



RMG
Limited

RMG Limited

ABN 51 065 832 377

FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2017

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Corporate Directory

Directors	Mr Kinpo Yu - Non – Executive Chairman Mr Robert Kirtlan - Executive Director Mr John Zee - Executive Director
Company Secretary	Paige Exley
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.rmgld.com.au

Directors' Report

Your 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 2017.

Directors

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

		Appointed	Resigned
Mr Robert Kirtlan	Executive Director	29 April 2011	Current
Mr Kinpo Yu	Non - Executive Chairman	13 September 2016	Current
Dr John Chen	Non - Executive Director	13 September 2016	13 September 2017
Mr John Zee	Executive Director	19 January 2017	Current

Company Secretary

The Company Secretary during the period is as follows:

	Appointed	Resigned
Mr Lloyd Flint	24 February 2012	29 November 2017
Ms Paige	29 November 2017	Current

Principal Activities

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

Significant Changes in the State of Affairs

On 31 August 2017, 24,696,969 unlisted options exercisable at \$0.099, expired.

On 13 September 2017, Dr John Chen resigned as Non-Executive Director of the Company.

On 29 November 2017, Mr Lloyd Flint resigned as Company Secretary and CFO, and Ms Paige Exley was appointed as Company Secretary and CFO.

Results of Operations

During the half-year the Group made a loss from operations of \$557,334 (31 December 2016: loss of \$801,419). Additional information on the financial position of the Group is set out in the financial statements.

Review of Operations

Tuina Copper Project - Chile

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 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

During February 2018, the Company signed and commenced a lease, for the term of three years, for office premises at Level 20, 350 Queen Street, Melbourne, VIC.

Since 31 December 2017 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 5.

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



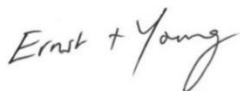
Robert Kirtlan
Executive Director
16 March 2018

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 2017, 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



T S Hammond
Partner
16 March 2018

RMG Limited
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2017

	Notes	31 December 2017 \$	31 December 2016 \$
Other income	4	3,542	3,602
Expenses			
Exploration expenditure write off	5	(23,651)	(49,642)
Administration costs		(293,658)	(595,303)
Directors fees and employee benefits		(153,021)	(174,092)
Interest expense		(76,386)	(85,583)
(Loss)/gain on re-measurement of embedded derivative	7	(25,323)	103,339
Gain/(loss) arising on re-measurement of financial liability		11,163	(3,740)
Total expenses		(557,334)	(805,021)
Loss before income tax		(557,334)	(801,419)
Income tax expense		-	-
Loss for the period from continuing operations attributable to:			
Owners of parent		(557,334)	(801,419)
		(557,334)	(801,419)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		-	36
Total other comprehensive income for the period		-	-
Total comprehensive loss for the period		(557,334)	(801,383)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Group:			
Basic and diluted loss per share		(0.11)	(0.23)

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

RMG Limited
Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	31 December 2017 \$	30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		676,162	1,182,216
Current receivables		-	18,308
Other receivables		38,825	78,244
Total current assets		714,987	1,278,768
Non-current assets			
Plant and equipment		649	789
Exploration and evaluation expenditure	5	1,500,000	1,500,000
Total non-current assets		1,500,649	1,500,789
Total assets		2,215,636	2,779,557
LIABILITIES			
Current liabilities			
Trade and other payables		69,645	98,632
Short term loans	6	1,242,595	1,245,518
Embedded derivative	7	69,526	44,203
Total current liabilities		1,381,766	1,388,353
Total liabilities		1,381,766	1,388,353
Net assets/(deficiency)		833,870	1,391,204
EQUITY			
Contributed equity	8(c)	152,336,038	152,336,038
Reserves	9(b)	2,331,795	2,331,795
Foreign currency translation reserve	9(a)	(72,655)	(72,655)
Equity reserve	9(c)	(2,309,759)	(2,309,759)
Accumulated losses		(151,451,549)	(150,894,215)
Net equity/(deficit)		833,870	1,391,204

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

RMG Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

Consolidated	Contributed equity	Share Based Payment Reserves	Equity Reserves	Accumulated losses	Foreign currency translation reserve	Total
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
Balance at 1 July 2017	152,336,038	2,331,795	(2,309,759)	(150,894,215)	(72,655)	1,391,204
Foreign currency translation	-	-	-	-	-	-
Loss for the period	-	-	-	(557,334)	-	(557,334)
Total comprehensive income/loss for the half-year	-	-	-	(557,334)	-	(557,334)
Balance at 31 December 2017	152,336,038	2,331,795	(2,309,759)	(151,451,549)	(72,655)	833,870

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

RMG Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities		
Payments to suppliers and employees	(448,445)	(834,069)
Interest received	3,542	3,602
Interest paid	(37,500)	(85,583)
Net cash outflow from operating activities	(482,403)	(916,050)
Cash flows from investing activities		
Payments for exploration activities	(23,651)	(55,874)
Net cash outflow from investing activities	(23,651)	(55,874)
Cash flows from financing activities		
Proceeds from issue of shares	-	2,000,000
Cost of capital raising	-	(7,545)
Repayment of borrowings	-	(121,359)
Net cash inflow from financing activities	-	1,871,095
Net increase/(decrease) in cash and cash equivalents	(506,054)	899,171
Cash and cash equivalents at the beginning of the half-year	1,182,216	14,293
Cash and cash equivalents at the end of the half-year	676,162	913,464

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 2017 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 2017 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*.

Reclassification has been made to the comparatives of the Group's statement of comprehensive income to make more appropriate presentation in line with the presentation for the year ended 30 June 2017.

Gain on re-measurement of embedded derivative of \$103,339, and loss on re-measurement of financial liability of \$3,740 for the half year ended 31 December 2016 were reclassified from administration costs to separate line items. The above reclassification has no impact in the profit and loss balance and thus, is only for the purpose of the fair presentation of the financial statements.

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 2017, 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 2017. 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 \$557,334 for the half-year ended 31 December 2017 (2016: net loss after income tax of \$801,419) and had a net cash outflow from operating and investing activities for the half year of \$506,054 (2016: net cash outflow of \$971,924). As at 31 December 2017 the Group had cash and cash equivalents of \$676,162 (30 June 2017: \$1,182,216) and a working capital deficiency of \$666,779 (30 June 2017: \$109,585).

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:

- 500,000 unlisted convertible notes issued on 22 March 2017 at a face value of \$1.00 each (total value \$500,000), will mature on 22 March 2018. In the event that the Group does not have sufficient funds required to repay the convertible notes by their due date then the notes

will convert at a conversion price of \$0.013 per share; which was approved by shareholders on 24 November 2017.

- Following amendments to the loan facility in February 2017, the Group is required to pay the outstanding principal of US\$480,000 and capitalised interest of US\$108,409 (total value \$753,898) by 31 March 2018;
- The Group expects to receive the amounts required to make the loan facility repayments by 31 March 2018 by raising amounts under ASX listing rules 7.1 and 7.1A (15% and 10% rules respectively) prior to 31 March 2018 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 acknowledge that in order to repay debt, fund ongoing 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 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	31 December 2017 \$	31 December 2016 \$
Interest income	3,542	3,602
	3,542	3,602

5 Exploration and evaluation expenditure	31 December 2017 \$	30 June 2017 \$
Balance carried forward	1,500,000	15,000,000
Exploration expenditure capitalised, exploration and evaluation phase	23,651	161,340
Write down of exploration expenditure incurred previously capitalised, net of recoveries	(23,651)	(161,340)
Ending balance	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 \$1.5 million.

The fair value of the Tuina project falls into level 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 estimated fair value was based on an average calculated using the Multiples of Exploration Expenditure and the Yardstick valuation methods. The key inputs used in determining the fair value as at 30 June 2016 were:

- a) Copper Price (Cu US\$4,633.25 per tonne)
- b) Exchange rate (A\$=US\$0.75)

As at 31 December 2017, the Group has reconsidered the fair value of the Tuina project and has determined that the valuation method that applied at 30 June 2016 is still appropriate and that the estimated fair value of the project remains unchanged from 30 June 2016 at \$1,500,000. Accordingly, exploration expenditure incurred and capitalised during the period has been impaired. Capitalised costs amounting to \$23,651 (30 June 2017: \$161,340) have been included in cash flows from investing activities in the consolidated statement of cash flows.

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 loans	31 December 2017 \$	30 June 2017 \$
Short term loans at amortised cost	753,898	765,061
Debt component of convertible notes at amortised cost	488,697	480,457
Ending balance	1,242,595	1,245,518

Short term loans

The facilities were originally entered into 31 March 2015 and were US\$1 million in aggregate.

The key terms of the current restructured facility as at 31 December 2017 are as follows:

- Term:** expiring on 31 March 2018;
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; and
Security: The facilities are secured by a share mortgage over the entity holding the Group's Chile assets.

The following is the change to the relevant key terms which were approved by shareholders at a general meeting held 22 August 2016:

- i. Interest payable on amounts drawn down under the facilities from 1 July 2016 (previously interest was able to be capitalised);
- ii. 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 2018 (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.

A further amendment deed was executed 16 March 2017, the relevant agreed terms of the amendment were:

- i. The repayment date for the remaining amount, of US\$480,000 principal plus capitalised interest of US\$108,409 (AU\$753,898), is amended to 31 March 2018, and the conversion rights have also been extended.
- ii. 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 including the conversion rights.

All other terms and conditions remain unchanged.

The carrying value of the Group's short-term loan approximates the fair value as at 31 December 2017.

The fair value measurement falls into level 3 of the fair value measurement hierarchy and has been determined using a discounted cash flow methodology. The primary input was the risk adjusted discount rate of 20% being indirectly derived from market rates for similar borrowings and an estimate applied for the level of risk attached to the company.

Convertible Notes

Additional funding was procured to facilitate the amended repayment amount and to raise working capital through the issue of 500,000 unlisted convertible notes on 22 March 2017 with the following terms:

- i. face value of \$1.00 each;
- ii. term of 12 months, maturing 22 March 2018;
- iii. Coupon of 10%pa repayable on a quarterly basis;
- iv. the notes are unsecured; and
- v. a conversion price of \$0.013 per share; which was approved by shareholders on 24 November 2017.

Further, the Company considers that the convertible note is a compound instrument and in this regard a portion of the convertible note was recognised in equity.

The fair value of the convertible note 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 the convertible note:

	22 March 2017
Coupon (paid quarterly)	10%
Face value	\$500,000
Market interest rate	20%
Fair value at initial recognition	\$455,676
Equity component	\$44,324

Reconciliation of debt component of convertible notes	31 December 2017	30 June 2017
	\$	\$
Opening balance	480,457	455,676
Interest capitalised	45,740	24,781
Coupon Interest payment	(37,500)	-
Ending balance	488,697	480,457

The carrying amount of the Group's convertible notes approximates their fair value as at 31 December 2017. Fair value has been determined by using a discounted cashflow model, and applying a market interest rate of 20%. The fair value methodology is categorised as level 3 in the fair value hierarchy.

7 Embedded Derivative	31 December 2017	30 June 2017
	\$	\$
Embedded derivative arising from on amendment to loan facilities and a USD denominated loan:		
Balance at beginning of period	44,203	-
Fair value on recognition 22/8/16	-	274,686
Fair value movements ¹	25,323	(230,483)
Ending balance	69,526	44,203

¹Fair value movement as at 31 December 2016 was \$127,144.

The embedded derivative arose due to the modification of the short-term loans on 22 August 2016. As the loans are denominated in USD, the conversion right represents a derivative liability. The conversion right is contingent on the Group raising a sum of A\$1.5 million at a minimum subscription price of 1.25 cents per share. The fair value of the embedded derivative falls into level 3 of the fair value hierarchy and is based on observable and unobservable inputs.

The key inputs used in determining the fair value using a forward pricing model were:

	22-Aug-16	30-Jun-17	31-Dec-17
Call option strike price cents	0.9	0.9	0.9
Face value of outstanding loan	US\$1,178,169	US\$588,408	US\$588,408
Underlying security cents	1.2	1.2	1.7
Term - days	210	274	90
Volatility	100%	100%	100%
Risk free interest rate	1.44%	1.625%	1.625%
Probability	33%	10%	10%
USD exchange rate	0.76244	0.7691	0.7805

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 (2016 – nil).

8 Equity

(a) Share Capital	31 December 2017 Number	30 June 2017 Number
Ordinary shares fully paid	521,281,537	521,281,537
(b) Other Equity Securities	31 December 2017 Number	30 June 2017 Number
Options exercisable at 9.9 cents on 31 August 2017	-	24,696,969

(c) Movement in ordinary share capital		31 December 2017		30 June 2017	
Date	Details	Number of shares	Amount \$	Number of shares	Amount \$
July 1	Opening balance	521,281,537	152,336,038	208,443,930	149,165,583
13 September 2016	Placement	-	-	222,222,222	2,000,000
20 March 2017	Placement	-	-	90,615,385	1,178,000
	Cost of issues	-	-	-	(7,545)
	Ending balance	521,281,537	152,336,038	521,281,537	152,336,038

There were no dividends recommended or paid during the period to 31 December 2017 (2016: nil).

9 Reserves	31 December 2017 \$	30 June 2017 \$
Foreign currency translation reserve	(72,655)	(72,655)
Option reserves	2,331,795	2,331,795
Equity reserves	(2,309,759)	(2,309,759)
Ending balance	(50,619)	(50,619)

(a) Foreign Currency Translation Reserve	31 December 2017 \$	30 June 2017 \$
Movements in Foreign currency translation reserve were as follows:		
Balance at the beginning of the period	(72,655)	(72,690)
Exchange differences on translating foreign operations	-	35
Ending balance	(72,655)	(72,655)

(b) Movement in options

Date	Details	31 December 2017 Number	31 December 2017 \$	30 June 2017 Number	30 June 2017 \$
1 July	Opening balance	24,696,969	2,331,795	86,065,359	2,331,795
01 April 2017	\$0.66 options expired	-	-	(303,030)	-
31 August 2016	\$0.198 options expired	-	-	(2,424,242)	-
31 August 2016	\$0.099 options expired	-	-	(42,641,118)	-
31 August 2016	19.8c options expired	-	-	(16,000,000)	-
31 August 2017	\$0.099 options expired	(24,696,969)	-	-	-
	Ending balance	-	2,331,795	24,696,969	2,331,795

(c) Equity Reserves	31 December 2017 \$	30 June 2017 \$
Balance at beginning of period	(2,309,759)	(2,309,759)
Ending balance	(2,309,759)	(2,309,759)

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).

10 Commitments	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
(a) Operating lease commitments		
Not later than one year	17,136	17,136
Later than one year and not later than five years	32,844	32,844
Total minimum lease payments	49,980	49,980
(b) Remuneration commitments⁽ⁱ⁾		
Not later than one year	240,000	240,000
Total remuneration commitments	240,000	240,000
(c) Exploration expenditure commitments⁽ⁱⁱ⁾		
Not later than one year	86,000	86,000
Later than one year and not later than five years	344,000	344,000
Later than five years	-	-
Total exploration expenditure commitments	430,000	430,000

- (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.
- (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.

11 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 2017 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.

12 Events occurring after the balance date

In February 2018, the Company signed and commenced a lease, for the term of three years, for office premises at Level 20, 350 Queen Street, Melbourne, VIC.

There have been no other material items, transactions or events subsequent to 31 December 2017 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

13 Related party transactions

There were no transactions with related parties during the period 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 10 to 17 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 2017 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.



Robert Kirtlan
Executive Director
16 March 2018

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 2017, 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 statement 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 2017 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*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion 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.

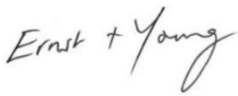
Auditor's responsibility

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 2017 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



T S Hammond
Partner
Perth
16 March 2018