being issued to Epoch under the Share Subscription Agreement (being $0.009 per share), or alternatively elect to be transferred a proportionate share in RMG's Chilean property in exchange for the deemed repayment of amounts outstanding under the relevant facility. Please also refer to matters subsequent to end of half-year note below for additional commentary.

61,065,358 options exercisable at various prices expired on 31 August 2016. No notices to convert were received by the Group.

Apart from the above activities, there were no corporate actions during the period.

Matters subsequent to the end of the Half-Year

Further amendment to loan facilities
A further amendment deed was executed subsequent to 31 December 2016 whereby it was agreed that US$480,000 of the principal amount outstanding is to be repaid on 31 March 2017, along with the prepayment of interest on the unpaid portion of principal. It is anticipated that the shares available for issue under LR 7.1 and 7.1A (15% and 10% rules respectively) will be placed with subscribers at the agreed subscription price of 1.25c or higher to raise the funds to facilitate the repayment, and the process to raise these funds has commenced. All other terms and conditions will remain unchanged. The agreed terms of the amendment are:

i. RMG Ltd to pay Ridgefield and Tyticus US$192,000 and US$288,000 respectively by 31 March 2017;
ii. Interest will become payable on the residual balance of loan outstanding on 31 March 2017 and is to be paid in advance for 12 months;
iii. The amendment can be terminated if the repayment above is not completed by 20 March 2017 unless otherwise extended by mutual agreement;
iv. The repayment date for the remaining amount is amended to 31 March 2018, and
v. The Facility Agreements, as amended by the Binding Term Sheet and Amendment Deed referred to in the restructure above and this further amendment, is and continues to be in full force and effect

Since 31 December 2016 there has been no matter or circumstance other than the above, that has arisen that has significantly affected, or may significantly affect:

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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

Robert Kirtlan
Director
Perth
16 March 2017

Building a better
working world

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Auditor's Independence Declaration to the Directors of RMG Limited

As lead auditor for the review of RMG Limited for the half-year ended 31 December 2016, 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

Ernst & Young

T S Hammond
Partner
16 March 2017

	Notes	31 December 2016 $	31 December 2015 $
Other income	4	3,602	2,664
Expenses			
Exploration expenditure write off	5	(49,642)	(9,746,714)
Administration costs		(495,705)	(207,766)
Directors fees and employee benefits		(174,092)	(55,000)
Interest expense		(85,583)	-
Foreign exchange gains / (losses)		-	3,174
Total expenses		(805,021)	(10,006,306)
Loss before income tax		**(801,419)**	**(10,003,642)**
Income tax expense		-	-
Loss for the period from continuing operations attributable to:			
Owners of parent:		(801,419)	(10,003,642)
Non-controlling interest:		-	-
		(801,419)	**(10,003,642)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation		**36**	**(33,084)**
Total other comprehensive income for the period		**-**	**(33,084)**
Total comprehensive loss for the period		**(801,383)**	**(10,036,726)**

	Cents	Cents
Loss per share attributable to the ordinary equity holders of the Group:		
Basic and diluted loss per share	**(0.23)**	**(4.97)**

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

	Notes	31 December 2016 $	30 June 2016 $
ASSETS			
Current assets			
Cash and cash equivalents		913,464	14,293
Other receivables		14,983	19,026
Total current assets		**928,447**	**33,319**
Non-current assets			
Plant and equipment		1,055	1,423
Exploration and evaluation expenditure	5	1,500,000	1,500,000
Total non-current assets		**1,501,055**	**1,501,423**
Total assets		**2,429,502**	**1,534,742**
LIABILITIES			
Current liabilities			
Trade and other payables		98,203	495,136
Short Term Loans	6	1,491,100	1,561,826
Embedded Derivative	6	171,347	-
Total current liabilities		**1,760,650**	**2,056,962**
Total liabilities		**1,760,650**	**2,056,962**
Net assets/(deficiency)		**668,852**	**(522,220)**
EQUITY			
Contributed equity	7(c)	151,158,038	149,165,583
Reserves	8(b)	2,331,795	2,331,795
Foreign currency translation reserve	8(a)	(72,654)	(72,690)
Equity reserve	8(c)	(2,354,083)	(2,354,083)
Accumulated losses		(150,394,244)	(149,592,825)
Net equity/(deficit)		**668,852**	**(522,220)**

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 2015	**149,019,083**	**2,331,795**	**(2,354,083)**	**(136,834,792)**	**(42,143)**	**12,119,860**
Foreign currency translation	-	-	-	-	(33,084)	(33,084)
Loss for the period	-	-	-	(10,003,642)	-	(10,003,642)
Total comprehensive income/loss for the half-year	**-**	**-**	**-**	**(10,003,642)**	**(33,084)**	**(10,036,726)**
Issue of securities	155,000	-	-	-	-	155,000
Cost of issue of securities	-	-	-	-	-	-
Balance at 31 December 2015	**149,174,083**	**2,331,795**	**(2,354,083)**	**(146,838,434)**	**(75,227)**	**2,238,134**
Balance at 1 July 2016	**149,165,583**	**2,331,795**	**(2,354,083)**	**(149,592,825)**	**(72,690)**	**(522,220)**
Foreign currency translation	-	-	-	-	36	36
Loss for the period	-	-	-	(801,419)	-	(801,419)
Total comprehensive income/loss for the half-year	-	-	-	(801,419)	36	(801,383)
Issue of securities	2,000,000	-	-	-	-	2,000,000
Cost of issue of securities	(7,545)	-	-	-	-	(7,545)
Balance at 31 December 2016	**151,158,038**	**2,331,795**	**(2,354,083)**	**(150,394,244)**	**(72,654)**	**668,852**

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

	31 December 2016 $	31 December 2015 $
Cash flows from operating activities		
Payments to suppliers and employees	(834,069)	(157,020)
Interest received	3,602	-
Interest paid	(85,583)	-
Net cash outflow from operating activities	**(916,050)**	**(157,020)**
Cash flows from investing activities		
Payments for exploration activities	(55,874)	(219,938)
Net cash outflow from investing activities	**(55,874)**	**(219,938)**
Cash flows from financing activities		
Proceeds from issue of shares	2,000,000	-
Cost of capital raising	(7,545)	-
Repayment of borrowings	(121,359)	-
Proceeds from borrowings	-	362,433
Net cash inflow from financing activities	**1,871,095**	**362,433**
Net increase/(decrease) in cash and cash equivalents	**899,171**	**(14,525)**
Cash and cash equivalents at the beginning of the half-year	14,293	45,919
Cash and cash equivalents at the end of the half-year	**913,464**	**31,394**

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

1 Basis of preparation

This general purpose condensed financial report for the half–year ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134, *Interim Financial Reporting* and the *Corporations Act 2001.*

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 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 2016, other than as detailed below.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective from 1 July 2016. Adoption of these pronouncements have no material impact on the Group's financial statements. The Group has not early adopted any other new or revised standard or interpretation or amendment that has been issued but are not yet effective.

The adoption of the revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods.

2 Going concern

The Group incurred a net loss after income tax of $801,419 for the half-year ended 31 December 2016 (2015: net loss after income tax of $10,003,642) and had a net cash outflow from operating and investing activities for the half year of $971,924 (2015: net cash outflow of $376,958). As at 31 December 2016 the Group had cash and cash equivalents of $913,464 (30 June 2016: $14,293) and a working capital deficiency of $832,203 (30 June 2016: $2,023,643).

The Group will require further funding during the next 12 months in order to repay its credit facilities, meet day to day obligations as they fall due and to progress its exploration projects.

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

- Following amendments to the loan facility in February 2017, the Group is required, by 31 March 2017, to repay US$480,000 of the loan amount, plus prepay interest to 31 March 2018 on the outstanding principal, which is due to be repaid by 31 March 2018;

- The Group expects to receive the amounts required to make these repayments by 31 March 2017 by raising amounts under ASX listing rules 7.1 and 7.1A (15% and 10% rules respectively) prior to 31 March 2017 and has commenced the process to do this;
- In the event that the Group does not successfully raise the amounts required to repay the facility, then each of the Facility Providers will have a call option which allows them to convert their outstanding loan amounts into shares in the Company at the same subscription price at which shares are being issued to Epoch under the Share Subscription Agreement (being $0.009 per share), or alternatively elect to be transferred a proportionate share in RMG's Chilean property in exchange for the deemed repayment of amounts outstanding under the relevant facility;
- 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 are currently considering the most appropriate means of raising equity including an Entitlement Offer, a Share Purchase Plan or a Placement.

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

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

3 Segment information

Business segment

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

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

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

4 Other income	**December 2016 $**	**December 2015 $**
Other income		
Other income	3,602	2,664
	3,602	**2,664**

5 Exploration and evaluation expenditure

	December 2016 $	**June 2016 $**
Balance carried forward	1,500,000	13,050,821
Exploration expenditure capitalised, exploration and evaluation phase	55,874	434,570
Recoveries	(6,232)	-
Write down of exploration expenditure incurred previously capitalised, net of recoveries	(49,642)	(11,985,391)
	1,500,000	**1,500,000**

Exploration Licences are carried at cost of acquisition. With regard to the Tuina project, as a result of a valuation carried out by AA Maynard and Associates for purposes of an experts report pursuant to holding a general meeting held 21 August 2016, the Tuina Project was valued (lower value) at $1.5m.

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.

6 Short term loan

	December 2016 $	June 2016 $
Balance at beginning of period	1,561,826	821,618
Drawdowns and interest charged capitalised, including foreign exchange movements, during the period to 22/8/16	-	740,208
Loss on restructure and refinance of loan 22/8/16 – initial fair value	90,140	-
Amortisation of loan	(51,509)	-
Repayment of principal	(144,018)	-
Balance at period end	1,456,186	1,561,826

The key terms of the restructured facility as at 31 December 2016 are as follows :

Term: expiring on 31 March 2017;
Facility : USD$1,300,000 in aggregate;
Interest: Interest is payable at a rate of 10% per annum, which interest may be capitalised to the loan principle;
Fee: An aggregate fee of USD50,000 was paid to the lenders; and
Security: The facilities are secured by a share mortgage over the entity holding the Group's Chile assets.

In addition, the following changes to the key terms which were approved by shareholders during the period :

- Interest is payable on amounts drawn down under the facilities from July 1st 2016 (previously interest was able to be capitalised);
- Advances made under the facilities subsequent to May 1st 2016 for the purpose of funding expenditure on RMG's Chilean property have been repaid from funds received under the Share Subscription Agreement (up to a maximum amount of US$110,000 (AUD$121,359));
- In the event that RMG does not successfully raise a minimum sum of A$1.5 million at a minimum subscription price of 1.25 cents ($0.0125) per share to enable repayment of these facilities by the scheduled repayment date of 31 March 2017 (with 2 weeks notice), then each of the Facility Providers will have a call option which allows them to convert their outstanding loan amounts into shares in the Group at the same subscription price at which shares are being issued to Epoch under the Share Subscription Agreement (being $0.009 per share), or alternatively elect to be transferred a proportionate share in RMG's Chilean property in exchange for the deemed repayment of amounts outstanding under the relevant facility.

Embedded derivative arising from on amendment to loan facilities and a USD denominated loan:	**December 2016 $**	**June 2016 $**
Balance at beginning of period	-	-
Fair value on recognition 22/8/16	274,686	-
Fair value at period end - movement	(103,339)	-
Balance at period end	171,347	-

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - a valuation technique is used using inputs other than quoted prices within level 1 that are observable, either directly (i.e. as prices), or indirectly (i.e. derived from prices);
- Level 3 - a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

The embedded derivative arises where the transaction currency differs from the functional currency of the parties involved (the loan is denominated in USD). The Group takes into account the counterparties credit risks (nil on this occasion) and the Group's own non-performance risk (the embedded derivative liability) and includes a valuation adjustment when taking into account market based inputs concerning probabilities of default and a loss on default. The fair value of the embedded derivative falls into category 3 of the fair value hierarchy and is based on unobservable inputs in the absence of quoted prices in a market and hence the use of an expert for the purposes of the valuation. The key inputs used in determining the fair value using a forward pricing model were:.

	22-Aug-16	31-Dec-16
Call option strike price cents	0.9	0.9
Underlying security cents	1.2	1.1
Term - days	210	90
Volatility	100%	100%
Risk free interest rate	1.44%	1.50%
Probability	33%	33%
USD exchange rate	0.76244	0.72261

Assessing the sensitivity to the fair value with regard to movement of the USD/AUD of 5.5% over the relevant period and to date of this report would result in an increase/(decrease) of $9,444/($9,444) in fair value re-measurement (2015 – nil).

7 Equity

(a) Share Capital	**31 December 2016 Shares Number**	**30 June 2016 Shares Number**
Ordinary shares fully paid	430,666,152	208,443,930
(b) Other Equity Securities	**31 December 2016 Number**	**30 June 2016 Number**
Options exercisable at 66 cents on 01 April 2017	303,030	303,030
Options exercisable at 19.8 cents on 31 August 2016	-	2,424,240
Options exercisable at 9.9 cents on 31 August 2016	-	58,641,118
Options exercisable at 9.9 cents on 31 August 2017	24,696,969	24,696,969

(c) Movement in ordinary share capital

		31 December 2016		**30 June 2016**	
Date	**Details**	**Number of shares**	**Amount $**	**Number of shares**	**Amount $**
	Opening balance	**208,443,930**	**149,165,583**	**200,543,930**	**149,019,083**
14 December 2015	In lieu of fees and services	-	-	7,750,000	155,000
4 May 2016	Services	-	-	150,000	1,500
13 September 2016	Placement	222,222,222	2,000,000	-	
	Cost of issues	-	(7,545)	-	(10,000)
June 30	Balance	**430,666,152**	**151,158,038**	**208,443,930**	**149,165,583**

There were no dividends recommended or paid during the period (2015 : nil)

8 Reserves

	31 December 2016 $	**30 June 2016 $**
Foreign currency translation reserve	(72,654)	(72,690)
Option reserves	2,331,795	2,331,795
Equity reserves	(2,354,083)	(2,354,083)
	(94,942)	(94,978)

(a) Foreign Currency Translation Reserve	**31 December 2016**	**30 June 2016**	**31 December 2015**
Movements in Foreign currency translation reserve were as follows:			
Balance at the beginning of the period	**(72,690)**	**(42,143)**	**(42,143)**
Exchange differences on translating foreign operations	36	(30,547)	(33,084)
Total balance at the end of the period	**(72,654)**	**(72,690)**	**(75,227)**

(b) Movement in options

Date	Details	Number of options 31 December 2016	Amount 31 December 2016 $	Number of options 30 June 2016	Amount 30 June 2016 $
1 July		**86,065,337**	**2,331,795**	**86,065,337**	**2,331,795**
31 August 2016	9.9c options expired	(58,641,118)	-	-	-
31 August 2016	19.8c options expired	(2,424,240)	-	-	-
	Closing balance	**24,999,979**	**2,331,795**	**86,065,337**	**2,331,795**

(c) Equity Reserves	31 December 2016	30 June 2016
	$	$
Balance at beginning of period	**2,354,083**	**2,354,083**
Closing Balance	**2,354,083**	**2,354,083**

The Equity reserve is used to record the difference on acquisition of the Non-Controlling Interest (NCI). There were no changes during the period (nil in the prior period).

9 Commitments

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
(a) Operating lease commitments		
Not later than one year	17,136	-
Later than one year and not later than five years	32,844	-
Total minimum lease payments	**49,980**	-
(b) Remuneration commitments[(i)]		
Not later than one year	240,000	60,000
Total remuneration commitments	**240,000**	**60,000**
(c) Exploration expenditure commitments[(ii)]		
Not later than one year	86,000	84,078
Later than one year and not later than five years	344,000	336,310
Later than five years	-	-
Total exploration expenditure commitments	**430,000**	**420,388**

(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.

(iii) 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.

10 Fair value measurement

The Group's principal financial instruments comprise receivables, payables, cash and cash equivalents. Due to the short term nature of the financial assets and financial liabilities, the carrying value is considered to approximate the fair value. At 31 December 2016 the Group has no material financial assets and liabilities that are measured at fair value other than the embedded derivative arising on the loan facility restructure.

11 Events occurring after the balance date

A further amendment deed was executed subsequent to 31 December 2016 in relation to the short-term loan whereby it was agreed that US$480,000 of the principal amount outstanding is to be repaid on 31 March 2017, along with the prepayment of interest on the unpaid portion to 31 March 2018. It is anticipated that the shares available for issue under LR 7.1 and LR 7.1A (15% and 10% rules respectively) will be placed with subscribers at the agreed subscription price of 1.25c or higher to raise the funds to facilitate the repayment, and the process to raise these funds has commenced. All other terms and conditions will remain unchanged. The agreed terms of the amendment are:

i. RMG Ltd to pay Ridgefield and Tyticus US$192,000 and US$288,000 respectively by 31 March 2017;
ii. Interest will become payable on the residual balance of loan outstanding on 31 March 2017 and is to be paid in advance for 12 months;
iii. The amendment can be terminated if the repayment above is not completed by 20 March 2017 unless otherwise extended by mutual agreement;
iv. The repayment date for the remaining amount is amended to 31 March 2018, and
v. The Facility Agreements, as amended by the Binding Term Sheet and Amendment Deed referred to in the restructure above and this further amendment, is and continues to be in full force and effect

Other than the above, there have been no other material items, transactions or events subsequent to 31 December 2016 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

12 Related party transactions

There were no transactions with related parties other than the settlement of “arm’s length” remuneration liabilities in accordance with service contracts.

In the directors' opinion:

1 the financial statements and notes set out on pages 9 to 25 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 2016 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial half-year ended on that date; and

2 subject to the achievement of the conditions set out in Note 2 to the financial report, there are reasonable grounds to believe that the 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.

R Kirtlan
Director
Perth
16 March 2017

Building a better working world

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Independent auditor's report to the members of RMG Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of RMG Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RMG Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Material uncertainty related to going concern

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

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
16 March 2017