

# RMG LIMITED

ACN 065 832 377

## NOTICE OF GENERAL MEETING EXPLANATORY MEMORANDUM AND PROXY FORM

### Date of Meeting

Monday, 22 August 2016

### Time of Meeting

4:00pm (WST)

### Place of Meeting

The Irish Club  
61 Townshend Road  
Subiaco Western Australia 6008

The Independent Expert has concluded that the issue of Subscription Shares to Epoch is fair and reasonable to Shareholders who are not associated with Epoch.

The Independent Expert has concluded that the grant of the Additional Security to each of Ridgefield and Tyticus is fair and reasonable to those Shareholders who are not associated with Ridgefield and Tyticus.

The Independent Expert has concluded that the issue of the Transfer Option to each of Ridgefield and Tyticus is not fair but reasonable to those Shareholders who are not associated with Ridgefield and Tyticus.

The Independent Expert has concluded that the issue of the Conversion Option to each of Ridgefield and Tyticus is fair and reasonable to those Shareholders who are not associated with Ridgefield and Tyticus.

*This Notice of General Meeting, Explanatory Memorandum and the accompanying Independent Expert's Report should each be read in its entirety.*

*If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss the matters in this Notice of General Meeting, please do not hesitate to contact the Company on (+61 8) 6260 5952.*

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RMG LIMITED  
ACN 065 832 377

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of RMG Limited ACN 065 832 377 (**Company**) will be held at The Irish Club, 61 Townshend Road, Subiaco, Western Australia, 6008, on Monday, 22 August 2016 at 4:00pm (WST).

The Explanatory Memorandum attached to this Notice provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum (including the annexures referred to therein) and the Proxy Form form part of this Notice.

Terms used in this Notice will, unless the context otherwise requires, have the same meaning as given to them in the Glossary contained in the Explanatory Memorandum.

Each of Resolutions 1 to 4 is conditional on each of the other Resolutions being passed so that, if any Resolution is not passed, then all of Resolutions 1 to 4 will be taken to have failed.

**RESOLUTION 1 – APPROVAL FOR ISSUE OF SUBSCRIPTION SHARES TO EPOCH**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of Resolutions 2 to 4 (inclusive) and for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the Company to issue to Epoch, and for Epoch to acquire a relevant interest in, the Subscription Shares on completion of the Share Subscription Agreement, and as a result, for Epoch to acquire voting power in the Company of up to approximately 51.6% on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Exclusion Statement**

In accordance with item 7 of section 611 of the Corporations Act, Epoch and its Associates are excluded from voting on Resolution 1 and the Company will disregard any votes cast on Resolution 1 by Epoch or any of its Associates. Due to the inter-conditional nature of Resolutions 1, 2, 3 and 4, each of Ridgefield and Tyticus have agreed not to vote on Resolution 1.

**RESOLUTION 2 – APPROVAL FOR THE GRANT OF THE ADDITIONAL SECURITY TO EACH OF RIDGEFIELD AND TYTICUS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of Resolutions 1, 3 and 4 and for the purposes of ASX Listing Rule 10.1 and all other purposes, approval is given for the Company to grant the Additional Security to each of Ridgefield and Tyticus, described in more detail in the Explanatory Memorandum."*

**Voting Exclusion Statement**

In accordance with the ASX Listing Rules, each of Ridgefield and Tyticus and their Associates are excluded from voting on Resolution 2 and the Company will disregard any votes cast on Resolution 2 by each of Ridgefield and Tyticus or any of their Associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Due to the inter-conditional nature of Resolution 2 and Resolution 1, Epoch has undertaken not to vote on Resolution 2.

**RESOLUTION 3 – APPROVAL OF GRANT OF THE TRANSFER OPTION TO EACH OF RIDGEFIELD AND TYTICUS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of Resolutions 1, 2 and 4 and for the purposes of ASX Listing Rule 10.1, ASX Listing Rule 11.2 and all other purposes, approval is given for the Company to grant the Transfer Option to each of Ridgefield and Tyticus, described in more detail in the Explanatory Memorandum."*

**Voting Exclusion Statement**

In accordance with the ASX Listing Rules, each of Ridgefield and Tyticus and their Associates are excluded from voting on Resolution 3 and the Company will disregard any votes cast on Resolution 3 by each of Ridgefield and Tyticus, any of their Associates and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any Associates of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Due to the inter-conditional nature of Resolution 3 and Resolution 1, Epoch has undertaken not to vote on Resolution 3.

**RESOLUTION 4 – APPROVAL FOR THE ISSUE OF THE CONVERSION OPTION TO EACH OF RIDGEFIELD AND TYTICUS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of Resolutions 1 to 3 (inclusive) and for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the Company to issue the Conversion Option to each of Ridgefield and Tyticus, and for each of Ridgefield and Tyticus to acquire a relevant interest in the Conversion Shares on the exercise of the Conversion Option, and as a result, to acquire voting power in the Company of up to approximately 20.70% and 29.34% respectively on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Exclusion Statement**

In accordance with item 7 of section 611 of the Corporations Act and the ASX Listing Rules, each of Ridgefield and Tyticus and their Associates are excluded from voting on Resolution 4 and the Company will disregard any votes cast on Resolution 4 by each of Ridgefield and Tyticus or any of their Associates.

Due to the inter-conditional nature of Resolution 4 and Resolution 1, Epoch has undertaken not to vote on Resolution 4.

By order of the Board

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Lloyd Flint  
Company Secretary  
Date: 15 July 2016

## PROXIES

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

A Shareholder may appoint not more than 2 proxies to attend and act for the Shareholder at the General Meeting and may specify the proportion or number of votes each proxy is appointed to exercise.

If the Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of those votes. Any fraction of votes shall be disregarded.

An appointment of a proxy or power of attorney is not effective for the General Meeting unless:

- (a) in the case of a proxy, the Proxy Form and, if it is executed by an attorney, the relevant power of attorney or a certified copy of it; and
- (b) in the case of an attorney, the power of attorney or a certified copy of it.

To be valid, properly completed Proxy Forms must be received by the Company no later than 4:00pm (WST) on Saturday, 20 August 2016:

- (a) by post at PO Box 2025, Subiaco, WA 6904; or
- (b) by facsimile on +61 8 9468 5603.

Please refer to the enclosed Proxy Form for more information about submitting proxy votes.

## PROXY VOTE IF APPOINTMENT SPECIFIES WAY TO VOTE

Section 250BB of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll and must vote that way; and
- (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way.

## TRANSFER OF NON-CHAIR PROXY TO CHAIR IN CERTAIN CIRCUMSTANCES

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
  - (i) the proxy is not recorded as attending the meeting; or
  - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Chairman intends to vote all undirected proxies in favour of the Resolutions.

## ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) and ASX Settlement Operating Rule 5.6.1, the Company determines that members holding Shares at 4:00pm (WST) on Saturday, 20 August 2016 will be entitled to attend and vote at the Meeting.

## CORPORATIONS

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company, before the Meeting.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the Shareholders of RMG Limited ACN 065 832 377 (**Company** or **RMG**) in connection with the business to be conducted at the General Meeting of the Company to be held at The Irish Club, 61 Townshend Rd, Subiaco, Western Australia on Monday, 22 August 2016 commencing at 4:00pm (WST).

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions. If you have any questions regarding the matters set out in the Notice or the Explanatory Memorandum, please contact your accountant, solicitor or other professional adviser.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

### 1 Background

RMG is an ASX-listed gold, copper and base metals exploration and development company whose main focus of operations is currently its 100% owned Tuina Copper Project located 55km south-east of Calama in the Atacama region of northern Chile (**Tuina Project**).

On 8 June 2016, the Company announced that it had entered into a conditional Share Subscription Agreement with Epoch Bliss Limited (**Epoch**) to raise approximately \$2,000,000 (before expenses) and introduce a new 51.6% cornerstone shareholder to the Company. Further details regarding the Share Subscription Agreement are set out in **section 3** below.

Epoch is a mining investment company incorporated in the Seychelles that intends to work in close collaboration with the Huahui Mining Group, a company that has been involved in several gold, copper and iron ore projects in China. Epoch has stated that it intends for RMG to be its platform to facilitate further investment via the Australian resources market. Further details on Epoch are set out in **section 3.1** below.

Completion of the Share Subscription Agreement is conditional upon (amongst other things) RMG shareholders approving the proposed share subscription by Epoch for the purposes of section 611 item 7 of the Corporations Act, being the subject of Resolution 1 in the attached Notice.

Completion of the Share Subscription Agreement is also conditional upon the terms of the Company's existing debt facilities (**Debt Facilities**) with the Company's two existing largest shareholders, Ridgefield Capital Asset Management LP and Tyticus Master Fund (each a **Facility Provider**), being restructured so as 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); and
- extend the repayment date for both facilities until 31 March 2017. Epoch has indicated to RMG and that it intends to introduce new equity investors to the Company so that the Company can raise sufficient funds to repay all amounts owing to the Facility Providers under these facilities by 31 March 2017.

In return for the Facility Providers agreeing to those changes to the facilities, it is proposed that (amongst other things) RMG provide Additional Security over its Chilean property to secure the repayment of all amounts owing under these facilities. As each Facility Provider is a substantial holder of the Company, the approval of RMG shareholders is required to the proposed grant of Additional Security by the Company to each Facility Provider for the purposes of ASX Listing Rule 10.1, being the subject of Resolution 2 in the attached Notice.

It is also proposed that should RMG not raise at least A\$1.5 million by way of the issue of ordinary shares 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 the option to:

- be transferred a direct interest in RMG's Chilean property in exchange for the deemed repayment of amounts outstanding under the relevant facility (the **Transfer Option**); or
- convert amounts outstanding under the facilities 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) (the **Conversion Option**).

Further details regarding the proposed amendments to the terms of these Debt Facilities is set out in **section 3** below.

As the exercise of the Transfer Option would result in the disposal of a substantial asset of RMG to one of its substantial holders, and potentially also the disposal of RMG's main undertaking, the approval of RMG shareholders is required to the proposed grant and potential exercise of the Transfer Option for the purposes of ASX Listing Rules 10.1 and Listing Rule 11.2, being the subject of Resolution 3 in the attached Notice.

Further, as the exercise of the Conversion Option would result in a Facility Provider acquiring voting power to more than 20% of RMG, the approval of RMG shareholders is also being sought to the potential exercise of the Conversion Option for the purposes of section 611 item 7 of the Corporations Act, being the subject of Resolution 4 in the attached Notice.

The proposed share placement to Epoch under the Share Subscription Agreement, and the proposed restructure of the Debt Facilities, are inter-conditional meaning that the Share Subscription Agreement will not complete unless the restructure of the Debt Facilities occurs and vice versa. As such, these transactions are referred to collectively in this Explanatory Memorandum as the **Transactions**.

The purpose of this Explanatory Memorandum (including the Independent Expert's Report attached as **Annexure A**) is to provide information which the Directors believe to be material to Shareholders in deciding how to vote in respect of these matters.

## 2 Independent Expert's Report and Director Recommendations

To assist Shareholders in considering the Transactions and to satisfy the requirements of the Corporations Act and the ASX Listing Rules, the Board has engaged Stanton Partners (**Independent Expert**) to opine on whether each of these Transactions are 'fair and reasonable' to the Company's Shareholders.

The Independent Expert has concluded that:

- (a) the issue of the Subscription Shares to Epoch is fair and reasonable to Shareholders who are not associated with Epoch (being the subject of Resolution 1);
- (b) the grant of the Additional Security to each Facility Provider is fair and reasonable to Shareholders who are not associated with the Facility Providers (being the subject of Resolution 2);
- (c) the issue of the Transfer Option to each Facility Provider on the terms proposed is not fair but reasonable to Shareholders who are not associated with the Facility Providers (being the subject of Resolution 3); and
- (d) the issue of the Conversion Option to each Facility Provider on the terms proposed is fair and reasonable to Shareholders who are not associated with the Facility Providers (being the subject of Resolution 4).

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, valuation methodology, the sources of information and assumptions made.

A complete copy of the Independent Expert's Report is provided in **Annexure A** to this Explanatory Memorandum and is also available on the Company's website at [www.rmgltd.com.au](http://www.rmgltd.com.au). Shareholders may request a hardcopy of the Independent Expert's Report from the Company at no cost by contacting the Company by telephone on +61 8 6260 5952.

After considering the Independent Expert's Report and for the reasons set out further in **section 4** below, your Directors consider that the advantages of the issue of shares to Epoch under the Share Subscription Agreement (and the associated restructure of the Debt Facilities) outweigh the disadvantages of not proceeding with those Transactions such that they are considered by your Directors to be in the best interests of Shareholders.

Accordingly, the Directors unanimously recommend that Shareholders vote in favour of all Resolutions in the attached Notice.

## 3 Key terms of Share Subscription Agreement and Debt Restructure

### 3.1 Share Subscription Agreement

The Company and Epoch have entered into a Share Subscription Agreement under which Epoch has agreed to subscribe for 222,222,222 ordinary fully paid shares in the capital of the Company at \$0.009 per share (**Subscription Shares**) to raise \$2,000,000 before expenses. Upon completion of the Share Subscription Agreement, Epoch will acquire voting power to 51.6% of the Company's issued share capital.

Epoch is a private mining investment company incorporated in the Seychelles on 25 March 2015 with company number 163788. Epoch is 100% owned by Ms Simo Li, who is also the sole director of Epoch. Ms Simo Li is a Chinese investor with a range of investments across various industries, including the mining industry.

Ms Simo Li holds a Bachelor of Arts degree. Ms Li began her career at the Project Development Department of Dalian Agricultural Group in 2003. During her time with Dalian Agricultural Group, she worked in the Sino-US agricultural fertilizer and pesticide raw material import and export business and co-ordinated the export of underground water conservancy facilities and equipment to Pyongyang City as part of their underground water renovation project. In 2005, she was appointed as the President Assistant for Dalian Agricultural Group, and worked on various projects involving commodity trade, oil and gas trade, chemical raw materials import and export trade and a wide range of energy and resources projects. From 2005 to 2015, Ms Li was the General Manager in the Culture and Artworks division of the China Poly Group. During this time, she was responsible for maintaining China Poly Group's 'artworks and cultural projects' investment portfolio, business development and investors relations. She ran auction events for artworks and cultural projects worth in excess of US\$2 billion. She also co-ordinated private sales of artworks, with annual turnover of more than 1 billion RMB. Ms Li is also an artistic & finance consultant to some major Chinese banks, including China Construction Bank, China CITIC Bank and China Minsheng Bank.

As indicated in **section 1** above, Epoch intends for RMG to be its platform to facilitate further investment via the Australian resources market. Further information on Epoch's intentions for RMG is set out in **section 5.3** below.

Completion of the Share Subscription Agreement is conditional upon:

- the proposed subscription of Shares by Epoch being approved by Shareholders (including for the purposes of item 7 of section 611 of the Corporations Act), being the subject of Resolution 1 of the attached Notice;
- the Company's Debt Facilities being restructured in the manner outlined in **section 3.2** below;
- there being no material change in relation to the Company prior to the Share Subscription Agreement completing;

- customary representations and warranties provided by RMG to Epoch under the Share Subscription Agreement being true and correct as at the date of the issue of the relevant Shares to Epoch; and
- ASX not refusing to grant quotation of the Shares to be issued to Epoch (or otherwise imposing conditions on the quotation of those Shares which are not acceptable to Epoch, acting reasonably).

These conditions precedent must be satisfied by no later than 7 October 2016, being the date that is four months after the date of the Share Subscription Agreement.

The Company has provided Epoch with customary representations and warranties in relation to the Company and the Shares to be issued to Epoch under the Share Subscription Agreement (including that the Company is in compliance with its continuous disclosure obligations under Listing Rule 3.1).

Upon completion of the Share Subscription Agreement, three representatives of Epoch will join the Board, being Mr Kinpo Yu, Mr Chris Dai and Dr John Chen. Further details of Epoch's proposed Directors are set out in **section 5.5** below. Mr Michael Griffiths and Mr Rhett Brans have agreed to resign as directors of the Company upon completion of the Share Subscription Agreement. Existing Director Mr Robert Kirtlan intends to remain on the Board as an Executive Director.

### 3.2 Proposed restructure of the Debt Facilities

As announced in March 2015, the Company entered into separate Debt Facilities with its two existing largest shareholders, Ridgefield and Tyticus.

Ridgefield is a Delaware limited partnership that is wholly-owned by Mr Robert Ellis. In addition to making its own investments in the commodity sector, Ridgefield acts as investment manager to a number of investment funds, including Tyticus, focussed on the commodity sector, including trading in hard and soft commodities, and investing in publicly listed and unlisted equities and making direct investments in hard and soft commodity assets. Tyticus is a master fund comprising Tyticus Partners LP (a Delaware limited partnership) and Tyticus Overseas Partners Ltd (Cayman Islands registered investment fund) that primarily invests in the commodity sector. Investors in Tyticus are high net worth individuals, with no one individual controlling the activities of the fund. Whilst Ridgefield acts as an investment advisor to Tyticus, Tyticus' investment decisions are ultimately determined by the fund itself.

As set out in **sections 1 and 3.1** above, completion of the Share Subscription Agreement is conditional upon the terms of the Company's existing Debt Facilities being restructured.

Accordingly, to facilitate completion of the Share Subscription Agreement, RMG has agreed with each of the Facility Providers to amend the terms of the Debt Facilities as follows:

- **(Increase in facility limits)** the size of the facilities is to be increased 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);
- **(Extension of repayment date)** the repayment date for both facilities is to be extended to 31 March 2017;
- **(Removal of right to capitalise interest)** the Company's right to capitalise interest owing on amounts owing under the Debt Facilities will be removed with effect from 1 July 2016, such that the Company is required to pay interest on outstanding amounts owing under the Debt Facilities with effect from 1 July 2016;
- **(Prepayment of amounts drawn down on or after 1 May 2016)** the Company must prepay in full all amounts (up to a maximum of US\$110,000) drawn down on or after 1 May 2016 under the Debt Facilities for the purpose of funding expenditure on the Company's Chilean projects within 5 business days of completion of the Share Subscription Agreement occurring;
- **(Maintaining Chilean assets in good standing)** the Company must maintain any licences, permits, tenements or other approvals in connection with its Chilean assets in good standing; and
- **(provision of Additional Security)** The Company must, if requested by a Facility Provider, procure the grant of security over the shares in RMG's Chilean subsidiary, Minera Tuina SpA in favour of each Facility Provider on the same terms as the existing security granted over the shares in Minera Tuina SpA's Australian holding company Moonraker (being the subject of Resolution 2 in the attached Notice) **(Additional Security)**.

The Company expects that approximately US\$1.2 million will be owing under the Debt Facilities by the end of July 2016. Epoch has indicated to RMG and that it intends to introduce new equity investors to the Company so that the Company can raise sufficient funds to repay all amounts owing to the Facility Providers under these facilities by 31 March 2017.

In the event that RMG does not raise at least A\$1.5 million by way of the issue of ordinary shares at a minimum subscription price of 1.25 cents (\$0.0125) per share **(Capital Raising)** by 17 March 2017 (being 14 days before the repayment date applicable to amounts outstanding under the Debt Facilities of 31 March 2017), then RMG has agreed that each of the Facility Providers will have the option to require the Company to:

- transfer certain of its shares in RMG's Australian subsidiary that holds the Company's interest in its Chilean assets (being 40% of the shares on issue in Moonraker in the case of Ridgefield and 60% of those shares in the case of Tyticus), as consideration for the deemed repayment of all amounts that are outstanding under the relevant Debt Facility (being the Transfer Option referred to in **section 1** above); or
- convert the amounts outstanding under the relevant Debt Facility into new shares in the Company at a conversion price of A\$0.009 per Share (being the Conversion Option referred to in **section 1** above) **(Conversion Price)**,

at any time prior to the repayment of all amounts owing under those Debt Facilities.



The restructure of the Debt Facilities outlined above do not take effect unless and until the approval of Shareholders is obtained, including for the purposes of ASX Listing Rules 10.1 and 11.2 and item 7 of section 611 of the Corporations Act, being the subject of Resolutions 2, 3 and 4 of the attached Notice.

If completion of the Share Subscription Agreement occurs, Epoch has undertaken to vote any Shares it holds in the capital of the Company (and to procure that any of its Associates votes any Shares they hold in the capital of the Company) in favour of any resolutions to be approved by Shareholders (after completion of the Share Subscription Agreement) to give effect to the restructure of the terms of the Debt Facilities as outlined above.

## 4 Considerations relevant to your vote

This section sets out the key advantages and disadvantages of the Transactions that have been identified by the Board as at the date of this document. Shareholders should carefully consider all of the advantages and disadvantages, and carefully consider the meeting documentation, including the attached Independent Expert's Report, before deciding on how to vote on these resolutions.

### 4.1 Key advantages of the Transactions

The Board believes that the Transactions have the following key advantages.

#### (a) *Improved position to fund ongoing activities and repay debt*

The issue of Subscription Shares will result in the Company raising \$2,000,000 (before expenses) and Epoch becoming a 51.6% shareholder in the Company. Further, as part of the Debt Restructure, the Facility Providers have agreed to increase the size of the Debt Facilities by an aggregate amount of US\$300,000 and extend the repayment date of amounts owing under those Debt Facilities to 31 March 2017.

The funds raised from the issue of the Subscription Shares and through additional amounts drawn down under the Debt Facilities will be used to fund the Company's ongoing activities at its Tuina Project, to review other potential opportunities within the resources sector and for general working capital purposes. As set out in **section 3** above, the Company will be required to raise further capital in order to repay these Debt Facilities by their scheduled repayment date. Epoch has indicated to RMG that it intends to introduce new equity investors to the Company so that the Company can raise sufficient funds to repay all amounts owing under the Debt Facilities by their due date, and has indicated that it expects to be able to raise not less than A\$1.5 million by way of the issue of ordinary shares at a minimum subscription price of 1.25 cents (\$0.0125) per share.

Your Directors believe that as Epoch will be a 51.6% shareholder of the Company post completion of the Share Subscription Agreement, the terms of the restructured Debt Facilities, and the proposed grant of the Transfer Option and the Conversion Option in connection with the restructure of the Debt Facilities in particular, provide a significant incentive on Epoch to ensure the Capital Raising is successfully completed.

#### (b) *The Independent Expert believes that the transactions which are the subject of Resolutions 1, 2 and 4 are fair and reasonable*

The Independent Expert has concluded that based on the likely advantages, disadvantages and other factors identified by the Independent Expert, the transactions which are the subject of Resolutions 1, 2 and 4 are considered to be fair and reasonable to Non-associated Shareholders. Further, the Independent Expert has concluded that the transaction the subject of Resolution 3 is not fair but reasonable to Non-associated Shareholders.

In forming its conclusions, the Independent Expert noted the following key advantages of the Transactions:

- The Transactions will result in a cash position of approximately \$1,844,000 (assuming that the Capital Raising is conducted) that can be used to repay creditors and provide working capital.
- The issue of Subscription Shares will result in an increase in the net cash asset backing of a Share and a decrease in the Company's working capital deficiency.
- The Company is issuing the Subscription Shares to Epoch at a premium to the share price immediately before the announcement of the Transactions on 8 June 2016.
- Epoch will be incentivised to ensure that the Company achieves its objectives by virtue of its 51.6% shareholding in the Company post completion of the Share Subscription Agreement.
- Epoch's plan to use the Company as a platform to facilitate further investment in the Australian market may have positive effects to the Company and its Shareholders.

However, the Independent Expert also noted the following disadvantages of the Transactions:

- Epoch will acquire a significant shareholding in the Company as a result of the Transactions, with the interests of existing shareholders being diluted to approximately 48.4%.
- After the issue of Subscription Shares to Epoch, the Company will still have a working capital deficiency of approximately \$96,000 and will be required to raise new capital to be able to repay the amounts owing under the Debt Facilities by their due date.

In forming its conclusions, the Independent Expert has also noted the following:

- If the Company continues to have positive results from its underlying mineral projects, there is an increased chance that future capital raisings may be undertaken at a higher price than the issue price of \$0.009 of the Subscription Shares to Epoch. However, in the absence of positive drilling results, there is always the possibility that the Company's share price may recede from current prices.
- The issue of the Subscription Shares to Epoch could possibly deter potentially bidders to make a takeover bid for the Company.
- The restructure of the Debt Facilities was agreed to so as to facilitate completion of the Share Subscription Agreement.

Further information on the Independent Expert's valuation methodologies and conclusion can be found in **Annexure A**.

(c) *Epoch placement considered superior to other alternative proposals*

Prior to entering into the Share Subscription Agreement, your Directors investigated other potential alternative proposals to raise funds for the Company.

Your Directors considered that the most likely alternative source of funding to the Share Subscription Agreement was to seek further funding from the Company's shareholders by way of a rights issue and/or a placement to sophisticated investors. However, your Directors considered that any such capital raising would need to be priced at a significant discount to the prevailing price of the Company's shares on ASX, and that there would be no certainty that the Company would raise the amount necessary to enable it to repay amounts owing under the Debt Facilities and to continue to fund its ongoing operations.

Your Directors consider that the placement of Shares to Epoch at 0.009 cents per share, representing a 50% premium to the closing price of the Company's shares prior to announcing the execution of the Share Subscription Agreement of 0.006 cents was a preferable outcome to issuing shares at a significant discount and provided significantly more certainty that the Company would raise the amount sought.

(d) *Epoch's ability to source new opportunities*

Epoch is a mining investment company incorporated in the Seychelles that intends to work in close collaboration with the Huahui Mining Group, a company that has been involved in several gold, copper and iron ore projects in China. Epoch has stated that it intends for RMG to be its platform to facilitate further mining investment via the Australian resources market.

Your Directors believe that Epoch and its proposed nominees to be appointed as directors of the Company have good relationships, particularly within mainland China, with which to source further funding for the development of the Company's Tuina Project as well as potential new investment opportunities in the resources sector.

## 4.2 Key disadvantages of the Transactions

It is important for Shareholders to assess and form their own view as to whether the disadvantages and risks of the issue of the Transactions are acceptable to them. The Board believes that the Transactions have the following potentially significant disadvantages.

(a) *Dilution of Shareholder interests*

The issue of the Subscription Shares to Epoch will significantly dilute the equity interests of existing Shareholders who are not associated with Epoch. The effect of the issue of the Subscription Shares on Epoch's voting power is discussed in **section 5.2** below.

There is also the potential that Shareholders (including Epoch) may have their interest in the Company diluted further if the Facility Providers are able to exercise the Conversion Option and one or both of them exercise that right. The effect of the issue of Shares upon exercise of the Conversion Option on each Facility Provider's voting power is discussed in **section 6.1(c)(i)** below.

However, the Board believes that the benefits associated with the Transactions (including the introduction of Epoch as a new cornerstone investor in the Company and strengthening the Company's financial position) outweigh the disadvantages associated with the dilution of the equity interests of existing Shareholders who are not associated with Epoch or either Facility Provider (as relevant).

(b) *Epoch will have significant influence as a Shareholder with up to approximately 51.6% voting power in the Company*

Upon completion of the Share Subscription Agreement, Epoch will hold up to approximately 51.6% of the Company's issued share capital, providing Epoch significant control over the Company's ongoing activities. Under the Share Subscription Agreement, Epoch will appoint three Directors to the Board, which would effectively give Epoch control over the Company's decision-making abilities.

The controlling shareholding held by Epoch may discourage other major Shareholders from acquiring further shares in the Company, which may result in a decrease in the liquidity of Shares on the ASX. It may also reduce the likelihood of a takeover bid for the Company being made, and hence any control premium in the price of the Company's shares.

(c) *Exercise of the Transfer Option may result in the forced disposal of the Company's Chilean assets*

As set out in **section 3** above, the Facility Providers may be able to acquire the Company's Chilean assets in the event that RMG is not able to complete the Capital Raising by 17 March 2017 in exchange for the deemed repayment of all amounts outstanding under the Debt Facilities, through the exercise of the Transfer Option.

Your Directors believe that the exercise of the Transfer Option could result in the forced sale of the Company's Chilean assets at a price which may be below their fair value. As a result of the exercise of the Transfer Option by both Facility Providers, the Company will transfer its Chilean assets to the Facility Providers in return for the deemed repayment of the loans owing to each of those Facility Providers under the Debt Facilities and the loans which the Company's Chilean subsidiaries owe to the Company will be written off.

In this regard, the Independent Expert has concluded that the proposed grant of the Transfer Option to the Facility Providers is not fair but reasonable to Shareholders not associated with the Facility Providers. In forming this conclusion, the Independent Expert noted that the exercise of the Transfer Option by both Facility Providers would result in the full payment of the debts due by RMG to the Facility Providers, however, the resulting transfer of the Chilean assets may result in RMG becoming a shell company. The Independent Expert also noted that the grant of the Transfer Option to the Facility Providers is required for RMG to raise funds from the issue of the Subscription Shares to Epoch, thereby allowing RMG to proceed with its exploration and development activities in Chile. Further information on the Independent Expert's conclusions in relation to the proposed grant of the Transfer Option are set out in **Annexure A**.

However, Epoch has indicated to RMG that it intends to introduce new equity investors to the Company so that the Company can complete the Capital Raising. Your Directors believe that as Epoch will be a 51.6% shareholder of the Company post completion of the Share Subscription Agreement, the potential for the exercise of the Transfer Option (and the Conversion Option) is likely to provide Epoch with a significant incentive to ensure the Capital Raising is successfully completed.

#### **4.3 What happens if the Transactions do not proceed?**

If Resolutions 1 to 4 are not approved by Shareholders, then a condition precedent to completion of the Share Subscription Agreement will not be satisfied and the Transactions will not proceed. In those circumstances, the Debt Facilities will not be amended and the Company may have to urgently seek alternative sources of fundraising to repay outstanding amounts under the Debt Facilities and be able to fund its ongoing activities.

## **5 Further disclosures in relation to the Share Subscription Agreement (Resolution 1)**

### **5.1 Why is Shareholder approval required for the issue of Subscription Shares to Epoch?**

Shareholder approval is required for the issue of Subscription Shares to Epoch under item 7 of section 611 of the Corporations Act.

Section 606 of the Corporations Act contains a general prohibition on a person acquiring a relevant interest in issued voting shares in a listed company through a transaction which results in the voting power in the company of that person or another person increasing from below 20% to more than 20% or from a starting point of more than 20% to a higher percentage. However, an exception to that general prohibition is where the acquisition has been approved by a resolution of shareholders of the listed company under item 7 of section 611 of the Corporations Act. A "relevant interest" in shares arises if (among other things):

- (a) the person is the holder of the shares;
- (b) the person has the power to, or controls the power to, exercise a right to vote attaching to the shares or dispose of the shares; or
- (c) the person controls, or has voting power of 20% or more in, a company that has a relevant interest in the shares.

Accordingly, Shareholder approval is being sought under item 7 of section 611 of the Corporations Act to ensure that the Company may issue the Subscription Shares to Epoch notwithstanding that the issue of those Shares will result in Epoch's voting power increasing from below 20% to more than 20%.

For the exception in item 7 of section 611 of the Corporations Act to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that is material to the decision of how to vote on the resolution.

In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to Shareholders in these circumstances. This information is provided as follows:

<b>Item 7(a) – Voting exclusions</b>	The Notice contains a voting exclusion statement for Resolution 1.
<b>Item 7(b)(i) – Identity of the persons proposing to make the acquisition and their associates</b>	Upon completion of the Share Subscription Agreement, Epoch will acquire a relevant interest in the Subscription Shares. Epoch does not have any Associates with respect to those Shares. Further details in relation to Epoch are set out in <b>section 3.1</b> .
<b>Item 7(b)(ii) to (v) – Voting power of the acquirers and their associates as a result of acquisition and the maximum extent of the increase in that voting power</b>	Epoch or its Associates do not hold relevant interests in any Shares.  The maximum voting power that Epoch and its Associates will acquire in the Company as a result of Epoch being issued the Subscription Shares, and therefore the maximum

	extent of the increase in their voting power, is approximately 51.6%. Refer to the table in <b>section 5.2</b> for the effect of the issue of Subscription Shares on the capital structure and control of the Company.
<b>Reasons for the proposed acquisition</b>	Refer to <b>section 3</b> for the reasons for the proposed acquisition of a relevant interest in Shares by Epoch. The Subscription Shares are being issued to Epoch as consideration for Epoch acquiring approximately 51.6% voting power in the Company.
<b>Timing of the proposed acquisition</b>	Subject to the conditions precedent to completion of the Share Subscription Agreement being satisfied, the Subscription Shares are to be issued on the date that is 2 business days after the meeting to which this Explanatory Memorandum relates is held, which is expected to be in late August 2016.
<b>Material terms of the proposed acquisition</b>	Refer to <b>section 3.1</b> .
<b>Details of terms of other relevant agreements between the acquirers and the Company (or any of their Associates) conditional on Shareholder approval</b>	Refer to <b>section 3</b> .
<b>The acquirers' intentions regarding the future of the Company</b>	Refer to <b>section 5.3</b> .
<b>Interests of Directors in the acquisition or any of the above relevant agreements</b>	Refer to <b>section 5.4</b> .
<b>Details of proposed Directors</b>	Refer to <b>section 5.5</b> .
<b>Director recommendations</b>	Refer to <b>section 2</b> .
<b>Independent Expert's Report</b>	Refer to <b>section 2</b> and <b>Annexure A</b> .

As Shareholder approval is being sought under item 7 of section 611 of the Corporations Act for the issue of Subscription Shares to Epoch, under exception 16 of Listing Rule 7.2, no separate approval is required for the purposes of Listing Rule 7.1 for the issue of the Subscription Shares. Accordingly, if Resolution 1 is approved by Shareholders, the issue of Subscription Shares pursuant to Resolution 1 will not be included in the calculation of the Company's 15% annual placement capacity for the purposes of Listing Rule 7.1.

## 5.2 Effect on capital structure and control of the Company

Under Resolution 1, Shareholders are being asked to approve Epoch and its Associates increasing their voting power in the Company for the purposes of item 7 of section 611 of the Corporations Act.

The following table outlines the Company's current capital structure and the voting power of Shareholders, both prior to and after completion of the issue of Subscription Shares.

	Capital structure prior to issue of Subscription Shares		Capital structure post issue of Subscription Shares	
	Number	Voting Power	Number	Voting Power
Shares held by existing Shareholders	208,443,930	100%	208,443,930	48.4%
Shares held by Epoch	0	0	222,222,222	51.6%
<b>Total Shares</b>	<b>208,443,930</b>	<b>100%</b>	<b>430,666,152</b>	<b>100%</b>
Options held by existing Optionholders	2,424,240 Options with an exercise price of A\$0.198 expiring on 31 August 2016 58,641,098 Options with an exercise price of A\$0.099 expiring on 31 August 2016 303,030 Options with an exercise price of A\$0.66 expiring on 1 April 2017 24,696,969 Options with an exercise price of A\$0.099 expiring on 31 August 2017	-	2,424,240 Options with an exercise price of A\$0.198 expiring on 31 August 2016 58,641,098 Options with an exercise price of A\$0.099 expiring on 31 August 2016 303,030 Options with an exercise price of A\$0.66 expiring on 1 April 2017 24,696,969 Options with an exercise price of A\$0.099 expiring on 31 August 2017	-
Options held by Epoch	-	-	-	-
<b>Total Options</b>	<b>86,065,337</b>	<b>-</b>	<b>86,065,337</b>	<b>-</b>

#### Explanatory notes and assumptions

1. Assumes that, other than as expressly provided, the Company does not issue any additional Shares or other convertible securities after 14 July 2016, being the last practicable date before the finalisation of this Explanatory Memorandum.
2. Assumes that Epoch and its Associates do not acquire any relevant interest in Shares other than the Subscription Shares.
3. Assumes that no Optionholders convert their Options into Share after 14 July 2016, being the last practicable date before the finalisation of this Explanatory Memorandum. The existing Options are currently "out of the money" with exercise prices that range from \$0.099 to \$0.66 compared to the Company's Share price which at close of trade on 14 July 2016 was \$0.01.

Therefore, the maximum voting power that Epoch and its Associates could hold after the issue of the Subscription Shares is 51.6%, assuming that:

- (a) completion of the Share Subscription Agreement occurs and Epoch is issued the Subscription Shares; and
- (b) no other Shares are issued by the Company before the Subscription Shares are issued.

As noted in the table above, Epoch does not (as at 14 July 2016, being the last practicable date before the finalisation of this Explanatory Memorandum) hold relevant interests in any Shares or have any voting power in the Company.

### 5.3 Epoch's intentions for the Company

If completion of the Share Subscription Agreement occurs, Epoch has confirmed to the Company that it will support the Company's proposed use of the subscription funds received from completion of the Share Subscription Agreement. In this regard, the Company proposes to apply those subscription funds as follows:

- to prepay US\$110,000 drawn down under the Debt Facilities (as required under the terms of the restructure of those Debt Facilities as set out in **section 3.2**);
- to fund approximately A\$1.5 million in exploration and development activities on the Company's Chilean assets,
- to meet the transaction costs associated with the Share Subscription Agreement and the proposed restructure of the Debt Facilities, estimated to be approximately A\$65,000; to
- to fund ongoing working capital requirements.

Further, Epoch has confirmed to the Company that it will support the Company in conducting the Capital Raising by no later than 17 March 2017 and to apply some of the proceeds of the Capital Raising towards repayment of the debts under the Debt Facilities. The repayment of the debts under the Debt Facilities will enable the Company to maintain its existing Chilean assets.

Epoch has also indicated that it intends to seek out new mining investment opportunities with its professional contacts across Asia, and to look for investment grade mining assets that will complement the Company's existing mining operations.

If the issue of Subscription Shares is approved by Shareholders and subsequently implemented, Epoch has confirmed that, other than as disclosed elsewhere in this Explanatory Memorandum including the changes contemplated under the Share Subscription Agreement, Epoch has no intention to:

- make any significant changes to the nature of the Company's business;
- make any changes to the Company's existing employees in accordance with their existing contracts;
- transfer any of the Company's assets between the Company and Epoch or its Associates;
- redeploy any of the Company's fixed assets; or
- change the Company's financial or dividend distribution policies.

The statements set out above are statements of Epoch's current intention only and may vary as new information becomes available or circumstances change. Epoch has provided the Company with this information to assist the Company to meet its obligations under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this section.

### 5.4 Effect of the Transactions on the Board

Following completion of the Share Subscription Agreement, the Board will comprise:

- Mr Robert Kirtlan (current Executive Chairman of the Company);
- Mr Kinpo Yu (appointed by Epoch);
- Mr Chris Dai (appointed by Epoch); and
- Dr John Chen (appointed by Epoch).

Further information on the proposed new Directors is set out in **section 5.5** below.

On the issue of the Subscription Shares under the Share Subscription Agreement, Mr Michael Griffiths and Mr Rhett Brans will resign from the Board. Mr Robert Kirtlan has confirmed to the Company that he does not have any interest in the Transactions other than in his capacity as a Shareholder of the Company.

## 5.5 Information regarding proposed Directors

The following information is provided to Shareholders in relation to the proposed new directors to be appointed to the Board at completion of the Share Subscription Agreement:

- (a) **Mr Kinpo Yu (proposed Non-Executive Chair):** Mr Yu has been the Chairman of Huahui Mining Group (Huahui), based in Hong Kong, for 16 years. In this role he has developed solid relationships with local governments in China, and with commercial and investment banks. Mr Yu has led several M&A transactions.

Over the last 16 years, Huahui acquired several gold, copper and iron ore projects in China, and based on further investments in these projects, Huahui converted some of the gold, copper and iron ore projects into production. Mr Yu has extensive experience in exploration, construction of processing plants and management of gold, copper and iron ore operations.

- (b) **Mr Chris Dai (proposed Executive Director):** Mr Dai obtained a Master of Commerce Degree (advanced) from the University of Queensland. He has extensive executive management and accounting experience in Australia and China over the past 10 years. Mr Dai has established and maintained excellent relationships with over 100 large SOEs, private companies and funds in different sectors including mining, oil/gas and agriculture. He has been the China Chief Representative of PCF Capital Group, an independent, corporate advisory firm focused on serving clients in the resources sector.

Mr Dai was previously involved with Shandong Gold, one of the largest gold producers in China; establishing and maintaining strong relationships with many ASX, TSX, and NYSE listed mining corporations, and large legal firms, accounting firms, investment banks and other organisations. He has also managed M&A transactions in the resources sector.

Mr Dai will be responsible for the assessment, acquisition and financing of new projects for the Company.

- (c) **Dr John Chen (proposed Non-Executive Director):** Dr John Chen is a mining engineer with approximately 30 years of experience, mainly in the Australian and Chinese resource sectors. His experience includes senior operational and corporate roles at Mount Isa Mines limited and Sino Gold Mining Limited. He has also been involved in other projects and assignments in Australia, China, Asia Pacific and Canada, covering a range of commodities including precious metals, copper, nickel, lead/zinc and real-earth.

Dr John Chen (PhD. Min., B.Eng., & Dip.Fin.) graduated in 1984 with a Bachelor Degree in Mining Engineering at the Beijing University of Technology in China. He obtained his PhD degree in mining in 1993 at the University of New South Wales, and Graduate Diploma of Applied Finance and Investment in 2004 at the Securities Institute of Australia.

Each of the above proposed Directors has confirmed to the Company that other than his proposed appointment as a Director and any interest which he holds in Epoch, he does not have any interest in the issue of Subscription Shares or the Share Subscription Agreement.

## 6 Further disclosures in relation to the restructure of the Debt Facilities (Resolutions 2, 3 and 4)

### 6.1 Why is Shareholder approval required for the restructure of the Debt Facilities?

#### (a) ASX Listing Rule 10.1

Shareholder approval is required for the grant of the Additional Security (being Resolution 2) and issue of the Transfer Option (being Resolution 3) to each of Ridgefield and Tyticus under Listing Rule 10.1.

Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, without the prior approval of the entity's shareholders, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a substantial holder (holding voting power of 10% or more in the entity), one of its associates, or someone whose relationship with the entity is such that ASX is of the opinion that prior shareholder approval is required.

For the purposes of Listing Rule 10.1:

- (i) "Dispose" means to dispose or agree to dispose directly or through another person by any means, including granting or exercising an option and using an asset as collateral. Accordingly, the grant of the Additional Security and issue of the Transfer Option to each of Ridgefield and Tyticus are considered to be a disposal of an asset of the Company for the purposes of Listing Rule 10.1.
- (ii) An asset is "substantial" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules. The value of the Company's consolidated equity interests as at 31 December 2015 (being the date on which the last accounts were provided to

ASX under the Listing Rules) was A\$2,238,134. Accordingly, an asset would be considered a "substantial" asset of RMG for the purposes of Listing Rule 10.1 if it had a value of over A\$111,906 (being 5% of A\$2,238,134).

As set out in **section 3** above, the Additional Security comprises of a share mortgage over the shares that RMG subsidiary Moonraker holds in Minera Tuina SpA, the subsidiary which holds the Company's Chilean assets. Accordingly, the grant of the Additional Security to each of Ridgefield and Tyticus is deemed to be a disposal of a substantial asset because the total value of the Additional Security may have a value of over A\$111,906.

The Transfer Option will be granted over certain of the shares that the Company holds in Moonraker (being 40% of the shares on issue in Moonraker in the case of Ridgefield and 60% of those shares in the case of Tyticus). If exercised, the Transfer Option will result in the Company disposing of between 40% to 100% (depending on whether both Ridgefield and Tyticus elect to exercise their Transfer Options) of its equity interest in Moonraker. While it is difficult to quantify the value of the Moonraker shares, the Chile assets currently comprise the Company's main undertaking and represent most of the exploration and evaluation expenditure that has been capitalised on the Company's balance sheet. Accordingly, the grant of the Transfer Option amounts to a "disposal" of a substantial asset for the purposes of Listing Rule 10.1.

- (iii) Ridgefield and Tyticus have a relevant interest in Shares, holding approximately 11.8% and 19.2% of the Company's issued share capital respectively. Listing Rule 10.1 requires that Shareholder approval is required by a substantial holder in the Company, if the person and the person's associates have a relevant interest in at least 10% of the total votes attaching to the voting securities in the Company.

As required by Listing Rule 10.10, the Notice contains a voting exclusion statement for Resolutions 2 and 3 and the Company has obtained the Independent Expert's Report for, among other things, the purposes of Resolutions 2 and 3, further details of which is set out in **section 2** and a copy of which is attached to this Explanatory Memorandum as **Annexure A**.

(b) **ASX Listing Rule 11.2**

In addition to Listing Rule 10.1, Shareholder approval is also required for the grant of the Transfer Option to each Facility Provider under Listing Rule 11.2. Listing Rule 11.2 provides that if the Company is proposing to dispose of its main undertaking, Shareholders of the Company must approve of the proposed transaction.

The Company considers that its Chilean assets represent its main undertaking as it has focussed primarily on those assets since terminating its option to acquire an interest in the Kamarga zinc project in Queensland in January 2016. The exercise of the Transfer Option and the requirement for the Company to transfer up to all of its economic interest in its Chilean assets pursuant to the option has the potential to fundamentally change the nature of the underlying investment made by Shareholders.

Accordingly, Shareholders are being asked in Resolution 3 to approve the grant of the Transfer Option to each of the Facility Providers.

Shareholders should however be aware that the Transfer Option is only capable of exercise by a Facility Provider if the Company is not able to complete the required Capital Raising by 17 March 2017 (being 14 days prior to the scheduled repayment date of the Debt Facilities of 31 March 2017), and even then only if all amounts outstanding under those Debt Facilities have not otherwise been repaid to the relevant Facility Provider. In addition, the Facility Provider is not obliged to exercise the Transfer Option, and may pursue other options available to it (such as exercise of the Conversion Option the subject of Resolution 4 below, or exercising its contractual rights against the Company to recover amounts owing). Accordingly, approving Resolution 3 does not automatically result in the Company disposing of its Chilean assets. As discussed in **sections 4.1(a)** and **4.2(c)** above, the grant of the Transfer Option to each of the Facility Providers provides Epoch with a strong incentive to procure the Company completes the requisite Capital Raising to avoid the Transfer Option becoming capable of being exercised.

The earliest date that the Transfer Option becomes capable of being exercised by a Facility Provider is 17 March 2017. If the Transfer Option is exercised, completion of the sale of the relevant portion of the Company's Chilean assets to the Facility Provider exercising the Transfer Option is the date that is 10 Business Days after the date on which the Transfer Option is exercised (or such other earlier date as may be agreed).

In the event that the Transfer Option was exercised and the Company consequentially disposed of a majority interest in its Chilean assets, your Directors would seek to identify other investment opportunities (which may or may not be in the resources sector) that may have the potential to generate Shareholder returns. In such a scenario, it is likely that ASX will require the Company to obtain Shareholder approval for any such future investment opportunities. Depending on the circumstances, ASX may also exercise its discretion under Listing Rule 11.1.3 to require the Company to re-comply with the conditions for admission to the official list of the ASX.

Shareholders should also note that in such a scenario, the disposal by the Company of a majority interest in its Chilean assets following exercise of the Transfer Option may effectively result in the Company being converted into a "cash box". In such cases, ASX will, in the absence of any other reason to suspend the quotation of the Company's securities, generally continue the quotation of its securities for up to six months so as to give the Company enough time to identify, and make

an announcement of its intention to acquire, a suitable new business. In the event that the Transfer Option is exercised and the Company disposes of a majority of its interest in its Chilean assets, your Directors intend that the Company would seek to enter into binding formal agreements to acquire a new business (and for its shareholders to have the opportunity to consider the potential acquisition of that new business) within 6 months of any transfer of a majority interest in its Chilean assets pursuant to the exercise of the Transfer Option.

The Company expects that it would be in a net liability position upon the exercise of the Transfer Option and, despite your Directors' intentions for the Company to seek new opportunities after any transfer of a majority interest in its Chilean assets pursuant to the exercise of the Transfer Option, there is a risk that, in a worst case scenario, the Company may not be able to pay its debts as and when they fall due. In these circumstances, there is a possibility that the Company may enter into some form of external administration, which may result in the liquidation of the Company.

(c) **Item 7 of section 611 of the Corporations Act**

Shareholder approval is also required for the issue of the Conversion Option to each Facility Provider under item 7 of section 611 of the Corporations Act.

(i) **Item 7 of section 611 of the Corporations Act**

As discussed in section 5.1 above, section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in voting shares in a listed company if that person's voting power increases from below 20% to more than 20% or from a starting point of above 20% to a higher percentage.

The exercise of the Conversion Option would require the Company to issue Conversion Shares to Ridgefield and/or Tyticus (as relevant) as consideration for the deemed repayment of outstanding amounts under the relevant Debt Facility.

Depending upon the share capital structure of the Company at the relevant time, the issue of the Conversion Shares to each of Ridgefield and/or Tyticus may result in their relevant voting power in the Company increasing to over 20%. Accordingly, shareholder approval is being sought under item 7 of section 611 of the Corporations Act to ensure that the Facility Providers are able to exercise the Conversion Option notwithstanding that the potential issue of shares resulting from the exercise of the Conversion Option may result in the voting power of a Facility Provider in the Company increasing from a starting point that is below 20% to more than 20% or from 20% to a higher percentage.

For the exception in item 7 of section 611 of the Corporations Act to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that is material to the decision of how to vote on the resolution. The following information is provided for the purposes of ASIC Regulatory Guide 74:

<b>Item 7(a) – Voting exclusions</b>	The Notice contains a voting exclusion statement for Resolution 4.
<b>Item 7(b)(i) – Identity of the persons proposing to make the acquisition and their associates</b>	Upon the exercise of the Conversion Options, Ridgefield and/or Tyticus (as relevant) will acquire a relevant interest in the Conversion Shares. Ridgefield and Tyticus are not associated and do not have any Associates with respect to those Shares. Further details in relation to each of Ridgefield and Tyticus are set out in section 3.2.
<b>Item 7(b)(ii) to (v) – Voting power of the acquirers and their associates as a result of acquisition and the maximum extent of the increase in that voting power</b>	Ridgefield and Tyticus currently have 11.8% and 19.2% voting power in the Company respectively.  Assuming that Ridgefield exercises its Conversion Option but that Tyticus does not exercise its Conversion Option, Ridgefield's voting power in the Company will increase to approximately 20.70%, amounting to an increase in its voting power in the Company of approximately 8.9%.  Assuming that Tyticus exercises its Conversion Option but that Ridgefield does not exercise its Conversion Option, Tyticus' voting power in the Company will increase to approximately 29.34%, amounting to an increase in its voting power in the Company of approximately 10.1%.  Refer to the table below for the effect of the issue of Conversion Shares on the capital structure and control of the Company.
<b>Reasons for the proposed acquisition</b>	Refer to section 3.2. The Conversion Option will be issued to each of Ridgefield and Tyticus if the Capital Raising does not occur by the date that is 14 days before the scheduled repayment date under the Debt Facilities (being 31 March 2017).
<b>Timing of the proposed acquisition</b>	Refer to section 3.2. It is anticipated that the Company will issue and allot the Conversion Shares to Ridgefield and/or Tyticus (if they elect to exercise the Conversion Option) within the period commencing 14 days before 31 March 2017 and expiring on the date of repayment of all amounts outstanding under the Debt Facilities (or if notice of a prepayment has been given, the period commencing on the date of that notice and expiring on the date that all amounts under the Debt Facilities have been prepaid).
<b>Material terms of the proposed acquisition</b>	Refer to section 3.2.



Details of terms of other relevant agreements between the acquirers and the Company (or any of their Associates) conditional on Shareholder approval	Refer to section 3.
The acquirers' intentions regarding the future of the Company	Refer to section 6.1(c)(i).
Interests of Directors in the acquisition or any of the above relevant agreements	Not applicable.
Details of proposed Directors	Not applicable.
Director recommendations	Refer to section 2.
Independent Expert's Report	Refer to section 2 and Annexure A.

### Effect of the issue of the Conversion Shares on the capital structure and control of the Company

The following table outlines the Company's current capital structure and the voting power of Shareholders, both prior to and after the issue of shares to Epoch under the Share Subscription Agreement and upon exercise of the Conversion Option by a Facility Provider (assuming that no other securities are issued by the Company prior to the exercise of the Conversion Option).

If the Facility Providers are able to exercise the Conversion Option and one or both of them exercise that option, it is likely that the Shareholders (including Epoch) may have their interest in the Company diluted further.

	Current capital structure and voting power	Capital structure and voting power after completion of Share Subscription Agreement, pre-issue of Conversion Shares	Capital structure and voting power after completion of Share Subscription Agreement and issue of Conversion Shares		
			Only Ridgefield exercises its Conversion Option	Only Tyticus exercises its Conversion Option	Both Ridgefield and Tyticus exercise their Conversion Options
<b>Share capital</b>					
Shares and voting power held by existing Shareholders	143,726,479 (68.95%)	143,726,479 (33.37%)	143,726,479 (28.07%)	143,726,479 (26.00%)	143,726,479 (22.67%)
Shares and voting power held by Epoch	0 (0%)	222,222,222 (51.60%)	222,222,222 (43.40%)	222,222,222 (40.20%)	222,222,222 (35.04%)
Shares and voting power held by Ridgefield	24,608,666 (11.81%)	24,608,666 (5.71%)	105,986,444 (20.70%)	24,608,666 (4.45%)	105,986,444 (16.71%)
Shares and voting power held by Tyticus	40,108,785 (19.24%)	40,108,785 (9.31%)	40,108,785 (7.83%)	162,175,451 (29.34%)	162,175,451 (25.58%)
<b>Total Shares and voting power</b>	<b>208,443,930 (100%)</b>	<b>430,666,152 (100%)</b>	<b>512,043,930 (100%)</b>	<b>552,732,818 (100%)</b>	<b>634,110,596 (100%)</b>
<b>Convertible securities</b>					
Options held by existing Optionholders	2,424,240 Options with an exercise price of A\$0.198 expiring on 31 August 2016  58,641,098 Options with an exercise price of A\$0.099	2,424,240 Options with an exercise price of A\$0.198 expiring on 31 August 2016  58,641,098 Options with an exercise price of A\$0.099	2,424,240 Options with an exercise price of A\$0.198 expiring on 31 August 2016  58,641,098 Options with an exercise price of A\$0.099	2,424,240 Options with an exercise price of A\$0.198 expiring on 31 August 2016  58,641,098 Options with an exercise price of A\$0.099	2,424,240 Options with an exercise price of A\$0.198 expiring on 31 August 2016  58,641,098 Options with an exercise price of A\$0.099

	Current capital structure and voting power	Capital structure and voting power after completion of Share Subscription Agreement, pre-issue of Conversion Shares	Capital structure and voting power after completion of Share Subscription Agreement and issue of Conversion Shares		
			Only Ridgefield exercises its Conversion Option	Only Tyticus exercises its Conversion Option	Both Ridgefield and Tyticus exercise their Conversion Options
	<p>expiring on 31 August 2016</p> <p>303,030 Options with an exercise price of A\$0.66 expiring on 1 April 2017</p> <p>24,696,969 Options with an exercise price of A\$0.099 expiring on 31 August 2017</p>	<p>expiring on 31 August 2016</p> <p>303,030 Options with an exercise price of A\$0.66 expiring on 1 April 2017</p> <p>24,696,969 Options with an exercise price of A\$0.099 expiring on 31 August 2017</p>	<p>expiring on 31 August 2016</p> <p>303,030 Options with an exercise price of A\$0.66 expiring on 1 April 2017</p> <p>24,696,969 Options with an exercise price of A\$0.099 expiring on 31 August 2017</p>	<p>expiring on 31 August 2016</p> <p>303,030 Options with an exercise price of A\$0.66 expiring on 1 April 2017</p> <p>24,696,969 Options with an exercise price of A\$0.099 expiring on 31 August 2017</p>	<p>expiring on 31 August 2016</p> <p>303,030 Options with an exercise price of A\$0.66 expiring on 1 April 2017</p> <p>24,696,969 Options with an exercise price of A\$0.099 expiring on 31 August 2017</p>
Options held by Epoch	-	-	-	-	-
Options held by Ridgefield	-	-	-	-	-
Options held by Tyticus	-	-	-	-	-
<b>Total Options</b>	<b>86,065,337</b>	<b>86,065,337</b>	<b>86,065,337</b>	<b>86,065,337</b>	<b>86,065,337</b>

#### Explanatory notes and assumptions

1. The Shares held by Tyticus are held through its controlled entity Chile Metals Consulting SpA.
2. The amount of Conversion Shares issued to Ridgefield is calculated assuming an outstanding principal due and payable by the Company to Ridgefield under the relevant Debt Facility of US\$520,000 with an exchange rate of 1 AUD = 0.71 USD and a Conversion Price of A\$0.009 per Share. The amount of Conversion Shares issued to Tyticus is calculated assuming with an outstanding principal due and payable by the Company to Tyticus under the relevant Debt Facility of US\$780,000 with an exchange rate of 1 AUD = 0.71 USD and a Conversion Price of A\$0.009 per Share.
3. Assumes that, other than as expressly provided, the Company does not issue any additional Shares or other convertible securities after 14 July 2016, being the last practicable date before the finalisation of this Explanatory Memorandum.
4. Assumes that Ridgefield and its Associates do not acquire any relevant interest in Shares other than the Conversion Shares.
5. Assumes that Tyticus and its Associates do not acquire any relevant interest in Shares other than the Conversion Shares.
6. Assumes that no Optionholders convert their Options into Share after 14 July 2016, being the last practicable date before the finalisation of this Explanatory Memorandum. The existing Options are currently "out of the money" with exercise prices that range from \$0.099 to \$0.66 compared to the Company's Share price which at close of trade on 14 July 2016 was \$0.01.
7. Voting power shown in brackets is rounded to the nearest two decimal places.

#### Ridgefield and Tyticus' intentions for the Company

If the issue of the Conversion Option to each of Ridgefield and Tyticus is approved by Shareholders and subsequently exercised, Ridgefield and Tyticus have confirmed that, other than as disclosed elsewhere in this Explanatory Memorandum, Ridgefield and Tyticus have no intention to:

- make any changes to the business of the Company;
- inject any further capital into the Company;
- make any changes to the Company's existing employees in accordance with their existing contracts;
- transfer any of the Company's assets between the Company and Ridgefield and Tyticus and their Associates;
- redeploy any of the Company's fixed assets; or
- change the Company's financial or dividend distribution policies.

The statements set out above are statements of Ridgefield and Tyticus' current intention only and may vary as new information becomes available or circumstances change. Ridgefield and Tyticus have provided the Company with this information to assist the

Company to meet its obligations under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this section.

As Shareholder approval is being sought under item 7 of section 611 of the Corporations Act for the issue of the Conversion Option to each of Ridgefield and Tyticus, under exception 16 of Listing Rule 7.2, no separate approval is required for the purposes of Listing Rule 7.1 for the issue of the Conversion Option.

## **7 No other material information**

Other than set out in this Explanatory Memorandum, and other than information previously disclosed to Shareholders, there is no other information that is known to the Directors which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolutions 1 to 4.

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## GLOSSARY

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In the Notice and Explanatory Memorandum, the following terms have the following meanings unless the context otherwise requires:

**Additional Security** has the meaning given to it in **section 3.2**.

**Associate** has the meaning given to that term in Part 1.2, Division 2 of the Corporations Act.

**ASX** means ASX Ltd and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.

**Board** means the board of Directors of the Company.

**Capital Raising** has the meaning given to it in **section 3.2**.

**Chairman** means the chair of the Meeting.

**Company** or **RMG** means RMG Limited ACN 065 832 377.

**Conversion Option** has the meaning given to it in **section 1**.

**Conversion Price** has the meaning given to it in **section 3.2**.

**Conversion Shares** means the Shares which will be issued on exercise of the Conversion Option.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Debt Facilities** has the meaning given to it in **section 1**.

**Director** means a director of the Company.

**Epoch** means Epoch Bliss Limited, a company incorporated in the Seychelles on 25 March 2015 with company number 163788.

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice.

**Facility Providers** has the meaning given in **section 1**.

**General Meeting** or **Meeting** means the general meeting of Shareholders convened by the Notice, to be held on Monday, 22 August 2016.

**Independent Expert** has the meaning given to it in **section 2**.

**Listing Rules** means the Official Listing Rules of ASX.

**Moonraker** means Moonraker Minerals Pty Ltd ACN 154 616 986.

**Non-associated Shareholders** means, in respect of:

- (a) Resolution 1, those Shareholders who are not associated with Epoch; and
- (b) Resolutions 2 to 4 (inclusive), those Shareholders who are not associated with one or both of the Facility Providers.

**Notice** or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Memorandum.

**Option** means the right to acquire a Share in the Company by payment of the applicable exercise price on or before the relevant expiry date.

**Optionholder** means a holder of an Option.

**Proxy Form** means the proxy form which is attached to the Notice.

**Resolutions** means the resolutions contained in the Notice.

**Ridgefield** means Ridgefield Capital Asset Management LP.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Subscription Agreement** means the share subscription agreement between the Company and Epoch dated 7 June 2016.

**Shareholder** means the holder of a Share.

**Subscription Shares** has the meaning given to it in **section 3.1**.

**Transactions** has the meaning given to it in **section 1**.

**Transfer Option** has the meaning given to it in **section 1**.

**Tuina Project** has the meaning given to it in **section 1**.

**Tyticus** means Tyticus Master Fund.

**WST** means Western Standard Time.

14 July 2016

The Directors  
RMG Limited  
Suite 14, Level 2  
23 Railway Road  
SUBIACO WA 6008

## Summary of Opinions

**For the purposes of Section 611 (item 7) of the Corporations Act, in our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 10 of this report, the proposals in relation to the approval to issue 222,222,222 Subscription Shares to Epoch, as outlined in paragraph 1.2 and Resolution 1 may on balance be considered to be fair and reasonable to the non associated shareholders at the date of this report.**

**In our opinion, the granting of Additional Security to Ridgefield and Tyticus (refer below and in Resolution 2) is fair and reasonable and allowing Ridgefield and Tyticus the rights to exercise a Transfer Option (refer below and in Resolution 3) are not fair but reasonable to the shareholders of RMG not associated with Ridgefield and Tyticus.**

**In our opinion, the granting of a Conversion Option and allowing the potential issue of a total of up to 203,444,444 Conversion Shares in RMG on Ridgefield and Tyticus exercising the Conversion Option (refer below and Resolution 4) are fair and reasonable to the shareholders of RMG not associated with Ridgefield and Tyticus.**

Each shareholder needs to examine the share price of RMG, market conditions and announcements made by RMG up to the date of the shareholders meeting at the time of exercise of vote to ascertain the impact, if any, on Resolutions 1 to 4. The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

Dear Sirs

**RE: RMG LIMITED (ACN 065 832 377) ("RMG" OR "THE COMPANY") MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") RELATING TO THE PROPOSAL TO ISSUE 222,222,222 SHARES ("SUBSCRIPTION SHARES") AT 0.9 CENTS EACH TO EPOCH BLISS LIMITED ("EPOCH")**

**MEETING OF SHAREHOLDERS UNDER ASX LISTING RULES 10.1 TO ALLOW RIDGEFIELD CAPITAL ASSET MANAGEMENT LP ("RIDGEFIELD") AND TYTICUS MASTER FUND LTD ("TYTICUS") TO BE GRANTED ADDITIONAL SECURITY AND ALLOWING THE POSSIBILITY OF RIDGEFIELD AND TYTICUS TO EXERCISE TRANSFER OPTIONS THAT MAY LEAD TO THE POTENTIAL DISPOSAL OF THE RMG'S MAIN UNDERTAKING**

**MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") AND ASX LISTING RULE 10.11 RELATING TO THE GRANTING OF CONVERSION OPTIONS AND THE POTENTIAL TO ISSUE UP TO 203,444,444 SHARES AT 0.9 CENTS EACH TO RIDGEFIELD AND TYTICUS IN THE EVENT THAT RIDGEFIELD AND TYTICUS EXERCISE CONVERSION OPTIONS AS NOTED BELOW**

## 1. Introduction

1.1 We have been requested by the directors of RMG to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals as set out in Resolutions 1 to 4 of the Notice of Meeting ("the Notice") to be disseminated to shareholders of RMG in July 2016 for a shareholders meeting in August 2016.

1.2 It is proposed that Epoch subscribes for 222,222,222 Subscription Shares (ordinary shares) in RMG at 0.9 cents each to raise a gross \$2,000,000 pursuant to a subscription agreement between RMG and Epoch as noted below and in Resolution 1 of the Notice and more fully described in the Explanatory Memorandum ('EM') attached to the Notice.

Under the proposals put forward by the directors of RMG in conjunction with Epoch, Ridgefield and Tyticus, Epoch would increase its shareholding from a starting point that is nil% to a shareholding in a partially recapitalised RMG of in excess of 20% (may initially approximate 51.60%).

1.3 RMG's main focus is currently its 100% owned Tuina Copper Project located 55km south-east of Chuquicamata in a district around Calama in the Atacama region of northern Chile ("Tuina Project"). As at 1 July 2016, RMG's market capitalisation is approximately \$2.292 million.

1.4 In March 2015, RMG entered into revolving credit facilities with its two major shareholders Ridgefield (holding approximately 12.3% of RMG's issued share capital) and Tyticus (holding approximately 19.9% of RMG's issued share capital) so as to assist in the funding activities in the Tuina Project ("Facility Agreements").

Under those facilities, RMG:

- borrowed US\$400,000 from Ridgefield and US\$600,000 from Tyticus; and
- granted security over RMG's wholly-owned Australian subsidiary, Moonraker Minerals Pty Ltd ("Moonraker") (the company that holds all of the shares in the relevant Chilean subsidiaries which in turn holds the Tuina Project), to each of Ridgefield and Tyticus (on a pari passu basis) to secure the repayment of amounts owing under those Facility Agreements ("Security Agreements"). ASX granted a waiver of Listing Rule 10.1 in connection with the grant of this security.

RMG is currently negotiating a subscription agreement with Epoch which, if consummated, would see Epoch subscribing for approximately 51.60% of the fully paid ordinary shares in RMG for \$2,000,000 ("Subscription Agreement").

One of the proposed conditions to the completion of the Subscription Agreement is that the Facility Agreements are restructured in the manner set out below.

### 1.5 Proposed restructure of Facility Agreements

As alluded to above, to facilitate the investment of new capital into the Company, it is proposed that the Facility Agreements be restructured as follows:

- the facility limits under the Facility Agreements be increased from US\$400,000 to US\$520,000 (in the case of Ridgefield) and from US\$600,000 to US\$780,000 (in the case of Tyticus);
- the repayment date of each of Facility Agreement be extended from 31 March 2016 to 31 March 2017 (was initially to be 30 November 2016) ("Repayment Date"), provided always that amounts drawn down on or after 1 May 2016 for the

purpose of funding expenditure on RMG's Chilean projects (up to a maximum of US\$110,000) are prepaid within 5 business days after completion of the Subscription Agreement; and

- if requested to do so, RMG must procure that Moonraker grants security over the shares Moonraker holds in its Chilean wholly-owned subsidiary, Minera Tuina SpA, in favour of each of Ridgefield and Tyticus on the same terms as the existing security over the shares RMG holds in Moonraker ("Additional Security").

In connection with the debt restructure, Epoch has indicated to each of RMG, Ridgefield and Tyticus that if the Subscription Agreement successfully completes (to raise a gross \$2,000,000), it will procure that RMG raises further capital (raising not less than \$1,500,000 at not less than 1.25 cents per share) so as to facilitate the repayment of amounts drawn down under the Facility Agreements ("Capital Raising").

However, if such a Capital Raising has not been successfully completed prior to the date that is 14 days before the scheduled repayment date under those facilities, then under the terms of the debt restructure, each of Ridgefield and Tyticus would have the following options:

- ("Transfer Options") the right to require RMG to transfer shares that it holds in Moonraker (being 40% of the shares on issue in Moonraker in the case of Ridgefield- the Ridgefield Transfer Option and 60% of those shares in the case of Tyticus – the Tyticus Transfer Option), in consideration for the deemed repayment of all amounts outstanding under the relevant Facility Agreement; or
- ("Conversion Options") the right to convert all amounts outstanding under the relevant Facility Agreement into new shares in RMG ("Conversion Shares") at 0.9 cents per share ("Conversion Price"). Ridgefield's conversion rights are known as the Ridgefield Conversion Options and Tyticus conversion rights are known as the Tyticus Conversion Option.

The Transfer Options and the Conversion Options are referred to in this report as the Call Options. Each of Ridgefield and Tyticus would be able to decide whether to exercise the Transfer Options or the Conversion Options independently of each other. When exercising the Call Option, Ridgefield and Tyticus would not be entitled to exercise both the Transfer Options and the Conversion Options.

Where the Call Options become capable of exercise, then each of Ridgefield and Tyticus would be able to (but are not obliged to) exercise either the Transfer Options or the Conversion Options provided always that there remain amounts outstanding under those facilities at the time the relevant Call Options are exercised ("Exercise Period").

The Exercise Price of the Transfer Options is equal to the amounts outstanding and owing to the relevant option holders under the Facility Agreements at the time of exercise of the Call Options. The Call Options can only be exercised by each of Ridgefield and Tyticus by notice in writing within the period 14 days before the Repayment Date (31 March 2017) and expiring on the date of repayment of all amount outstanding under the Facility Agreements. The Call Option is not capable of being exercised by either Ridgefield or Tyticus if at any time after completion of the Subscription Agreement and prior to the commencement of the exercise period, RMG has raised at least \$1,500,000 through the issue of new shares with an issue price of not less than 1.25 cents each.

The number of conversion shares issued to Ridgefield and/or Tyticus on exercise of the Conversion Option(s) shall be determined by dividing the Exercise Price by the Conversion Price (of 0.9 cents each) (with any fraction of a share being rounded up to a whole number).

The exercise of the Transfer Option would have the effect of the Company disposing of between 40% to 100% (depending on whether Ridgefield and Tyticus both elect to exercise the Transfer Option) of its economic interest in what RMG considers to be its main undertaking, the Tuina Project, to one or two of RMG's substantial shareholders. Accordingly, RMG is seeking the approval of its shareholders to the grant of this option under Listing Rule 10.1 and 11.2.

- 1.6 The exercise of the Conversion Option would have the effect of RMG issuing new shares to Ridgefield and/or Tyticus (as relevant) as consideration for the deemed repayment of amounts owing under the relevant Facility Agreement(s). As the number of issued to each of Ridgefield and/or Tyticus (as relevant) in this scenario would take their relevant voting power in RMG to over 20%, RMG is seeking the approval of its shareholders to the issue of RMG shares pursuant to the exercise of the Conversion Option under Section 611 (item 7) of the *Corporations Act 2001* (Cth) ("Corporations Act"). RMG is also seeking shareholder approval for the issue of the Conversion Option under Listing Rule 10.11 at the same time.

As alluded to above, the Call Options would only be exercisable if the Capital Raising has not successfully completed by the agreed time - if such a Capital Raising has been successfully completed by the agreed time, the Call Options would not be capable of exercise.

- 1.7 Listing Rule 10.1 provides that if an entity or any of its subsidiaries 'disposes' of a 'substantial asset' to a 'substantial holder', it must be approved by the entity's shareholders unless an exception to Listing Rule 10.1 applies or the entity obtains a waiver of that Listing Rule from the ASX.

For the purposes of Listing Rule 10.1:

- a "disposal" includes the disposal or an agreement to dispose directly or through another person by any means, including granting or exercising an option, using an asset as collateral, decreasing an economic interest, and disposing of part of an asset;
- a person is a "substantial holder" in an entity if the person and its associates have a relevant interest in at least 10% of the voting securities of the entity; and
- an asset will be "substantial" if the value of the consideration for its acquisition or disposal of its value exceeds 5% or more of the equity interests in the entity as set out in the latest accounts given to ASX under the Listing Rules.

- 1.8 Ridgefield holds a relevant interest in approximately 11.81% of RMG's shares. Tyticus holds a relevant interest in approximate 19.24% of RMG's shares through its controlled entity Chile Metals Consulting SpA. Both Ridgefield and Tyticus are therefore considered "substantial holders" of RMG for the purposes of Listing Rule 10.1.

The value of RMG's consolidated equity interests as at 31 December 2015 (being the date on which the last accounts were given to ASX under the Listing Rules) was \$2,238,134. Accordingly, an asset would be considered a "substantial" asset of RMG for the purposes of Listing Rule 10.1 if it had a value of over \$111,906 (being 5% of \$2,238,134)

### **Transfer Options**

As mentioned above, the Transfer Options relates to shares in Moonraker. Moonraker owns 100% of Minera RMG Chile Limitada ("MRMG") and MRMG owns 100% of Minera Tuina SpA ("MTS"), being the RMG subsidiary that holds RMG's Chilean mineral assets ("Mineral Assets"). Whilst it is difficult to quantify the value of these Moonraker shares, the Chile assets owned by Moonraker's indirect subsidiary currently comprise RMG's main undertaking and represent most of the exploration and evaluation expenditure that has been capitalised on RMG's consolidated balance sheet.



Accordingly, disposing of between 40% and 100% of the shares in Moonraker pursuant to the exercise of the Transfer Option is likely to be characterised as a disposal of a "substantial asset" for the purposes of Listing Rule 10.1.

### **Additional Security**

If requested by Ridgefield or Tyticus, RMG is required to grant the Additional Security in favour of each of Ridgefield and Tyticus on the same terms as the existing Moonraker securities. As set out above, the Additional Security comprises a share mortgage over the shares that Moonraker holds (via owing 100% of MRMG) in MTS, the RMG Chilean subsidiary that holds RMG's Chilean assets.

The grant of the Additional Security to each of Ridgefield and Tyticus may be deemed to be a disposal of a substantial asset because the total value of the security granted may have a value of over \$111,906.

- 1.9 Under Section 606 of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of the Corporations Act, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

- 1.10 Epoch currently holds nil shares in RMG. Following completion of the recapitalisation and the other proposals noted above and in the Notice, Epoch would own a total of 222,222,222 Subscription Shares in RMG representing approximately 51.60% of the then shares on issue. There would be 430,666,152 RMG shares on issue.
- 1.11 A notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of the Corporations Act should be accompanied by an independent expert's report stating whether it is fair and reasonable to approve the issue of 222,222,222 Subscription Shares to Epoch at 0.9 cents per share.

To assist shareholders in making a decision on the proposals outlined in the Notice, (and in particular Resolution 1 relating to the issue of shares to Epoch), the directors of RMG have requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposal under Resolution 1 is fair and reasonable to the non-associated shareholders of RMG (not associated with Epoch).

- 1.12 In addition, as noted above, shareholders are being requested to approve the granting of Additional Security to Ridgefield and Tyticus that could lead under certain circumstances to a sale of the RMG's significant asset (effectively the Tuina Project). Resolution 2 refers to the granting of the Additional Security.

As noted above, the granting of the Transfer Options to Ridgefield and Tyticus may also lead to the effective sale of the RMG Group's main business undertaking to either or both of Ridgefield and Tyticus. Resolution 3 refers to the granting of the Transfer Options to Ridgefield and Tyticus.

To assist shareholders in making a decision on the proposals outlined in the Notice, (and in particular Resolution 2 relating to the Granting of Additional Security that could lead to a disposal of the RMG Group's main business undertaking) and the proposal to grant the Transfer Options as noted in Resolution 3, the directors of RMG have requested that

Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposals under Resolutions 2 and 3 are fair and reasonable to the non-associated shareholders of RMG (not associated with Ridgefield and Tyticus).

- 1.13 As noted above, shareholders are being requested to approve the granting of the Conversion Options to Ridgefield and Tyticus that would allow RMG to issue Conversion Shares to either or both of Ridgefield and Tyticus. It is possible that the shareholding interests of either or both of Ridgefield and Tyticus could exceed 20% (refer information below).

To assist shareholders in making a decision on the proposals outlined in the Notice, (and in particular Resolution 4 relating to the granting of Conversion Options and the issue of Conversion Shares on exercise of Conversion Options to either or both of Ridgefield and Tyticus, the directors of RMG have requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposals under Resolution 4 are fair and reasonable to the non-associated shareholders of RMG (not associated with Ridgefield and Tyticus).

- 1.14 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals with Epoch, Ridgefield and Tyticus
- Corporate history and nature of business
- Future direction of RMG
- Basis of valuation of RMG shares (and the Tuina Project)
- Premium for control
- Fairness of the Proposals with Epoch
- Conclusion as to fairness on proposal with Epoch
- Reasonableness of the Proposals with Epoch
- Conclusion as to reasonableness on the proposal with Epoch
- Fairness and reasonableness (and conclusions thereof) on the proposals with Ridgefield and Tyticus
- Shareholders decision
- Sources of information
- Appendices A and B and Financial Services Guide

- 1.15 In determining the fairness and reasonableness of the transactions pursuant to Resolutions 1 to 4 we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". The Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of the Corporations Act, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non associated shareholders if the transactions proceed compared with if they do not.

- 1.16 Accordingly, our report in relation to Resolution 1 comprising the approval to issue a total of 222,222,222 Subscription Shares to Epoch is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of RMG and whether Epoch is paying a premium for control.

## 2. Implications of the Proposals

- 2.1 As at 1 July 2016, there were 208,443,930 fully paid ordinary shares on issue in RMG (refer movement below). The significant fully paid shareholders as at close of business on 8 June 2016 are disclosed as:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>% Interest</u>
Chile Metals Consulting SPA (associated with Tyticus)	40,108,785	19.24
Ridgefield Capital Asset Management	24,608,666	11.81
Drft Management Pty Ltd	7,377,208	3.54
	<u>72,094,659</u>	<u>34.59</u>

- 2.2 The top twenty fully paid shareholders as at 8 June 2016 own approximately 66.81% (139,256,293 shares) of the current issued capital.

- 2.3 If the Subscription Shares are issued at a price of 0.9 cents each to Epoch, the number of shares that may be on issue would be:

	<b>No of shares</b>
Number of shares on issue as at 1 July 2016	208,443,930
Issue of Subscription Shares	<u>222,222,222</u>
<b>Potential shares on issue pre a further Capital Raising or before the issue of any Conversion Shares</b>	<b><u>430,666,152</u></b>

- 2.4 Pursuant to Resolution 1 the Company will raise a gross \$2,000,000 on the issue of the Subscription Shares. Following this issue of Subscription Shares, Epoch's shareholding will increase from nil% to approximately 51.60%. It is proposed that up to a maximum of US\$110,000 of the funds raised will be used to repay draw-downs by RMG from Ridgefield and Tyticus since 1 May 2016.

- 2.5 As noted above, the completion of the Subscription is dependent on the granting of the Additional Security, the Transfer Option and the Conversion Option to Ridgefield and Tyticus and thus all of such proposals will be in place (assumes all Resolutions passed and consummated). Refer paragraphs 1.4 to 1.8 above for further details.

If all draw-downs from Ridgefield and Tyticus occur, the maximum principal amounts owing to Ridgefield would be US\$520,000 and to Tyticus would be US\$780,000 (total US\$1,300,000). Based on recent ranges of US/AUS exchange rates the Australian dollar amount owing to both parties combined may fall in the range of approximately \$1,733,000 to \$1,831,000 (around \$1,766,000 based on the USA/AUS exchange rate as at 13 June 2016).

Thus, based on the above, RMG would need to raise between approximately \$1,733,000 and \$1,831,000 (net of costs) in order to have the ability to repay the loans (principal and any accrued interest) then due to Ridgefield and Tyticus on 31 March 2017.

- 2.6 The Subscription Agreement with Epoch allows for the appointment of three nominees of Epoch to be appointed to the Board of Directors of RMG. The proposed directors are Mr Kinpo Yu as the non-executive chairman, Mr Chris Fai as an executive director and Dr John Chen as a non-executive director. The existing directors of RMG Messrs Rhett Brans and Michael Griffith will step down as directors of the Company but Mr Robert Kirtlan will remain as an executive director.

- 2.7 Set out below is an unaudited statement of financial position of the RMG Group as at 30 April 2016 after allowing for the issue of 150,000 shares in May 2016 at 2.0 cents each for services rendered (\$3,000), assuming further draw-downs of US\$110,000 (approximately \$147,650), using an US/AUS exchange rate on conversion of the loans at US\$0.7361=AUS1 and allowing for estimated losses (excluding capitalised interest to 30 June 2016) between 1 May 2016 and 31 July 2016 of approximately \$103,000 and allowing for capitalised interest of approximately \$11,867 (US\$8,735) to 30 June 2016 and further expenditure on the Chilean Mining Assets (capitalised) to 31 July 2016 of \$134,000 added to creditors); together with the pro-forma balance sheet (statement of financial position) adjusted to include the transactions assuming all resolutions are passed and consummated (that includes the raising of \$2,000,000 and allowing for costs of the Notice and Subscription costs totalling \$62,000) and allowing for the repayment of US\$110,000 (estimated at approximately \$149,500) of loans due to Ridgefield and Tyticus.

	<b>Statement of Financial Position as at 30 April 2016 (as adjusted)</b>	<b>Pro- forma Statement of Financial Position</b>
	\$	\$
<b>Current Assets</b>		
Cash assets	56,345	1,844,845
Receivables	14,597	14,597
Other assets	3,275	3,275
Total current assets	<u>74,217</u>	<u>1,862,717</u>
<b>Non Current Assets</b>		
Capitalised exploration and evaluation costs	3,836,571	3,836,571
Fixed assets, at WDV	1,522	1,522
Total non-current assets	<u>3,838,093</u>	<u>3,838,093</u>
<b>Total Assets</b>	<u>3,912,310</u>	<u>5,700,810</u>
<b>Liabilities</b>		
Trade creditors and accruals	508,037	508,037
Short term loans	1,599,982	1,450,546
Total Current Liabilities	<u>2,108,019</u>	<u>1,958,583</u>
Net Assets/ (Liabilities)	<u>1,804,291</u>	<u>3,742,227</u>
<b>Equity</b>		
Issued Capital	149,177,083	151,115,083
Other equity component	(75,624)	(75,624)
Option and equity reserves	(22,288)	(22,288)
Accumulated Losses	(147,274,880)	(147,274,944)
Total Equity/(Deficiency)	<u>1,804,291</u>	<u>3,742,227</u>
Shares on issue	208,443,930	430,666,152
<b>Net book assets per share (cents)</b>	<b>0.865</b>	<b>0.868</b>

Note 1

The movement in the cash assets is reconciled as follows:

Cash Assets:	\$
Opening Balance	56,345
Placement of 222,222,222 Subscription Shares (Resolution 1)	2,000,000
Payment of costs of Notice and Subscription (estimated)	(62,000)
Repayment of loans (US\$110,000)	(149,500)
Net cash on hand	<u>1,844,845</u>

Note 2

The movement in the issued capital is reconciled as follows:	\$
Issued Capital:	
Opening Balance	149,177,083
Subscription Shares to Epoch (Resolution 1)	2,000,000
Costs of the Notice and Subscription	<u>(62,000)</u>
Closing balance (estimated)	<u>151,115,083</u>

### 3. Corporate History and Nature of Business

#### 3.1 Tuina Copper Project - Chile

The Company has a landholding of approximately 170sq kilometres 55 kilometres south east of the world's second largest porphyry mine, Chuquicamata. During the current reporting period the Company acquired the non controlling interest of subsidiary Minera Tuina from Chile Metals by the issue of shares in RMG to acquire a 100% interest in the Chile Metals permits. (ASX release of 28 October 2014 provides full details of the transaction.)

#### **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 Calama area hosts 100Mt of copper metal in reserves.

The Tuina area is well serviced by all-weather roads and is proximate to the City of Calama with regular air and road transport services, power and water infrastructure. The project is situated on average at 3,000m above sea level which causes minimal altitude effects on operators and plant.

#### **Mineralisation**

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

Recent work by RMG has revealed the potential for copper-gold porphyry mineralisation within the lease area.

The Company also completed other programs including;

- IP and MT surveys,
- Rock chip sampling and geological mapping, and
- Internal studies on potential short term production opportunities.

#### **La Teca Copper-Gold Exploration**

The Company continued to explore its discovery of high grade copper, gold and molybdenum mineralisation at its La Teca prospect (Refer ASX Release 19 March 2015).

The mineralisation is interpreted to be related to a porphyry copper system, and a MagnetoTelluric ("MT") geophysical survey and a ground magnetic survey by RMG in 2014 support the interpretation of a large intrusive system at depth at La Teca.

Age dating recently published by the Chilean Mines Department has dated these felsic intrusives at La Teca at 37.7Ma, a very similar age as the mineralised intrusives at Chuquicamata and Escondida.

### **Chile Summary**

- The concessions offer near term production opportunity from widespread copper oxide mineralisation
- There is considerable potential to host higher grade copper-silver replacement deposits down-dip from existing copper-oxide mineralisation
- The La Teca copper-gold discovery has the potential to be a new porphyry copper system within 50km of the world class Chuquicamata copper mine

3.2 A summarised unaudited consolidated balance sheets (statements of financial position) of the RMG Group pre and post ratification of Resolutions 1 to 4 are outlined in paragraph 2.7 of this report (ignores further draw downs by RMG).

## **4. Future Directions of RMG**

4.1 We have been advised by the directors that the initial proposals are to:

- Complete all the proposals as noted in the resolutions in the Notice and raise a gross \$2,000,000 from Epoch These funds will be used to pay approximately US\$110,000 to Ridgefield and Tyticus as noted above and the balance to acquit existing creditors (other than the loans) and provide working capital to continue evaluating the Tuina Project in Chile and pay on-going administration and corporate expenses;
- Composition of the Board of directors of RMG will change in the near future as outlined in paragraph 2.6;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company plans to raise further capital in the last quarter of 2016 or the first quarter of 2017 (before 31 March 2017) in order to repay the loans then outstanding to Ridgefield and Tyticus. As noted above, the minimum issue price is to be 1.25 cents per share.

## **5. Basis of Valuation of RMG**

### **5.1 Shares**

5.1.1 In considering the proposals as outlined in Resolution 1, we have sought to determine whether the issue price of the shares to Epoch is in excess of the current fair value of the shares in RMG on issue and whether the proposed Subscription is at a price that RMG could make to unrelated third parties and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of RMG.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of a RMG share are:

- capitalised maintainable earnings/discounted cash flow;
- takeover bid - the price at which an alternative acquirer might be willing to offer;
- adjusted net asset backing and windup value; and
- the recent market prices of RMG shares.

### **5.2 Capitalised maintainable earnings and discounted cash flows**

5.2.1 RMG in its own right does not have a reliable cash flow or profit history from a business undertaking (the main business activity is exploration in Chile) and therefore this methodology is not considered to be appropriate.

### 5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for RMG could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. Currently the Company does not have sufficient funds to repay its creditors and financiers. In the view of the Board, the recapitalisation proposals with Epoch (and the financiers, Ridgefield and Tyticus) are the most appropriate for the Company. However, if all of the 222,222,222 Subscription Shares are issued, Epoch would control approximately 51.60% of the expanded ordinary issued capital of the Company.

### 5.4 Adjusted Net Asset Backing

Net asset backing and windup value

A summary of the unaudited adjusted consolidated statement of financial position of the RMG Group as at 30 April 2016 (A) along with a pro-forma consolidated unaudited statement of financial position (B) is summarised in paragraph 2.7 above.

In determining the net tangible asset value on a going concern basis it is necessary to adjust the book values of the Mineral Assets to reflect the technical (market) fair value of those Mineral Assets. We, in conjunction with RMG instructed Al Maynard & Associates (“Maynard”) to undertake a valuation of the Mineral Assets of the RMG Group (the “Maynard Valuation Report”). In June 2016 Maynard prepared a Valuation Report in relation to the Mineral Assets. Maynard has valued the RMG Groups Mineral Assets on preferred, low and high values. We have used and relied on the Maynard Valuation Report and have satisfied ourselves that:

- Maynard is a suitably qualified consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the principal author of the reports is suitably qualified and experienced);
- Maynard is independent from RMG and Epoch (and Ridgefield and Tyticus);
- Maynard has to the best of our knowledge employed sound and recognised methodologies in the preparation of the valuation reports on the RMG Group’s Mineral Assets.

5.4.4 Maynard has ascribed a range of market values for the Mineral Assets as follows:

	Low \$	Preferred \$	High \$
Tuina Project and all other mineral interests	1,500,000	2,200,000	2,900,000
	<u>1,500,000</u>	<u>2,200,000</u>	<u>2,900,000</u>

5.4.5 Using the fair values in Australian Dollars of the Mineral Assets as ascribed in the Maynard Valuation Report and based on the assumptions/values provided to us of the other assets and liabilities of the RMG Group as at 30 April 2016 as per Balance Sheet A above, the net fair value of the RMG Group is expected to lie in the range as follows:

	Paragraph	Low \$000’s	Preferred \$000’s	High \$000’s
Mineral Assets	5.4.4	1,500,000	2,200,000	2,900,000
Remaining non-current assets		1,522	1,522	1,522
Current assets		74,217	74,217	74,217
Total liabilities		<u>( 2,108,019)</u>	<u>(2,108,019)</u>	<u>(2,108,019)</u>
Total Net Assets at fair values (range)		<u>(532,280)</u>	<u>167,720</u>	<u>867,720</u>

Number of shares on issue	208,443,930	208,433,930	208,433,930
<b>Net asset per share (cents)</b>	<b>nil</b>	<b>0.080</b>	<b>0.416</b>

It is noted that values of shell companies vary considerably but for small cap companies may vary between \$250,000 and \$600,000 (assuming no or immaterial debt) for companies listed on the ASX. However it is noted that the Company cannot sell itself and parties are only prepared to place funds in a company shell on the back of a firm proposal (as is the case with RMG). The amount payable is dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst many factors. In our view a Company such as RMG may have a shell value not exceeding \$500,000 (on the assumption that all debt was eliminated). We have conducted a number of expert's reports involving companies being recapitalised and in all cases the "shell value" was based on no or minimal debt. In view of a poor market and lack of investor sentiment for small cap companies over the past several years, a potential "shell value" may be on the lower side of the above range. Shell value is only paid for on the basis of a recapitalisation proposal and not in isolation.

The costs of winding up the Company using preferred values would probably exceed the above net asset value as noted above.

Based on a potential shell value of \$500,000, the value per RMG share prior to the Acquisition would approximate 0.239 cents.

## 5.5 Market price of RMG shares

5.5.1 We set out below a summary of share prices of RMG from 1 January 2016 to 31 May 2016:

	<b>High Last Sale Cents</b>	<b>Low Last Sale Cents</b>	<b>Last Sale Cents</b>	<b>Volumes Trade (000's)</b>
January 2016	1.2	1.0	1.2	502
February 2016	1.2	0.9	0.9	3,071
March 2016	1.0	0.8	0.9	3,989
April 2016	1.1	0.5	0.8	11,595
May 2016	0.8	0.6	0.6	6,474

On 1 June 2016 the shares traded as low as 0.6 cents and in trading on 2 June 2016 to 30 June 2016, the shares traded between 0.6 cents and 1.1 cents. The last sale on 30 June 2016 was 1.1 cents. The share price immediately prior to the announcement of the proposals with Epoch, Ridgefield and Tyticus on 8 June 2016 was 0.6 cents.

There have been no significant announcements made by RMG over the past 6 months. On 29 January 2106, the Company released its quarterly report to 31 December 2016 and on 29 April 2016 the Company released its quarterly report to 31 March 2016.

5.5.2 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between RMG and other parties. We also note it is not the present intention of the directors of RMG to liquidate the Company and therefore any theoretical value based upon wind up value or even net book values (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in RMG based on the market perceptions of what the market considers a RMG share to be worth. The market has either generally valued the vast majority of junior/mid size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for RMG shares and the market is kept fully informed of the activities of the Company.



## 6. Preferred Valuation Methodology for Valuing a RMG Share

6.1 In assessing the fair value of RMG and a RMG share pre the proposals with Epoch, Ridgefield and Tyticus, we have selected the net assets on a going concern methodology as the preferred methodology as:

- RMG does not generate revenues or profits and has a negative cash flow and per the audited accounts has incurred significant losses in the financial years ended 30 June 2014 and 2015 and for the six and ten months ended 31 December 2015 and 30 April 2016 respectively. Therefore the capitalisation of future maintainable earnings and discounted cash flow methodologies are not appropriate; and
- Although the shares of RMG are listed, as there is only moderate trading volumes on ASX and the share prices and volumes are heavily dependent in recent times on exploration results and also may be affected by the lack of significant cash resources it is arguably inappropriate to use market share prices to value the Company and the shares in the Company for the purposes of this report. We note share prices as a secondary methodology and have considered share prices in assessing reasonableness of the proposals.

6.2 As stated at paragraph 5.4.5 we have assessed the value of RMG prior to the proposals on a net asset basis on a going concern basis at fair values for the Mineral Assets as follows:

	<b>Low</b>	<b>Preferred</b>	<b>High</b>
<b>Net asset per share (cents)</b>	<b><u>nil</u></b>	<b><u>0.08</u></b>	<b><u>0.416</u></b>

6.3 In accordance with Regulatory Guide 111, we have relied upon Maynard to assess the preferred value of the Mineral Assets and have incorporated them in the table above in determining the net asset value on a technical basis. We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company and the general state of the junior mineral exploration company market.

If funds can be raised and the Tuina Project is commercially successful (that is not assured at this point of time) then arguably the fair value of a RMG share may be in excess of the current technical fair value (and in excess of the market values as noted on ASX).

Based on a potential shell value of \$500,000, the value per RMG share prior to the Acquisition would approximate 0.239 cents (refer paragraph 5.4 above).

6.4 The future ultimate value of a RMG share will depend upon, inter alia:

- the future prospects of its Mineral Assets;
- the state of the gold and gold markets and other base metal prices in Australia and overseas;
- the state of Australian and overseas stock markets and the ability to raise capital;
- the strength of the Board and management and/or who makes up the Board and management;
- foreign exchange movements;
- general economic conditions;
- the liquidity of shares in RMG; and
- possible ventures and acquisitions entered into by RMG.

## 7. Premium for Control

7.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.

- 7.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, Epoch could initially hold up to approximately 51.60% of the expanded issued capital of RMG. In take-over offers, it is often the case that a premium for control falls in the normal range of 15% to 40% and it is often accepted that a 20% premium for control should be payable. The actual premium may be more or less. In this case, we assume a reasonable premium for control in the current financial circumstances should be 25%.
- 7.3 Our preferred methodology is to value RMG and a RMG share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.5 as this already represents the fair value of the Company or a share in the Company on a pre proposed transaction (issue of Subscription Shares) control basis.
- 7.4 We set out below the comparison of the low, preferred and high values of a RMG share compared to the issue price of the Subscription Shares.

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a RMG Share	6.2	nil	0.08	0.416
Issue price of the Subscription Shares		0.9	0.9	0.9
Excess/(shortfall) between issue price and fair value		0.9	0.81	0.484

- 7.5 On a pre proposed transaction control basis the technical value (not market value based on ASX share trades) of a RMG share ranges approximates 0.08 cents per share (but approximately 0.239 cents on a shell value basis).
- 7.6 We note that Epoch will be able to elect three new board members and all bar one of the existing directors will resign following the passing and consummation of Resolutions 1 to 4. Epoch will become the parent entity of RMG.

## 8. Fairness of the Proposal with Epoch

- 8.1 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:
- the fair market value of a RMG share pre-transaction on a control basis; versus
  - the fair market value of a RMG share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares (Subscription Shares) under the transaction.
- 8.2 The low, preferred and high values of a RMG share **pre the Proposed Transactions on a control basis** as noted in paragraph 5.4.5 and 6.2 are:

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a RMG Share	6.2	nil	0.08	0.416

We note the potential shell value at approximately 0.239 cents.

We set out below the range of estimated technical net asset values of RMG and after adjusting for the following Proposed Transactions:

- the issue of 222,222,222 Subscription Shares at 0.9 cents each to Epoch to raise a gross \$2,000,000;

- estimated costs of the Notice of \$62,000; and
- repayment of loans of US\$110,000 (estimated \$149,500).

Net fair value ( <u>preferred</u> ) as noted in paragraph 5.4.5 above	167,720
Issue of Subscription Shares	2,000,000
Costs of the Notice (including legal costs and expert report costs)	(62,000)
Loans repaid	<u>(149,500)</u>
Assessed fair value after issue of Subscription Shares	<u>1,956,220</u>
Number of shares on issue post issue of Subscription Shares	430,666,152
Net value per share (cents)	0.454
Minority interest discount	20%
<b>Minority value per share (cents)</b>	<b>0.363</b>

8.3 The preferred fair value of a RMG share has been estimated at 0.363 cents on a pre Proposed Transactions control basis (0.425 cents if we ascribed a shell value of \$500,000 to RMG) is greater than the estimated fair value of a RMG share post the issue of the Subscription Shares on an undiluted minority basis of 0.8 cents (or a shell value of approximately 0.239 cents).

8.4 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 25% as discussed in paragraph 7.3.

8.5 We have not taken into account the dilution for the existing share options on issue as they are materially “out of the money” and it is unlikely that any existing share option will be exercised before the various expiry dates. There are 303,030 share options exercisable at 66 cents each, on or before 1 April 2017 (after meeting certain hurdles), 2,424,240 share options exercisable at 19.8 cents each, on or before 31 August 2016), 58,641,098 share options exercisable at 9.9 cents each, on or before 31 August 2016 and 24,696,969 share options exercisable at 9.9 cents each, on or before 31 August 2017.

## 9 Conclusion as to fairness of the Proposal with Epoch

9.1 The preferred fair value of a share in RMG post issue of the Subscription Shares on a minority basis has been assessed at 0.363 cents (0.425 cents if we ascribed a shell value) compared with a value of a share pre issue of the Subscription Shares to Epoch of 0.08 cents (or approximately 0.239 cents if we ascribed a shell value) (on a control basis).

9.2 **After taking into account the matters referred to in 8 above and elsewhere in this report, we are of the opinion that, in the absence of a superior proposal, the proposal with Epoch as outlined in Resolution 1 is fair to the non-associated shareholders of RMG as at the date of this report.**

We consider only using a shell value is not relevant as the Company proposes to continue in business and is not on the market as a shell company. It is proposing to raise capital via the placement to Epoch and undertake a further capital raising in the first quarter of 2017.

## 10. Reasonableness of the Proposals with Epoch

### Advantages

10.1 The passing and consummation of Resolutions 1 to 4 as part of the recapitalisation proposal would result in a cash position of approximately \$1,844,000 (assuming the capital raising of the \$2,000,000 referred to above) that can be used to repay existing creditors and provide some working capital to spend on the Tuina Project and for administration purposes. It will not however be sufficient to repay loans due to Ridgefield and Tyticus (refer comments below).

- 10.2 If the proposal to issue the Subscription Shares are consummated as part of the recapitalisation process, the net cash asset backing of a RMG share rises from 0.027 cents (and a deficiency in working capital of approximately \$(2,034,000) to approximately 0.42 cents (assumes \$2,000,000 worth of shares are issued for cash) and a working capital deficiency of approximately \$(96,000).
- 10.3 The Company is issuing the Subscription Shares to Epoch at a small premium to the share price immediately before the announcement of the proposals with Epoch, Ridgefield and Tyticus on 8 June 2016. The share price was 0.6 cents and thus the premium approximates 50%. Based on the share prices as traded on ASX since 1 March 2016 (albeit in low volumes), the premium has been between 12.5% and 80% (although a discount of approximately 18.18% applies using a 1.1 cent share price on 12 April 2016). Discounts of 25% to 100% are not uncommon for junior mineral explorers.
- 10.4 The proposed directors bring additional expertise to the Company in that such Directors have financial, mining and corporate experience and/or experience as directors or managers of public listed companies or other trading entities. The EM discloses the background of the proposed directors.

In addition, Epoch is planning to use RMG as a platform to facilitate further investment in the Australian market that could have positive effects to RMG and its remaining shareholders.

- 10.5 There is a continuing incentive for Epoch to ensure RMG becomes a viable mineral exploration (and hopefully a development) company as Epoch would have a significant shareholding interest in RMG if 222,222,222 Subscription Shares were issued to Epoch. There is a significant incentive for Epoch to make RMG a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.

#### Disadvantages

- 10.6 A significant shareholding in the Company is being given to Epoch in that it could own up to approximately 51.60% of the expanded issued capital of the Company after the passing of Resolutions 1 to 4 (the passing of Resolutions 1 to 4 are dependent on all resolutions being passed). RMG would initially become a partly owned subsidiary of Epoch. However, we note that RMG will be partly recapitalised as noted above. The existing shareholders (including Ridgefield and Tyticus) are diluted to approximately 48.4% after the passing of Resolutions 1 to 4 (but before any exercise of Conversion Options).
- 10.7 RMG would still have a net working capital deficiency of approximately \$96,000 (assuming the raising of \$2,000,000 as noted above but before the balance of loan funds to be drawn down from Ridgefield and Tyticus). As noted above, the Company will need to raise new capital in order to repay Ridgefield and Tyticus the loans (principals and interest) owing to them. Notwithstanding that RMG will be a partly owned subsidiary of Epoch and Epoch will control the Board, there is always the possibility that RMG may lose its all or a part of the RMG Group's Mining Asset by Ridgefield and/or Tyticus exercising their Security Rights (including the Additional Security). Refer below for the advantages and disadvantages and other factors for granting Additional Security, Transfer Options and Conversion Options to Ridgefield and Tyticus.

#### Other factors

- 10.8 If the Company continues to have positive results from its underlying mineral projects, there is an increased chance that future capital raisings may be undertaken at a higher price than the issue price of 0.9 cent for the Subscription Shares to Epoch.
- 10.9 By approving Resolution 1 it gives Epoch the flexibility not to make a full takeover bid for the Company. Section 611 (Item 7) approval and the passing of Resolution 1 would eliminate the need for a full takeover bid. The issue of Subscription Shares to Epoch could possibly deter any potential bidders to make a takeover for the Company (in full or in part) but noting that Epoch will initially control RMG as noted above,. To our knowledge, there

are no current bids in the market place and the directors of RMG have formed the view that there is unlikely to be any takeover bids made for RMG in the immediate future (other than Epoch acquiring a 51.60% shareholding interest by subscribing for the Subscription Shares).

- 10.10 The issue price of 0.9 cent per Subscription Share is slightly greater than the net book asset backing per share price of approximately 0.865 cents per RMG share.
- 10.11 The Company is proposing to raise further equity capital in late 2016 or early 2017 as the Company has insufficient working capital and requires further funds to repay the loans due to Ridgefield and Tyticus. The ability of the Company to raise further equity or loan capital is subject to exploration success and market conditions. In any event, the Company will need further funds to meet administration, corporate and exploration costs (discretionary expenditure) in the future. In the absence of positive drilling results, there is always the possibility that the share price may recede from current prices. If new capital is raised, the possibility of Epoch's shareholding in RMG may reduce from the proposed 51.60% to below 50%. This will depend on the number of shares issued to Epoch (if any) under a new Capital Raising planned for late 2016 or early 2017 (but before 31 March 2017).

As noted above, the minimum Capital Raising is to be \$1,500,000 at an issue price of not less than 1.25 cents each (a minimum of 120,000,000 Capital Raising Shares). Up to \$2,000,000 (before Capital Raising costs) may need to be raised to pay off all principal and interest owing to Ridgefield and Tyticus as at 31 March 2017. If issued at 1.25 cents, approximately 160,000,000 Capital Raising Shares would be issued.

- 10.12 To facilitate the Subscription Agreement the proposals outlined above with Ridgefield and Tyticus (the Additional Security, the Transfer Options and the Conversion Options) were agreed to (although subject to shareholders' approval).
- 10.13 The cash capital raising costs for the raising of \$2,000,000 is estimated at \$62,000 (estimated cost of the Notice and shareholders meeting) that represents a capital raising fee of approximately 3.1%. The capital raising cost is at a reasonable rate when compared to similar capital raisings where the rates can be approximately 5% to 7% of the capital raising.

## **11. Conclusion as to Reasonableness as to the proposals with Epoch**

- 11.1 After taking into account the matters referred to in 10 above and elsewhere in this report, we are of the opinion that, in the absence of a superior proposal, the proposal to issue the Subscription Shares to Epoch as outlined in Resolution 1 are on balance reasonable to the non-associated shareholders of RMG as at the date of this report.**

## **12. Fairness and Reasonableness of the Proposals with Ridgefield and Tyticus and Conclusions Thereof**

- 12.1 In the event that the Subscription amount is received and RMG draws down the remaining facility amount from Ridgefield and Tyticus, the Company would receive further funds of around US\$231,818 (as compared with the draw downs as per the 30 April 2016 adjusted statement of financial position of US\$1,070,000 that includes assumed draw downs of US\$110,000 before 1 July 2016) and thus the amount owing by RMG to Ridgefield and Tyticus combined would total US\$1,300,000 (principal and interest owing). No interest is capitalised on draw downs post 1 July 2016 and thus interest on such draw downs post 1 July 2016 would be paid in cash. Thus the principal and interest on the loans from Ridgefield and Tyticus may approximate a maximum of US\$1,300,000 (this approximates in the range of approximately \$1,733,000 to \$1,831,000 using a range of US/AUS exchange rates over the past 4 months).

- 12.2 In order to avoid Ridgefield and Tyticus exercising the Securities or the Call Options (Transfer and Conversion Options), RMG must raise a minimum of \$1,500,000 at not less than 1.25 cents per Capital Raising Share. It maybe that around \$2,000,000 before capital costs may need to be raised to pay off all principal and interest owing to Ridgefield and Tyticus as at 31 March 2017 (maximum of US\$1,300,000). If issued at 1.25 cents, approximately 160,000,000 Capital Raising Shares would be issued.
- 12.3 In the event that the Capital Raising does not take place at a sufficient amount to repay the Loans (principal and any unpaid accrued interest) in full by 31 March 2017, either or both Ridgefield and Tyticus may exercise their Security Rights (including the Additional Security) and the RMG Group may lose all or a part of interest in the Tuina Project (via RGM losing all or a part of the shares of wholly owned subsidiaries, Moonraker and Minera Tuina SpA ("MTS")).
- 12.4 If sufficient funds were raised from the Capital Raising, the loans (and unpaid interest) owing to Ridgefield and Tyticus would be repaid in full and the Security would cease and the Call Options would in effect cease. This report assumes the "worst case scenario" that the Capital Raising is not completed and Ridgeway and/or Tyticus could exercise either one of the Call Options. Both lenders do not have to exercise in the same way. One of the lenders may exercise their Transfer Option and the other may exercise its Conversion Option.
- 12.5 It is noted that the lenders already have security over the Australian subsidiary, Moonraker (that owns all of the shares in MRMG that in turn owns all of the shares in MTS that owns and controls the Tuina Project in Chile) but by obtaining the Additional Security will have the right (on default of repayments of the Loans -principal and unpaid interest) to take control over MTS, a company incorporated in Chile. Effectively the lenders collectively have security (indirectly) over the Tuina Project but this security is improved by taking the Additional Security (over shares in MTS). RMG by allowing the Additional Security is effectively obtaining further funds (from the original facility of US\$1,000,000 to a facility totalling US\$1,300,000 and further cash funds (but a corresponding increase in debt) are obtained by the Company for working capital most of which would be spent on the Tuina Project (hopefully to enhance its value although this cannot be assured). As noted, the Subscription (of \$2,000,000) may only be completed by agreeing to the Additional Security and issue of the Call Options.
- 12.6 The issue of the Additional Security somewhat strengthens the security for the lenders (Ridgefield and Tyticus) but in any event the lenders can already in the event of default exercise their security rights. Technically, the loans from Ridgefield and Tyticus are in default as the loans were due for repayment on 31 March 2016 but under the restructuring are now due for repayment by 31 March 2017 (initially extended to 30 November 2016). By entering into the Additional Security and Call Options, the lenders now have the flexibility to either call up the security via the Transfer Option or subscribe for new shares in RMG at a cost equal to the amounts of principal and interest outstanding (such sums are acquitted to \$nil under the Conversion Options) in the event that RMG does not completes the Capital Raising (at a minimum of 1.25 cents before 31 March 2017).
- 12.7 As noted above, the fair value of the Mineral Assets of MTS (that is owned by MRMG that is owned 100% by Moonraker that in turn is 100% owned by RMG) lies in the range of \$1,500,000 (low) to \$2,900,000 (high) with a preferred value of \$2,200,000.

The book value of the assets and liabilities of Moonraker, MRMG and MTS combined as at 30 April 2016 are as follows:

Interest in Mining Assets (mainly in the books of MTS, the main Chilean company)	4,327,914
Owing to RMG	(4,835,113)
<u>Net book liabilities</u>	<u>\$ (507,199)</u>

The amounts owing to RMG are \$2,930,007 by MTS, \$434,511 by MRMG and \$1,470,595 by Moonraker. Moonraker, MRMG and MTS comprise the Chilean subsidiaries in which Ridgefield and Tyticus will have security over, notwithstanding that the Mineral Assets are owned by MTS.

The RMG consolidated figure is \$3,836,751 and is less than the \$4,327,514 due to various consolidation adjustments arising on the acquisition of the Chilean companies that reduced the consolidated carry forward figure (permanent consolidated adjustment) and write downs at a consolidation level only.

After taking into account the fair values of the Mining Assets as noted in paragraph 5.4.4 (instead of the book value of the Interests in Mining Assets), the net fair value of the Moonraker Group would fall in the range of:

	Low \$	Preferred \$	High \$
Fair value of Mining Assets	1,500,000	2,200,000	2,900,000
Less: Owing to RMG	<u>(4,835,113)</u>	<u>(4,835,113)</u>	<u>(4,835,113)</u>
<b>Net asset (Liability) position</b>	<b><u>(3,335,113)</u></b>	<b><u>(2,635,113)</u></b>	<b><u>(1,935,113)</u></b>

The Mining Assets are owned by MTS however some costs are still recorded in MRMG (less than \$48,000).

It is possible that RMG will borrow a further approximate US\$232,000 from Ridgefield and Tyticus and if we assumed all of such funds were lent to Moonraker who in turn lent such funds to the Chilean subsidiaries, the amount owing to RMG by the Moonraker Group (Moonraker, MRMG and MTS) may owe RMG approximately \$5,149,000. However, we do not know whether further value would be added to the Mineral Assets.

If Ridgefield and Tyticus exercised the Transfer Option, they would recover their loans as under the agreements the Debts are deemed to be repaid in full. The loans due by the Chilean companies to RMG would not be repayable under the Transfer Option scenario. RMG would cease to own the Mining Assets as Ridgefield and Tyticus would have control of such assets and RMG would cease to have Mining Assets in Chile and become a company with virtually no assets but still may have some liabilities. In the books of RMG, the Debts due to Ridgefield and Tyticus would reduce to \$nil but RMG would cease to control the Mining Assets. It is noted that from RMG's point of view, the loans due by the Chilean companies have already been fully provided in the books of RMG.

In the case of only one of the Lenders (Ridgefield or Tyticus) exercised their Transfer Option, then the Lender who exercised the Transfer Option would be deemed to have its Debt repaid and RMG would have a reduced interest in the Mining Assets.

Using the pro-forma balance sheet figures noted above, the net assets of the Company would reduce to \$1,346,202 but a company that has lost its Mining Assets but has eliminated Debts due to Ridgefield and Tyticus. The net asset backing per share would approximate 0.31 cents. However it is difficult to determine whether a Transfer Option would be exercised that could result in RMG becoming a shell company and also what the net assets (or liabilities) of RMG would be at that time. Probably most of the money raised from Epoch would have been spent paying existing trade creditors and on the Chilean Assets.

If the transfer option was exercised (only if RMG cannot raise new capital in the first quarter of 2017), then arguably the Company may become a shell company (in the absence of acquiring new mineral properties). If a transfer option was exercised, it would be expected that the Company would be in a net liability position and in a worst case scenario, the Company may not be able to pay its debts as and when they fell due and could enter into some form of Administration, including liquidation. The shares of RMG in these circumstances have nil value (unless a new investment group used the Company as a shell for other purposes). The use of shells is arguably going to get more difficulty as ASX

changes its listing rules later this year. Also there may be 3 to 12 months delay in resurrecting a company that has no assets.

It is noted that values of shell companies vary considerably but for small cap companies may vary between \$250,000 and \$600,000 (assuming no or immaterial debt) for companies listed on the ASX. However it is noted that the Company cannot sell itself and parties are only prepared to place funds in a company shell on the back of a firm proposal (as is the case with RMG). The amount payable is dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst many factors. In view of a poor market and lack of investor sentiment for small cap companies over the past several years, a potential "shell value" may be on the lower side of the above range. Shell value is only paid for on the basis of a recapitalisation proposal and not in isolation.

- 12.8 As noted above the estimated loans (including capitalised interest) due to Ridgefield and Tyticus as at 31 March 2017 may total up to US\$1,300,000 and this may be in the range of \$1,733,000 to \$1,831,000 and \$1,766,000 using a US/AUS exchange rate of 13 June 2016.

However, if the Transfer Options were exercised, the Debts due by RMG to Ridgefield and Tyticus are reduced to \$nil and debts due by the Chilean subsidiaries to RMG are written off and RMG may become a shell company (refer paragraph 12.7 above). In effect RMG would lose an asset (the Mining Assets) deemed to have a current fair value of between \$1,500,000 and \$2,900,000 with a preferred fair value of \$2,200,000 and eliminate Debts of US\$1,300,000 (approximately \$1,733,000 to \$1,831,000 with a mid value of \$1,766,000).

- 12.9 In the event of insolvency by RMG, any Administrator appointed would seek to maximise value by negotiating with interested parties to acquire the Tuina Project. In most cases, under an Administration scenario, the realisable value of assets are materially less than book values and technical values ascribed by recognised valuers – investors/buyers look for buying opportunities to take advantage of the poor state of affairs of the seller.

- 12.10 **It is noted that the exercise of the Transfer Options can only be exercised by Ridgefield and/or Tyticus in the event that the Capital Raising (as noted above) does not take place. In the event that the Capital Raising is completed and sufficient funds are raised to pay out the loans to Ridgefield and Tyticus), the lenders would be paid out and the Transfer Options (and Conversion Options) cannot be exercised.**

The granting of the Transfer Options (and Conversion Options) allows RMG to raise funds from Epoch and with such funds allows RMG to further evaluate the Mining Assets, that hopefully will lead to an uplift in value, although this cannot be guaranteed. Assuming evaluation of the Mining Assets lead to more positive news over the next five months, RMG will be in a better position to raise the further capital in the first quarter of 2017 which will be used to repay the Debts due to Ridgefield and Tyticus.

- 12.11 **Based on the above information and assumptions, it is our opinion that the granting of the Additional Security as noted above and as noted in Resolution 2 on its own is fair and reasonable and the granting of the Transfer Options as noted above and in Resolution 3 are not fair but reasonable.**

- 12.12 In the event that the Conversion Options were exercised (assumes that RMG does not complete the Capital Raising as noted above before the end of 31 March 2017), shares would be issued to Ridgefield and/or Tyticus to eliminate the amounts owing to them as at 31 March 2017. Assuming the full draw downs, the estimated loan liabilities could total up to US\$1,300,000 (say \$1,766,000) and the net asset position at preferred fair values would be as follows:



	Rounded \$
Net fair value as per paragraph 8.2 above (after the Epoch Subscription)	1,956,220
Additional cash received from lenders (approximately US\$232,000)	315,000
Additional loans due	(315,000)
Additional interest (approximately US\$108,000) assuming Maximum drawdown to US\$1,300,000 is made on 31 July 2016	(146,000)
Further losses estimated per cash flow forecasts (excludes interest) to 31 March 2017	(285,000)
Assume additional increase in value of Mining Assets (refer above)	315,000
Loans eliminated	<u>1,766,000</u>
<b>Net assets at fair value estimated at 31 March 2017</b>	<b><u>3,602,220</u></b>

- 12.13 The total maximum number of shares that may be issued to Ridgefield and Tyticus on both exercising the Conversion Options may approximate up to 203,444,444 (say US\$1,300,000 = \$1,831,000 divided by 0.9 cents) and using the low US\$0.71=AUS\$1. The shares on issue post conversion may then approximate up to 634,110,596 (could be more or less depending on the loans outstanding and the US/AUS exchange rate). 40% of such shares would be allocated to Ridgefield to take its shareholding interest to 105,986,444 or approximately 16.71% of the expanded issued capital and 60% of such shares would be allocated to Tyticus to take its shareholding interest to 162,175,451 or approximately 25.58% of the expanded issued capital.

In the event that the assumed debt position as at 31 March 2017 approximates US\$1,068,190 (no further draw-downs after 31 July 2016), then the potential maximum shares to be issued to Ridgefield and Tyticus combined would approximate 167,165,888 (using the low US\$0.71=AUS\$1) and the total number of shares on issue could approximate 597,832,040. Ridgefield's shareholding interest may approximate 15.30% and Tyticus's shareholding interest may approximate 23.49%.

These percentages could alter depending on the level of debt converted and USA/AUS exchange rates but the percentages would still be high and well over 20% for Tyticus.

The net fair value of a RMG share may approximate 0.568 cents (assumes up to 634,110,596 shares on issue) (and the value to a minority shareholder approximately 0.454 cents) that is greater than the value of a RMG share prior to the exercise of the Conversion Options but after the Epoch Subscription (refer paragraph 8.2 above).

In the interests of simplicity, we have not disclosed the effect of say one of the lenders exercising the Conversion Option and the other exercising the Transfer Option. If one exercised the Transfer Option either 40% (Ridgefield) or 60% (Tyticus) of the interests in the Mining Assets would be transferred to the party exercising the Transfer Option.

- 12.14 **Thus based on the above information, the issue of Conversion Shares to Ridgefield and Tyticus (and by implication, the granting of the Conversion Option) as noted above and in Resolution 4 would be fair and reasonable.**

**It is noted that the exercise of the Conversion Options can only be exercised by Ridgefield and/or Tyticus in the event that the Capital Raising (as noted above) does not take place. In the event that the Capital Raising is completed and sufficient funds are raised to pay out the loans to Ridgefield and Tyticus), the lenders would be paid out and the Conversion Options (and Transfer Options) cannot be exercised.**

### **13. Shareholder Decision**

- 13.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the issue of Subscription Shares to Epoch and the granting of the Additional Security and Call Options to Ridgefield and Tyticus are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to Resolutions 1 to 4 (but we have been requested to determine whether the proposals pursuant to Resolutions 1 to 4 are fair and/or reasonable to those shareholders not associated with the Epoch, Ridgefield and Tyticus where appropriate). The responsibility for such a voting recommendation lies with the directors of RMG.
- 13.2 In any event, the decision whether to accept or reject Resolutions 1 to 4 is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposal under Resolutions 1 to 4 shareholders should consult their own professional adviser.
- 13.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in RMG. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposal under Resolutions 1 to 4. Shareholders should consult their own professional adviser in this regard.

### **14. Sources of Information**

- 14.1 In making our assessment as to whether the proposal pursuant to Resolutions 1 to 4 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of RMG which is relevant in the current circumstances. In addition, we have held discussions with management of RMG about the present state of affairs of RMG. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Company and publicly filed information on the financial position of the Company lodged via the ASX website.
- 14.2 Information we have received includes, but is not limited to:
- draft of the June/July 2016 Notice of General Meeting of Shareholders of RMG (and draft of the EM attached);
  - discussions with management of RMG;
  - shareholding details (Top 20) of RMG as at 8 June 2016;
  - announcements, if any, made by RMG to the ASX from January 2015 to 13 July 2016;
  - audit Reviewed financial statements of RMG for the six months ended 31 December 2015 and the Annual Report of RMG for the year ended 30 June 2015;
  - consolidated spread sheets on the RMG consolidation for the period to 30 April 2016 (includes an unaudited consolidated statement of financial position);
  - cash flow forecasts for the RMG Group on a monthly basis to 28 February 2017;
  - the Subscription Agreement between RMG and Epoch;
  - the Facility Agreement between RMG and Tyticus of March 2015 and the Facility Agreement between RMG and Ridgefield of March 2015;
  - the Security Agreement - Shares between RMG and Tyticus of March 2015 and the Security Agreement – Shares between RMG and Ridgefield of March 2015;
  - the Pari Passu Deed between RMG, Ridgefield and Tyticus;
  - the Term Sheet between RMG, Ridgefield and Tyticus;
  - the Maynard Valuation Report on the Mining Assets of the RMG Group in Chile of June 2016;
  - share prices of RMG shares between 1 June 2015 and 30 June 2016;

- spread sheets on potential amounts owing to Ridgefield and Tyticus; and
- spread sheets on potential shares that could be issued to Ridgefield and Tyticus.

14.3 Our report includes Appendices A and B and Financial Services Guide, attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES PTY LTD**  
**(Trading as Stantons International Securities)**

A handwritten signature in black ink, appearing to read 'Jvan', followed by a long horizontal flourish.

**John Van Dieren - FCA**  
**Director**

**AUTHOR INDEPENDENCE**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd (trading as Stantons International Securities) dated 14 July 2016, relating to the proposals as noted in Resolutions 1 to 4 outlined in the Notice of Meeting of Shareholders and the accompanying EM to be distributed to shareholders of RMG in July 2016.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with RMG other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$22,500 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John Van Dieren and Martin Michalik have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd or any directors of Stantons International Securities and Stantons International Audit and Consulting Pty Ltd do not hold any securities in RMG. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities has consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

**QUALIFICATIONS**

We advise Stantons International Securities is the holder of an Investment Advisers Licence (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John Van Dieren – FCA and Martin Michalik - ACA the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

**DECLARATION**

This report has been prepared at the request of a director of the Company in order to assist the shareholders of RMG to assess the merits of the proposals (Resolutions 1 to 4) to which this report relates. This report has been prepared for the benefit of the RMG shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act 2001 and where applicable ASX Listing Rule 10.1 and 10.11 and does not provide a general expression of Stantons International Securities opinion as to the longer term value of RMG and its future business activities. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of RMG (and its subsidiaries). Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

### **DUE CARE AND DILEGENCE**

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolutions 1 to 4 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolutions 1 to 4.

### **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities may rely on information provided by the directors, its officers and other parties (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), the directors (on behalf of RMG) has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which RMG may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by the directors; and
- (b) to indemnify Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from the directors officers and RMG providing Stantons International Securities any false or misleading information or in the failure of the directors, RMG and their officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to the Directors of RMG for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE  
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD  
(Trading as Stantons International Securities)  
Dated 14 July 2016**

1. Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated entities receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities Pty Ltd  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

Telephone: 08 9481 3188  
Facsimile: 09 9321 1204

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399



**APPENDIX B**

**MAYNARD VALUATION REPORT ON THE MINING ASSETS OF THE RMG GROUP IN CHILE**

**AL MAYNARD & ASSOCIATES Pty Ltd**  
**Consulting Geologists**

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*Australian & International Exploration & Evaluation of Mineral Properties*

INDEPENDENT TECHNICAL VALUATION  
OF THE  
LA TECA GOLD COPPER PROJECT  
CHILE

PREPARED FOR  
RMG LTD

Author: Brian J. Varndell, BSc(Spec.Hons.), FAusIMM.  
Peer Review: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM  
Company: Al Maynard & Associates Pty Ltd  
Date: 24<sup>th</sup> June, 2016

## EXECUTIVE SUMMARY

This Independent Technical Valuation Report (“ITV”) of the RMG Limited (“RMG”) mining project in Chile, has been prepared by Al Maynard & Associates (“AM&A”) at the request of Mr John van Dieren, FCA (Director) of Stantons International Securities Pty Ltd for inclusion in their Independent Expert’s Report (“IER”). The tenements concerned cover approximately 172.5 km<sup>2</sup> within the Antofagasta Region of Chile (Figure 1).

This report provides an independent technical valuation of the 90 Concessions as at 24<sup>th</sup> June, 2016. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2005) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

RMG is a company on the Official List of Australian Securities Exchange Limited (“ASX”). Its principal business is involved in mineral exploration. RMG owns the concessions situated east of Chuquicamata in the Antofagast Region of northern Chile that are prospective for gold and copper.

The La Teca Project is located 55 km SE of the world class Chuquicamata copper mine of Codelco, and 50 km NE of the world class Spence copper mine operated by BHP Billiton. As a result of the development of the copper mines in the region there are now freshwater pipelines, roads, grid power lines, and railway to coastal ports, all of which are within 30-50 km of the La Teca Gold-Copper Project.

La Teca is located in the world’s largest copper province. As well as the extensive portfolio of mineral concessions with numerous undrilled copper-silver manto targets with up to 8.8% Cu grab samples, RMG’s discovery of gold is the first known record of gold mineralisation in the area and the discovery of copper mineralised Eocene diorite dykes is the first record of Tertiary age intrusive hosted mineralisation in the area.

This valuation appraises the project using the Multiple of Exploration Expenditure (“MEE”) method and mentions the Exploration Target Potential at the Santa Rosa Copper Deposit.

Given the relevance of the assumptions and factors underlying the development and conceptual prospectivity for resources of the project (deposit dimensions provided in Section 4.6, Table 3 and used in the Appendix 1 calculation table), AM&A has concluded that it is reasonable to rely on this data for the purposes of this report and the derivation of a current valuation accordingly based on that information. AM&A has relied on the technical data supplied by RMG and accepted that data in reaching our conclusions, unless AM&A expressly states otherwise.

The summary of the valuation conclusions is presented in Table 4. This current valuation has used a form of the MEE Method applied to expenditures that are relevant to the present day tenement holding and the Yardstick method applied to potential insitu copper mineralisation. The average of the MEE and the Yardstick methods was selected as the most appropriate method for valuation estimate purposes.

This Report concludes that the cash value of 100% of the RMG tenement portfolio in Chile, as at 24th June, 2016, is ascribed at \$2.2M from within the range of \$1.5M to \$2.9M.

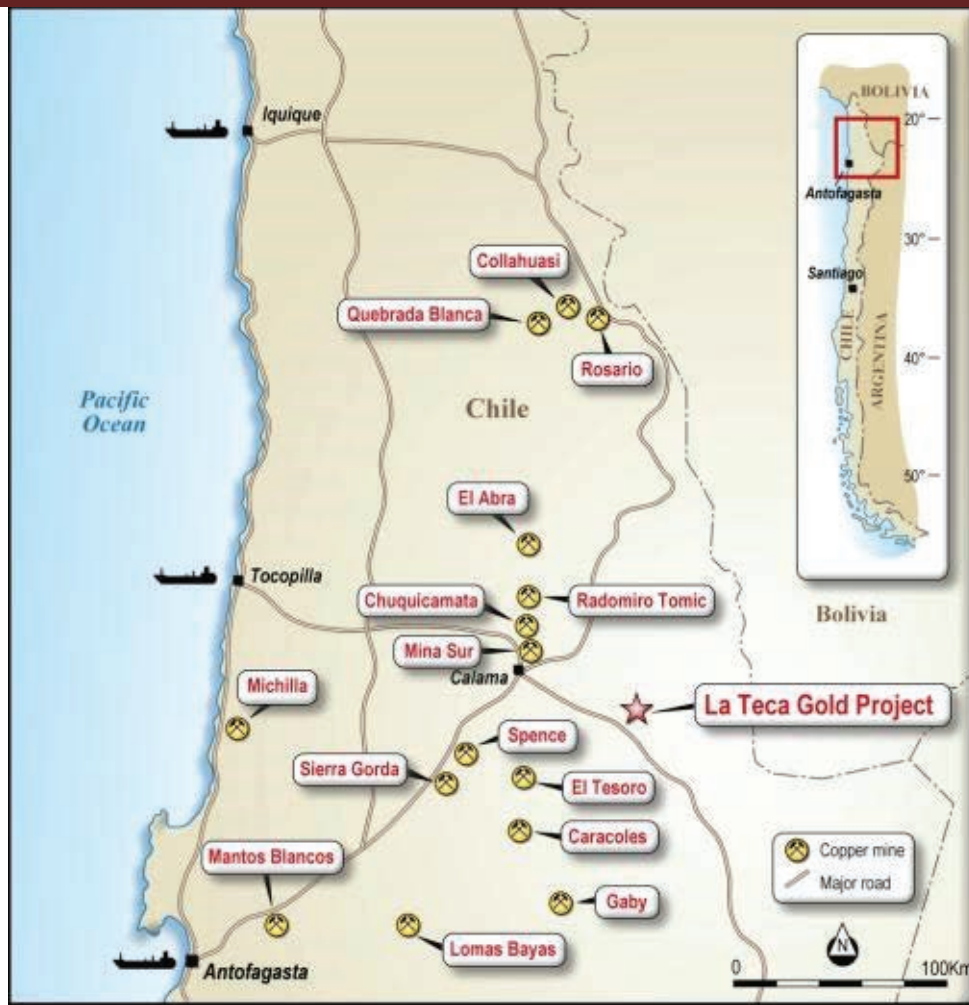


Figure 1: RMG Limited Project Location Plan.

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24<sup>th</sup> June, 2016

The Directors,  
Stantons International Securities Pty Ltd  
Level 2, 1 Walker Avenue,  
West Perth,  
WA 6005.  
Australia

Dear Sirs,

**VALUATION OF THE LA TECA EXPLORATION PROJECT IN CHILE**

**1.0 Introduction**

This Independent Technical Valuation Report (“ITV”) of the RMG Limited (“RMG”) mining project in the Antofagasta Region of Chile, has been prepared by Al Maynard & Associates (“AM&A”) at the request of Mr John van Dieren, FCA (Director) of Stantons International Securities Pty Ltd (“SIS”) for inclusion in their Independent Expert’s Report (“IER”). The tenements concerned cover approximately 172.5 km<sup>2</sup> within the Antofagasta Region of Chile (Figure 1).

The directors of RMG engaged SIS to prepare an IER on whether it is fair and reasonable to the RMG Shareholders for RMG to issue 222,222,222 Consideration Shares to Epoch Bliss Limited as referred to in the Notice of Meeting of Shareholders (“Notice”) and the Explanatory Statement (“ES”) attached to the Notice to be forwarded to shareholders in June 2016 (or early July 2016) for a shareholders meeting planned for July 2016 or August 2016.

This report provides an independent technical valuation of the tenements as at 24<sup>th</sup> June, 2016. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2005) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

RMG is a company listed on the Official List of Australian Securities Exchange Limited (“ASX”) (ASX:RMG). Its principal business is involved in mineral exploration. RMG owns the concessions situated 55 km east of world’s second largest porphyry mine Chuquicamata in the Antofagasta Region of northern Chile that are considered prospective for gold and copper based upon previous exploration and mining results. During the current reporting period the Company acquired the non controlling interest of subsidiary Minera Tuina from Chile Metals by the issue of shares in RMG to acquire a 100% interest in the Chile Metals permits. The tenements concerned cover approximately 172.5 km<sup>2</sup>.

This report provides an independent technical valuation of the RMG project in Chile, as at 24<sup>th</sup> June, 2016. The report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2005) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”) and specifically:-

- ASIC Regulatory Guideline 42 - Independence of Experts’ Reports (“RG 42”);
- ASIC Regulatory Guideline Note 43 - Valuation Reports and Profit Forecasts (“RG 43”);
- ASIC Regulatory Guideline 111 – Content of expert’s Reports (“RG 111”)
- ASIC Regulatory Guideline 112 – Independence of Experts (“RG 112”); and
- AusIMM’s Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (“the ValMin Code”).

The assets valued in this report are the tenements in Chile.

**1.1 Scope and Limitations**

This Report is valid as of 24<sup>th</sup> June, 2016 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writers.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likelihood of exploration success. The writer's have taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and 40 years' experience in the exploration and mining industry. Whilst the opinions expressed represent the writers' professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by RMG supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 6.0 – References. No site visit was undertaken since the writers are familiar with the terrane from visits to other similar environs and sufficient technical information is provided to enable and informed opinion to be derived.

RMG will be invoiced and expected to pay a fee, estimated to be between \$10,000 and \$13,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in RMG nor any interest in the mineral assets reported upon. RMG has confirmed in writing that all technical data known to it was made available to the writer. The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fees have been paid in full.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Table 4, section 5.4. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral assets. A recent site visit was not undertaken since the



authors are familiar with the terrane type from visits to other similar nearby environs over previous years for other clients.

## 1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) (No 104986) and a Member of the Australian Institute of Geoscientists (“AIG” #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years’ experience in mineral asset valuation. Brian J. Varndell BSc (SpecHonsGeol), FAusIMM (No111022), is a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writers each hold the appropriate qualifications, experience and independence to qualify as an independent “Expert” and “Competent Person” under the definitions of the Valmin Code.

## 2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17<sup>th</sup> February, 1995 – the Valmin Code (updated 1999 & 2005). AM&A has derived the estimates listed below using the Yardstick method for the current technical value of the mineral assets as applied to the JORC Code (2004) compliant resources estimates declared for the tenement.

The ASIC publications “Regulatory Guides 111 & 112” have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’ length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of “forced sale” circumstances.

### 2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and rule of thumb or yardstick approach.

### 2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value (‘NPV’) is determined from discounted cash flow (‘DCF’) analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

### 2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

## 2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

## 2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between 'zero' to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

PEM Range	Criteria
0.1 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources

**Table 1: Typical PEM Factors.**

## 2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

## 2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

## **2.8 General Comments**

The aims of the various methods are to provide an independent opinion of a “fair value” for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

## **2.9 Environmental implications**

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

## **2.10 Indigenous Title Claims**

No native style claims over the project area have been indicated to AM&A.

## **2.11 Commodities-Metal prices**

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews (e.g. “Kitco.com” or “Alibaba”).

## **2.12 Resource/Reserve Summary**

There are no JORC Code (2012) compliant resource estimates declared for the Project.

## **2.13 Previous Valuations**

No previous valuations of the tenement package are known to the authors.

## **2.14 Encumbrances/Royalty**

The Projects may be subject to government royalties as stipulated by the Government where currently applicable.

No royalty payments are considered in this valuation as no mining is yet occurring.

## **3.0 Background Information**

### **3.1 Introduction**

This valuation has been provided by way of a detailed study of existing information and field data provided by RMG regarding operations completed at the projects to date. Since no JORC Code (2012) compliant resource estimates have been attempted to date; AM&A has been supplied with available historical expenditures which forms the basis for this valuation.

### **3.2 Specific Valuation Methods**

There are various methods acceptable for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the RMG projects the MEE Method has been applied to the available historic expenditures to determine a value range as at 24<sup>th</sup> June, 2016 and a preferred or most likely value ascribed within that range.

### 3.3 Tenement Holding

RMG in its own right holds 90 tenements within the Antofagasta Region of northern Chile (Table 2). The Company provided the full tenement details to AM&A. We have accepted the tenement holding as there is no Chilean official website to AM&A's knowledge that can be accessed. The total surface area of the La Teca Concessions is approximately 17,250 ha, and the Annual Fee to retain all the concessions is approximately \$CLP44,948,059 per annum (US\$67,422).

The general configuration of the concessions held by RMG, herein referred to as the "La Teca Concessions", is presented in Figure 2. The 51 La Teca Concessions are all held 100% by a wholly owned Chilean subsidiary of RMG (Minera Tuina SpA), with a royalty due to the original vendor (see the summary of the sale agreement below).

When RMG acquired the concessions, the international legal firm Philippi, Yrarrazaval, Pulido, & Brunner Ltda from Santiago undertook a legal due diligence on all the concessions and determined that all are in good standing before the Government, and that there were no encumbrances or pre-existing royalties applicable, and no outstanding fees. This statement has been accepted to verify the status of the tenements pursuant to paragraphs 67 and 68 of the VALMIN Code. The tenements are believed to be in good standing at the date of this valuation as represented by RMG.

In October 2014 RMG finalised a purchase agreement with a private Chilean mining company, Chile Metals, to acquire 100% of a group of concessions at Tuina, including all those at La Teca. The key terms of the transaction include:

- RMG acquires 100% of all concessions and all buildings, rights, dumps, easements, water rights, roads, plant and equipment
- Chile Metals has a 2% NSR over all concessions
- RMG has the right to purchase half the NSR for US\$10 million leaving Chile Metals with a 1% NSR
- Chile Metals has the right to appoint a representative to the Board of the Company
- Chile Metals has a First Right of Refusal over the sale or abandonment of any of the concessions.

Region	Concession Name	ID	Status	ID	Annual Rent \$CLP	Holder	Area ha	Date of Grant
Chile, Region II	JUNIO 1	6289 96	SENTENCIA EXPLORACION	02301- G213-6	\$ 90,994	Mra Tuina SpA	100	23/10/2015
Chile, Region II	SANTA ROSA 2	5751 74	SENTENCIA EXPLORACION	02301- E511-8	\$ 181,988	Mra Tuina SpA	200	6/09/2014
Chile, Region II	ABRIL 1, 1 AL 30	5752 37	SENTENCIA EXPLORACION	02301- 4555-5	\$ 454,971	Mra Tuina SpA	300	7/09/2015
Chile, Region II	ABRIL 2, 1 AL 24	5752 38	SENTENCIA EXPLORACION	02301- 4556-3	\$ 333,646	Mra Tuina SpA	240	7/09/2015
Chile, Region II	ABRIL 3, 1 AL 20	5752 39	SENTENCIA EXPLORACION	02301- 4557-1	\$ 303,314	Mra Tuina SpA	200	14/09/2015
Chile, Region II	ABRIL 4, 1 AL 30	5752 46	SENTENCIA EXPLORACION	02301- 4558-K	\$ 454,971	Mra Tuina SpA	300	14/09/2015
Chile, Region II	ABRIL 5, 1 AL 30	5752 47	SENTENCIA EXPLORACION	02301- 4559-8	\$ 454,971	Mra Tuina SpA	300	14/09/2015
Chile, Region II	ABRIL 6, 1 AL 22	5752 48	SENTENCIA EXPLORACION	02301- 4560-1	\$ 318,480	Mra Tuina SpA	220	14/09/2015
Chile, Region II	AGNES 8, 1 AL 2	4874 00	SENTENCIA EXPLORACION	02301- 4170-3	\$ 9,100	Mra Tuina SpA	2	13/05/2014
Chile, Region II	ALEJANDRO I, 1 AL 30	4921 95	SENTENCIA EXPLORACION	02301- 4167-3	\$ 682,455	Mra Tuina SpA	150	30/05/2014
Chile, Region II	ANDREW, 1 AL 10	6082 93	SENTENCIA EXPLORACION	02301- 4685-3	\$ 454,970	Mra Tuina SpA	100	26/02/2016
Chile, Region II	BARRIALES 1 1/15	3779 29	SENTENCIA EXPLORACION	02301- 3634-3	\$ 682,455	Mra Tuina SpA	150	24/05/2012
Chile, Region II	BARRIALES 2 1/23	3779 48	SENTENCIA EXPLORACION	02301- 3635-1	\$ 959,987	Mra Tuina SpA	211	24/05/2012
Chile, Region II	ESTA I 1 AL 30	3158 69	SENTENCIA EXPLORACION	02301- 3504-5	\$ 454,971	Mra Tuina SpA	300	6/07/2012
Chile, Region II	ESTA II 1 AL 30	3158 70	SENTENCIA EXPLORACION	02301- 3505-3	\$ 454,971	Mra Tuina SpA	275	6/07/2012

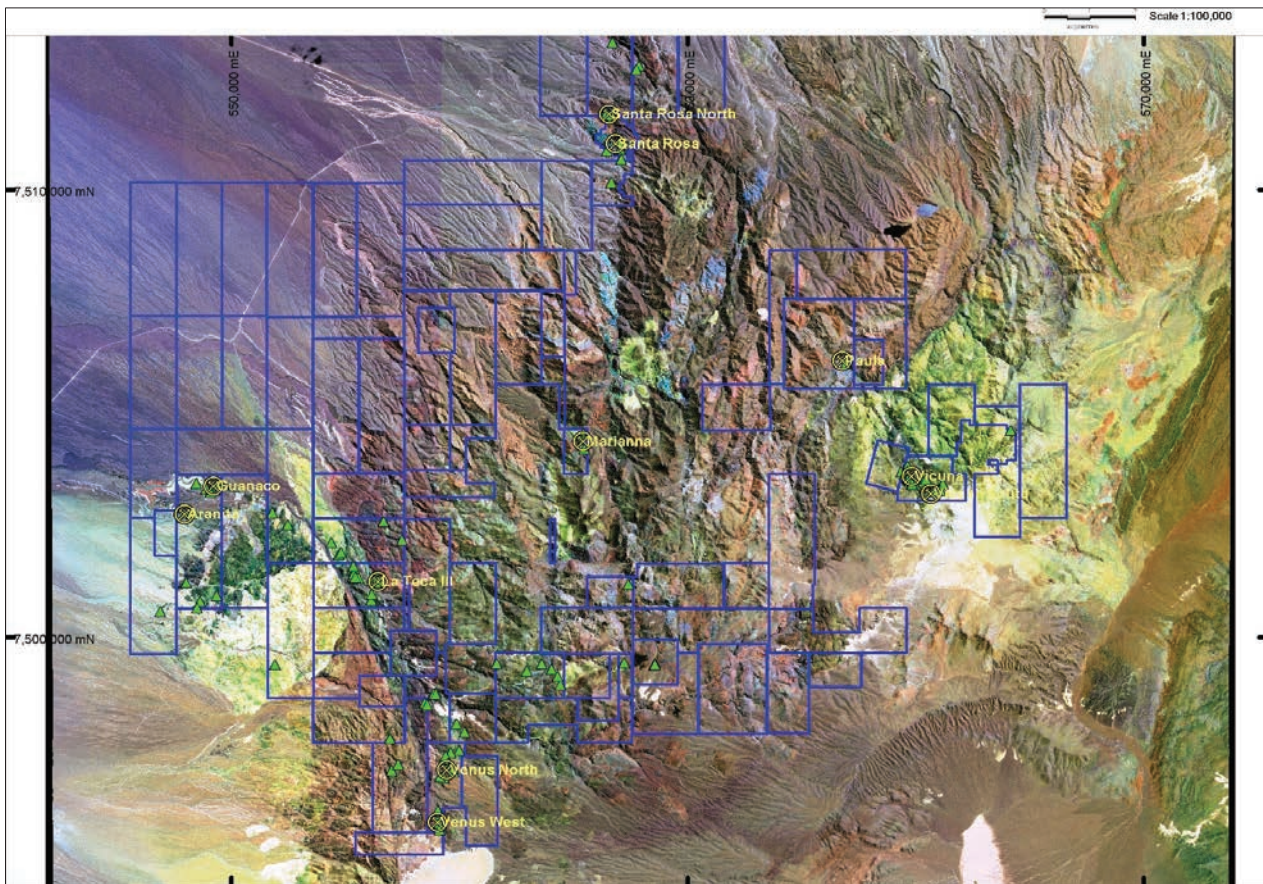
**Valuation of the RMG Project - Chile**

Chile, Region II	ESTA OTRA I, 1 AL 30	5636 11	SENTENCIA EXPLOTACION	02301-4472-9	\$ 454,971	Mra Tuina SpA	300	18/05/2015
Chile, Region II	ESTA OTRA II 1 AL 30	3158 79	SENTENCIA EXPLOTACION	02301-3506-1	\$ 454,971	Mra Tuina SpA	300	6/07/2012
Chile, Region II	ESTER 1/10	3275 61	SENTENCIA EXPLOTACION	02301-3539-8	\$ 363,976	Mra Tuina SpA	80	24/06/2011
Chile, Region II	FEBRERO 1, 1 AL 25	5828 38	SENTENCIA EXPLOTACION	02301-4561-K	\$ 379,143	Mra Tuina SpA	250	30/07/2015
Chile, Region II	FEBRERO 2, 1 AL 25	5828 12	SENTENCIA EXPLOTACION	02301-4562-8	\$ 379,143	Mra Tuina SpA	250	30/07/2015
Chile, Region II	FEBRERO 3, 1 AL 25	5828 13	SENTENCIA EXPLOTACION	02301-4563-6	\$ 379,143	Mra Tuina SpA	250	30/07/2015
Chile, Region II	FEBRERO 4, 1 AL 25	5828 14	SENTENCIA EXPLOTACION	02301-4564-4	\$ 379,143	Mra Tuina SpA	250	30/07/2015
Chile, Region II	FEBRERO 5, 1 AL 10	5828 15	SENTENCIA EXPLOTACION	02301-4565-2	\$ 151,657	Mra Tuina SpA	100	30/07/2015
Chile, Region II	FEBRERO 6, 1 AL 30	5828 16	SENTENCIA EXPLOTACION	02301-4566-0	\$ 454,971	Mra Tuina SpA	300	30/07/2015
Chile, Region II	FEBRERO 7, 1 AL 30	5828 17	SENTENCIA EXPLOTACION	02301-4567-9	\$ 454,971	Mra Tuina SpA	300	30/07/2015
Chile, Region II	GREG 3, 1 AL 30	4874 18	SENTENCIA EXPLOTACION	02301-4175-4	\$ 1,082,829	Mra Tuina SpA	238	14/05/2014
Chile, Region II	GUANACO 1/46	1416 73	SENTENCIA EXPLOTACION	02301-2067-6	\$ 318,479	Mra Tuina SpA	70	28/10/1994
Chile, Region II	HANNAH 10, 1 AL 44	4874 19	SENTENCIA EXPLOTACION	02301-4168-1	\$ 400,375	Mra Tuina SpA	264	14/05/2014
Chile, Region II	JULIE 1, 1 AL 40	4874 17	SENTENCIA EXPLOTACION	02301-4177-0	\$ 909,940	Mra Tuina SpA	200	14/05/2014
Chile, Region II	KENNY 9, 1 AL 30	4874 16	SENTENCIA EXPLOTACION	02301-4169-K	\$ 186,539	Mra Tuina SpA	123	14/05/2014
Chile, Region II	LA TECA I 1/20	2791 55	SENTENCIA EXPLOTACION	02301-3378-6	\$ 909,940	Mra Tuina SpA	200	30/10/2009
Chile, Region II	LA TECA II 1/20	2791 56	SENTENCIA EXPLOTACION	02301-3379-4	\$ 909,940	Mra Tuina SpA	200	30/10/2009
Chile, Region II	LA TECA III 1/20	2791 57	SENTENCIA EXPLOTACION	02301-3380-8	\$ 909,940	Mra Tuina SpA	200	30/10/2009
Chile, Region II	LA TECA IV 1/20	2791 58	SENTENCIA EXPLOTACION	02301-3381-6	\$ 909,940	Mra Tuina SpA	200	30/10/2009
Chile, Region II	LA TECA V 1/17	2791 59	SENTENCIA EXPLOTACION	02301-3382-4	\$ 909,940	Mra Tuina SpA	135	30/10/2009
Chile, Region II	LA TECA VI 1/20	2791 60	SENTENCIA EXPLOTACION	02301-3383-2	\$ 909,940	Mra Tuina SpA	200	30/10/2009
Chile, Region II	LA TECA VII, 1 AL 7	5357 55	SENTENCIA EXPLOTACION	02301-4283-1	\$ 318,479	Mra Tuina SpA	70	14/11/2014
Chile, Region II	LISA 4, 1 AL 48	4874 15	SENTENCIA EXPLOTACION	02301-4174-6	\$ 828,046	Mra Tuina SpA	182	14/05/2014
Chile, Region II	LOTTE 2, 1 AL 40	4874 14	SENTENCIA EXPLOTACION	02301-4176-2	\$ 896,291	Mra Tuina SpA	197	14/05/2014
Chile, Region II	MARIANA, 1 AL 5	5357 56	SENTENCIA EXPLOTACION	02301-4284-K	\$ 227,485	Mra Tuina SpA	50	14/11/2014
Chile, Region II	MARZO 1, 1/20	5861 34	SENTENCIA EXPLOTACION	02301-4602-0	\$ 288,149	Mra Tuina SpA	200	23/09/2015
Chile, Region II	MARZO 10, 1/30	5861 69	SENTENCIA EXPLOTACION	02301-4611-K	\$ 439,806	Mra Tuina SpA	300	28/09/2015
Chile, Region II	MARZO 11, 1/21	5861 70	SENTENCIA EXPLOTACION	02301-4623-3	\$ 318,480	Mra Tuina SpA	210	28/09/2015
Chile, Region II	MARZO 12, 1/15	5861 71	SENTENCIA EXPLOTACION	02301-4612-8	\$ 113,743	Mra Tuina SpA	75	28/09/2015
Chile, Region II	MARZO 13, 1/16	5861 39	SENTENCIA EXPLOTACION	02301-4613-6	\$ 45,498	Mra Tuina SpA	80	28/09/2015
Chile, Region II	MARZO 14, 1/11	5861 40	SENTENCIA EXPLOTACION	02301-4614-4	\$ 80,379	Mra Tuina SpA	110	29/09/2015
Chile, Region II	MARZO 15, 1/20	5861 41	SENTENCIA EXPLOTACION	02301-4615-2	\$ 150,141	Mra Tuina SpA	120	29/09/2015
Chile, Region II	MARZO 16, 1/30	5876 01	SENTENCIA EXPLOTACION	02301-4616-0	\$ 454,971	Mra Tuina SpA	300	5/10/2015
Chile, Region II	MARZO 17, 1/30	5876 02	SENTENCIA EXPLOTACION	02301-4617-9	\$ 454,971	Mra Tuina SpA	300	5/10/2015
Chile, Region II	MARZO 18, 1/30	5876 03	SENTENCIA EXPLOTACION	02301-4618-7	\$ 454,971	Mra Tuina SpA	300	5/10/2015
Chile, Region II	MARZO 19, 1/30	5876 04	SENTENCIA EXPLOTACION	02301-4619-5	\$ 454,971	Mra Tuina SpA	300	5/10/2015
Chile, Region II	MARZO 2, 1/30	5861 35	SENTENCIA EXPLOTACION	02301-4603-9	\$ 394,309	Mra Tuina SpA	300	23/09/2015
Chile, Region II	MARZO 20, 1/30	5876 18	SENTENCIA EXPLOTACION	02301-4620-9	\$ 454,971	Mra Tuina SpA	300	5/10/2015
Chile, Region II	MARZO 21, 1/30	5876 19	SENTENCIA EXPLOTACION	02301-4621-7	\$ 454,971	Mra Tuina SpA	300	5/10/2015
Chile, Region II	MARZO 3, 1/20	5861 36	SENTENCIA EXPLOTACION	02301-4604-7	\$ 303,314	Mra Tuina SpA	200	23/09/2015
Chile, Region II	MARZO 4, 1/30	5861 37	SENTENCIA EXPLOTACION	02301-4605-5	\$ 454,971	Mra Tuina SpA	300	23/09/2015

**Valuation of the RMG Project - Chile**

Chile, Region II	MARZO 5, 1/30	5861 38	SENTENCIA EXPLOTACION	02301-4606-3	\$ 454,971	Mra Tuina SpA	300	23/09/2015
Chile, Region II	MARZO 6, 1/30	5861 65	SENTENCIA EXPLOTACION	02301-4607-1	\$ 454,971	Mra Tuina SpA	300	23/09/2015
Chile, Region II	MARZO 7, 1/30	5861 66	SENTENCIA EXPLOTACION	02301-4608-K	\$ 1,364,910	Mra Tuina SpA	300	24/09/2015
Chile, Region II	MARZO 8, 1/35	5861 67	SENTENCIA EXPLOTACION	02301-4609-8	\$ 477,720	Mra Tuina SpA	315	24/09/2015
Chile, Region II	MARZO 9, 1/30	5861 68	SENTENCIA EXPLOTACION	02301-4610-1	\$ 348,812	Mra Tuina SpA	300	24/09/2015
Chile, Region II	MATIAS II 1/10	2795 36	SENTENCIA EXPLOTACION	02301-3494-4	\$ 45,497	Mra Tuina SpA	10	26/03/2012
Chile, Region II	MATIAS IV, 1 AL 7	4874 01	SENTENCIA EXPLOTACION	02301-4166-5	\$ 318,479	Mra Tuina SpA	70	5/06/2014
Chile, Region II	MAYO 4, 1 AL 10	5710 29	SENTENCIA EXPLOTACION	02301-4551-2	\$ 454,970	Mra Tuina SpA	100	27/08/2015
Chile, Region II	MAYO 5, 1 AL 60	5710 30	SENTENCIA EXPLOTACION	02301-4552-0	\$ 1,337,612	Mra Tuina SpA	300	27/08/2015
Chile, Region II	MAYO 6, 1 AL 60	5710 31	SENTENCIA EXPLOTACION	02301-4553-9	\$ 1,114,677	Mra Tuina SpA	300	27/08/2015
Chile, Region II	MAYO 7, 1 AL 12	5954 43	SENTENCIA EXPLOTACION	02301-4672-1	\$ 436,772	Mra Tuina SpA	96	29/10/2015
Chile, Region II	MOLLY 11, 1 AL 37	4874 13	SENTENCIA EXPLOTACION	02301-4182-7	\$ 227,486	Mra Tuina SpA	150	14/05/2014
Chile, Region II	NOAH 6, 1 AL 78	4873 99	SENTENCIA EXPLOTACION	02301-4172-K	\$ 354,877	Mra Tuina SpA	78	10/02/2014
Chile, Region II	OLIVER 5, 1 AL 18	4873 98	SENTENCIA EXPLOTACION	02301-4173-8	\$ 245,685	Mra Tuina SpA	162	13/05/2014
Chile, Region II	PAULA 1/30	3779 24	SENTENCIA EXPLOTACION	02301-3633-5	\$ 454,971	Mra Tuina SpA	300	14/04/2014
Chile, Region II	PETER, 1 AL 5	5668 41	SENTENCIA EXPLOTACION	02301-4550-4	\$ 136,491	Mra Tuina SpA	30	19/12/2014
Chile, Region II	QUIMAL 1, 1 AL 17	3859 10	SENTENCIA EXPLOTACION	02301-3646-7	\$ 609,660	Mra Tuina SpA	134	20/09/2011
Chile, Region II	QUIMAL 2, 1 AL 30	3859 11	SENTENCIA EXPLOTACION	02301-3647-5	\$ 937,239	Mra Tuina SpA	207	2/08/2013
Chile, Region II	QUIMAL 3, 1 AL 30	3858 99	SENTENCIA EXPLOTACION	02301-3648-3	\$ 1,364,910	Mra Tuina SpA	300	20/09/2011
Chile, Region II	RIO SECO 1 1/27	3779 25	SENTENCIA EXPLOTACION	02301-3630-0	\$ 1,196,572	Mra Tuina SpA	263	24/05/2012
Chile, Region II	RIO SECO 2 1/18	3779 26	SENTENCIA EXPLOTACION	02301-3631-9	\$ 818,946	Mra Tuina SpA	180	24/05/2012
Chile, Region II	RIO SECO 3 1/11	3779 27	SENTENCIA EXPLOTACION	02301-3632-7	\$ 482,269	Mra Tuina SpA	106	24/05/2012
Chile, Region II	RIO SECO 4 1/11	3779 28	SENTENCIA EXPLOTACION	02301-3629-7	\$ 500,467	Mra Tuina SpA	110	24/05/2012
Chile, Region II	ROB 1	6096 99	SENTENCIA EXPLOTACION	02301-4686-1	\$ 4,550	Mra Tuina SpA	1	18/01/2016
Chile, Region II	ROSA ESTER 1/30	3275 63	SENTENCIA EXPLOTACION	02301-3540-1	\$ 454,971	Mra Tuina SpA	250	24/06/2011
Chile, Region II	SANTA ROSA 1/9	1556 78	SENTENCIA EXPLOTACION	02301-0087-K	\$ 204,737	Mra Tuina SpA	45	16/01/1958
Chile, Region II	SOREN 7, 1 AL 3	4873 93	SENTENCIA EXPLOTACION	02301-4171-1	\$ 13,650	Mra Tuina SpA	3	13/05/2014
Chile, Region II	SUERTE 1/26	5449 09	SENTENCIA EXPLOTACION	02301-4285-8	\$ 568,713	Mra Tuina SpA	125	29/10/2014
Chile, Region II	TUINA 1 1/2	2794 35	SENTENCIA EXPLOTACION	02301-3394-8	\$ 45,497	Mra Tuina SpA	10	28/10/2009
Chile, Region II	TUINA 2 1/53	2794 36	SENTENCIA EXPLOTACION	02301-3395-6	\$ 1,319,413	Mra Tuina SpA	290	28/10/2009
Chile, Region II	TUINA 3 1/20	3275 56	SENTENCIA EXPLOTACION	02301-3396-4	\$ 454,970	Mra Tuina SpA	100	23/10/2009
Chile, Region II	TUINA 4 1/20	2794 38	SENTENCIA EXPLOTACION	02301-3397-2	\$ 727,952	Mra Tuina SpA	160	28/10/2009
Chile, Region II	TUINA 6 1/13	2794 40	SENTENCIA EXPLOTACION	02301-3399-9	\$ 295,731	Mra Tuina SpA	65	28/10/2009
Chile, Region II	VICUNA 1/30	1046 56	SENTENCIA EXPLOTACION	02301-2538-4	\$ 627,859	Mra Tuina SpA	138	28/10/1994
				<b>TOTALS</b>	<b>\$ 44,948,059</b>		<b>17250</b>	

**Table 2: RMG Tenement Holdings.**



**Figure 2: Extent of the RMG Concessions in the La Teca area with key deposit locations.**

The holder of an “Explotacion” Concession is conferred the following rights;

1. The holder has the right to explore and to exploit all minerals within the concession area
2. Once granted, the concession continues without termination unless the annual rental tax is not paid or the holder voluntarily relinquishes the concession.
3. The concessions are owned by the holder as if private property under the Constitution
4. The law allows the concession holder to freely transfer, create a security or interest, and lease and in general enter into any sort of contract on a concession
5. The owner of the surface land cannot block access to the mining concession and is obliged to allow all legal easements necessary for the exploitation of the mineral reserves, subject to compensation.
6. There is no minimum expenditure or annual work or annual reporting requirement
7. The holder must pay the annual rental tax due in March of each year, to ensure the continuity of the concession.

## 4.0 La Teca Project, Chile

### 4.1 Introduction

The La Teca Project is located in the Antofagasta Region of the Atacama Desert at an elevation of around 2,900m to 3,400m with, on average, 30mm of rainfall each year (Figure 1 - location map and Figure 3 - typical landscape at La Teca). The project area is located 55 km east of Chuquicamata in the highly mineralised district around Calama in the Antofagasta region of northern Chile. The Calama area hosts over 100 Mt of copper metal in reserves.



**Figure 3: Typical Landscape at La Teca Project.**

As a result of the aridity, there are no landowners, habitations, tenants, livestock or agricultural activities in the area.

#### **4.2 Location and Access**

The Project area is accessed by a combination of bitumen roads from Calama and from San Pedro de Atacama, and graded gravel roads. It is around 60kms by road from Calama to the La Teca area. The combination of good roads and dry weather enables all year exploration activities. The project area is well serviced by all-weather roads and is proximate to the City of Calama with regular air and road transport services, power and water infrastructure. The project is situated on average at 3,000m above sea level which causes minimal altitude effects on operators and plant.

The La Teca area is very arid with little to no vegetation or active drainage systems. These features will assist in any environmental permit approvals.

#### **4.3 Regional Geological Setting.**

The La Teca Project is located at ~3100 m above sea level (“asl”) in the Antofagasta Region, and located 52 km SE of the provincial city of Calama. The La Teca area is geologically located near the eastern margin of the 50 km wide Cordillera de Domeyko Tectonic Province of the northern Chilean Andes, characterised by north-south elongated ranges.

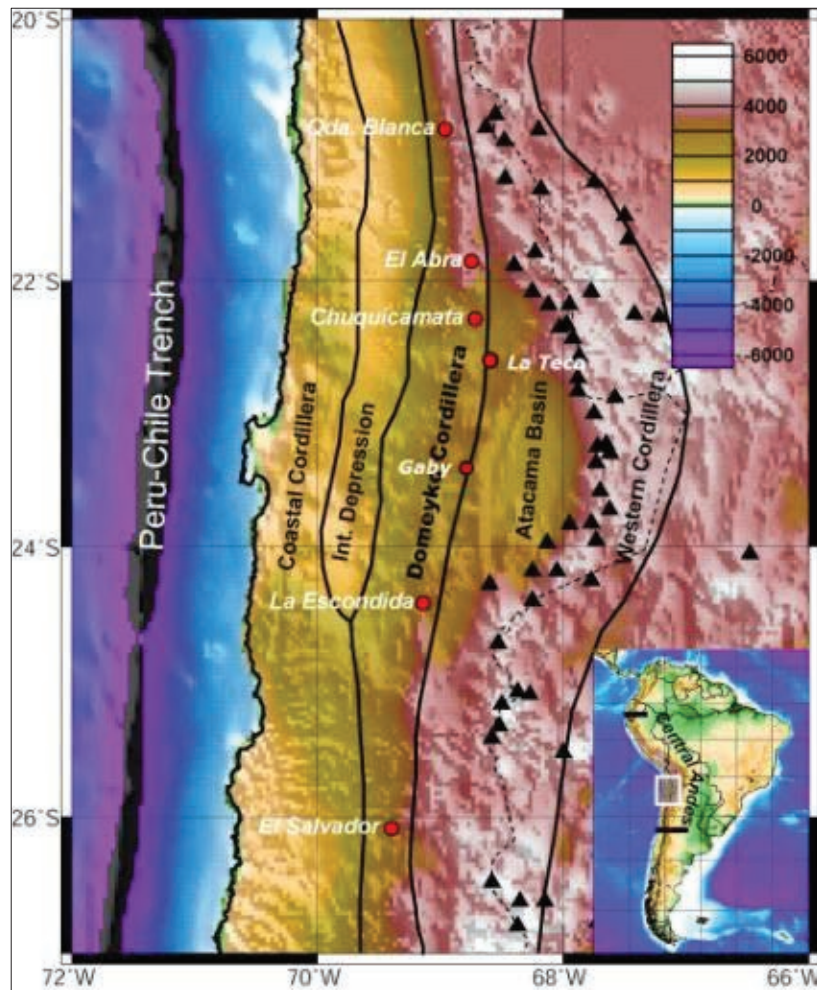
The Cordillera de Domeyko hosts a string of very large copper deposits associated with either Palaeocene or with Late Eocene to Lower Oligocene porphyry intrusions including Collahuasi, El Abra, Chuquicamata, Gaby, and La Escondida (Figure 4).

The Coastal Cordillera to the west of the Cordillera de Domeyko is a significant copper producer from Cretaceous aged copper-silver manto deposits and IOCG copper-iron-gold deposits.

The basement sequence below the Cordillera de Domeyko represents the transition from continental Precambrian and Palaeozoic crust to the east, and thick Palaeozoic turbidites and volcanic-sedimentary sequences to the west. During the Mesozoic a magmatic arc developed to



the west in the Coastal Cordillera, while the Cordillera de Domeyko was within an extensional back arc basin. These sequences were intruded by several north-south oriented Andean-type magmatic arcs from the late Cretaceous in age in the west, to late Cenozoic in the east (Figure 4).



**Figure 4: Chilean Domeyko Cordillera and La Teca Project Area.**

The bulk of the copper production in northern Chile occurs as copper porphyry deposits or as copper-silver manto deposits, all of which are spatially located within these magmatic arcs.

In northern Chile 1.8 Mt of copper metal is produced every year from both porphyry and manto copper deposits, making it the largest copper region in the world. Four of the world's top 10 copper mines are located in this region. Chuquicamata, located just 55 km west of La Teca, is the world's second largest copper open pit. Most of these copper mines are porphyry copper deposits with or without Mo or Au credits (Figure 5).

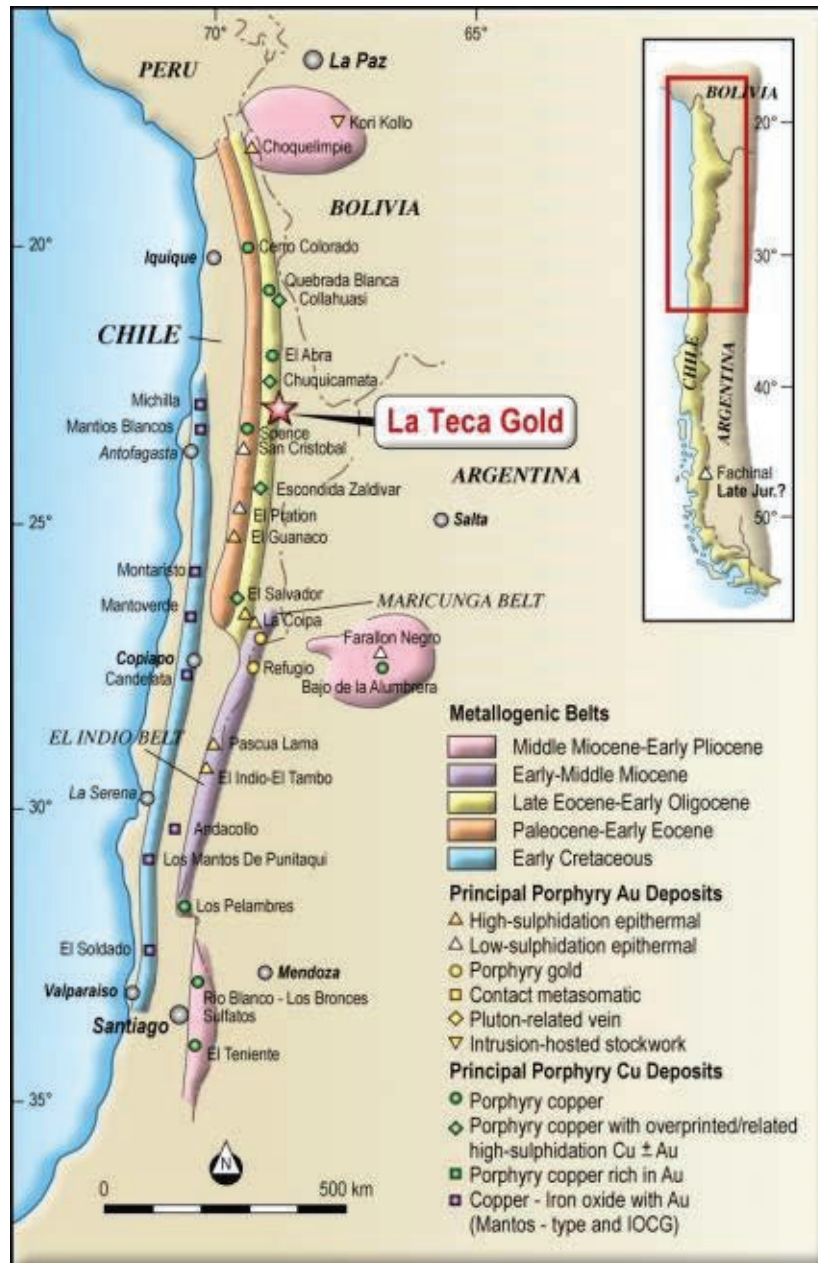


Figure 5: Location of Major Copper Belts in Chile.

#### 4.4 Local Geological Setting

The geology of the La Teca area has previously been mapped by the Chilean Government Geology Agency (Sernageomin) as a Permo-Carboniferous volcano-sedimentary sequence, the Tuina Formation, with the age of the andesites based on leaf detritus within an interbedded mudstone unit (Figure 6). The Tuina Formation is predominantly andesites, porphyritic andesites, dacites, rhyodacites and intercalated mudstones and andesitic tuffs. The Tuina Formation is unconformably overlain by the Upper Cretaceous Purilactis Formation, a sequence of continental red bed sandstones and siltstones, and later by Miocene-Pliocene gravels of the El Loa Formation. Local occurrences of Miocene Ignimbrite sheets occur in the southern portion of the La Teca area.

The Tuina Formation is now dated as Lower Triassic by U-Pb dating of zircons from rhyolites undertaken by Australian National University in 2008. The work was organized by Dr G. Muzzio of Aurum Consultores (prior to RMG's involvement in the area). The mean age is 248.2 +/- 3.2M.

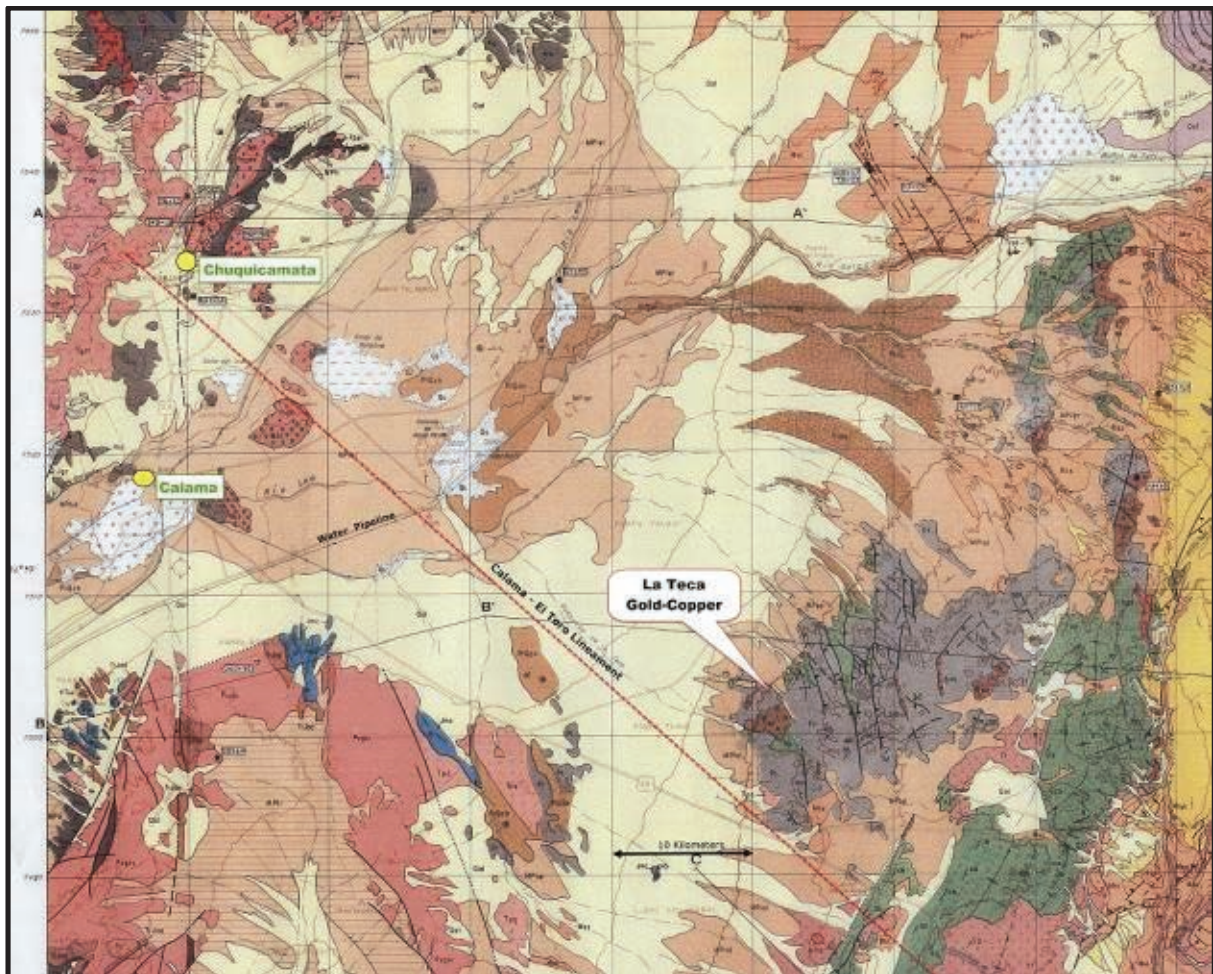
In 2014 RMG commissioned the University of Melbourne, under the supervision of Dr H. Degeling, to complete REE and Nd/Sr element ratio work on Ocoites (porphyritic andesites) from the Tuina

Formation. The Ocoites are a distinctive porphyritic andesite with plagioclase phenocrysts to 20mm and are a feature of the Mesozoic volcanism. The results confirm the correlation with the Triassic, Agua Dulce Formation. The age dating and REE work places the stratigraphy at La Teca as similar in age to the Agua Dulce Formation which is prevalent throughout the Domeyko Cordillera and is host to the Escondida and Chuquicamata Porphyry Copper deposits.

The dating and REE correlations confirm that the La Teca area has been subjected to similar tectonic history and mineralising influences as the major mineralisation in northern Chile.

RMG has also undertaken K-Ar and Ar-Ar dating of copper mineralised diorite dyke and of altered andesites. A total of eight samples were analysed and all were potassic altered to varying degrees. Results from this work indicate the age of the alteration event ranges from 47.8 to 68.3Ma, from Eocene to Upper Cretaceous. However, all samples were affected by atmospheric argon and dates are considered unreliable.

The conclusion of the work to date, is that the potassic alteration dates provide a maximum age for the diorite magmatism and the copper mineralisation which implies that the mineralisation is likely to be younger. Further sample selection is required specifically for age dating work with attendant detailed petrography prior to dating analyses. The dating is highly encouraging and indicates that magmatism and hydrothermal events have affected the La Teca area during the Andean Tectonic Cycle just as at the large copper deposits at Chuquicamata.



**Figure 6: La Teca Project Area – Government 1:250k Geology Mapsheet.**

*(Tuina area in grey coded as Pt is mapped as Carboniferous-Permian Tuina Formation, green faulted blocks are Cretaceous Purilactus Formation sediments, dark brown as Triassic porphyries).*

Structurally The Tuina Formation at La Teca has been subjected to regionally significant north-south strike-slip faulting, and to a lesser extent NE and NW faulting. The most visually significant

structural features are a sequence of north-south faults, including the La Teca Fault. It is assumed that this fault system is a high angle reverse fault steeply dipping to the east as are other fault exposed in the Tuina area further east. This fault is typified by mylonites and breccias, and large widths of specular haematite and epidote. The Tuina Formation has been folded about NNE to NNW axis, and more steeply dipping adjacent to the major faults.

#### 4.5 Mineralisation - Porphyry Copper Deposits

The La Teca area is mineralised with vein and manto style copper-silver deposits, vein gold mineralisation and diorite dyke hosted copper mineralisation.

The super-large porphyry deposits such as Escondida formed mainly between 42 and 31 Ma during the Eocene-Oligocene magmatic phase within the Cordillera de Domeyko. From 31 Ma onwards uplift, climatic change and low rates of denudation have favoured the development and preservation of enriched copper supergene blankets over these porphyries.

The larger copper porphyry mines in northern Chile include:

- Chuquicamata – 10.5Bt @ 0.6% Cu<sub>1</sub>
- Radomiro Tomic – 7.2Bt @ 0.4% Cu<sub>2</sub>
- Mina Mansa – 1.3Bt @ 0.9% Cu<sub>2</sub>
- Sierra Gorda – 1.35Bt @ 0.4% Cu<sub>2</sub>
- Spence – 285Mt @ 0.9% Cu<sub>3</sub>
- El Abra – 725Mt @ 0.44% Cu
- Quebrada Blanca – 350Mt @ 0.8% Cu
- Gaby – 620Mt @ 0.4% Cu

The porphyry copper systems of the Domeyko Cordillera typically comprise several generations of felsic to intermediate stocks and dykes intruded into the Triassic to Cretaceous host rocks. The alteration systems are extensive and are zoned outwards from early sodic-calcic through potentially ore-grade potassic, chlorite-sericite to advanced argillic. The copper mineralisation occurs in quartz veinlets +/- K-feldspar +/- sericite +/- gypsum through both the intrusives and the host rock.

All porphyry copper systems in the Domeyko Cordillera are spatially related to major north-south crustal faults and may be related to the intersection of these north-south faults with crustal scale NW lineaments (Figure 6).

The historically exploited copper, gold and manganese mineralisation at La Teca includes copper-silver mineralisation hosted within veins, breccias and stockworks within andesites, diorite dykes, dacitic breccias, and mudstones (Figure 7). Most of the copper occurrences are small pits or dozer excavations on copper oxide mineralisation within veins/breccias that are <3 m wide along north-south faults within dacites. The presence in the past of a Government and a private copper oxide SX-EW treatment plant within 30 km of La Teca has facilitated the artisanal exploitation of these numerous small copper occurrences.

The larger copper deposits at La Teca occur as manto copper-silver style mineralisation within sediments and andesitic tuffs.



**Figure 7: La Teca Project - Gold-Copper Prospects.**

*copper – green; gold - yellow; porphyry – red; manganese – brown;  
blue concessions – 3<sup>rd</sup> party; purple area – La Teca JV*

There are numerous occurrences in the La Teca area of manto replacement copper mineralisation in association with the laminated mudstones of the Tuina Formation and in proximity to NNE faults. None have been drilled. There are a number of large Cretaceous age Chilean Manto copper-silver deposits in the Coastal Cordillera and include:

- Mantos Blancos – 500Mt @ 1.0% Cu4
- Michilla – 100Mt @ 1.5% Cu5
- Mantos de la Luna – 46Mt @ 1.4% Cu6

The general characteristics of copper-silver manto deposits in northern Chile include:

- Mineralisation is hosted by andesitic volcanics or by intercalated sediments
- The mineralisation is located in breccia matrices, volcanic amygdaloids, or within tectonically induced fracture veinlets
- Bornite, chalcocite and lesser chalcopyrite are the primary copper sulphides
- Minor pyrite, minor specular haematite
- Wall-rock alteration is weak or non-existent and is typified by chlorite – epidote alteration which can be indistinguishable from diagenetic alteration
- Spatially associated with regionally significant fault systems with attendant breccias.

The manto mineralisation at La Teca demonstrates all of these characteristics and the gold mineralisation at La Teca is a new discovery by RMG where there are no known gold workings exploited by prospectors. The gold discoveries are all quartz and siliceous vein zones with attendant wall –rock alteration of chlorite, silica, haematite and calcite. Most of the quartz veins are sub-parallel to the secondary structures and strike 350-360<sup>0</sup>.

The best five gold grades in rock chips include:

- 18g/t Au, 0.4g/t Ag, 0.01% Cu
- 15g/t Au, 0.5g/t Ag, 0.05% Cu
- 11g/t Au, 5g/t Ag, 0.9% Cu
- 8g/t Au, 3g/t Ag, 0.06% Cu
- 7g/t Au, 84g/t Ag, 1.5% Cu

#### 4.6 Previous Exploration

There are no official historical records available for the prospector scale activities undertaken in the area.

There are many areas of historical workings that range from small pits, limited shafts with some underground development, long open stopes to surface and small open pit operations such as at Santa Rosa and Santa Rosa North which reach about 45 m depth. The key locations are shown in Figure 2 with typical photos as from Vicuna and Vicuna South in Figure 8. Deposits listed with dimensions in Table 3.



Figure 8: La Teca Project – Photos of Vicuna Deposit (L) and Vicuna South Deposit (R).

Deposit	Length m	Width m	Depth m
Santa Rosa North	100	10	100
Gap	700	5	100
Santa Rosa	150	15	200
La Teca	500	5	50
Marianna	5000	2	50
Guanaco	?	?	?
Aranita	150	100	50
Venus N	1000	3	50
Venus W	1000	3	50
Vicuna and V South	500	2	100
Paula	500	5	50

Table 3: La Teca Project - Key Historical Deposits with Potential Dimensions.  
(Rolley, 2015)

The Exploration Target Potential for these deposits was used for comparison in the valuation.

#### 4.7 Recent Exploration

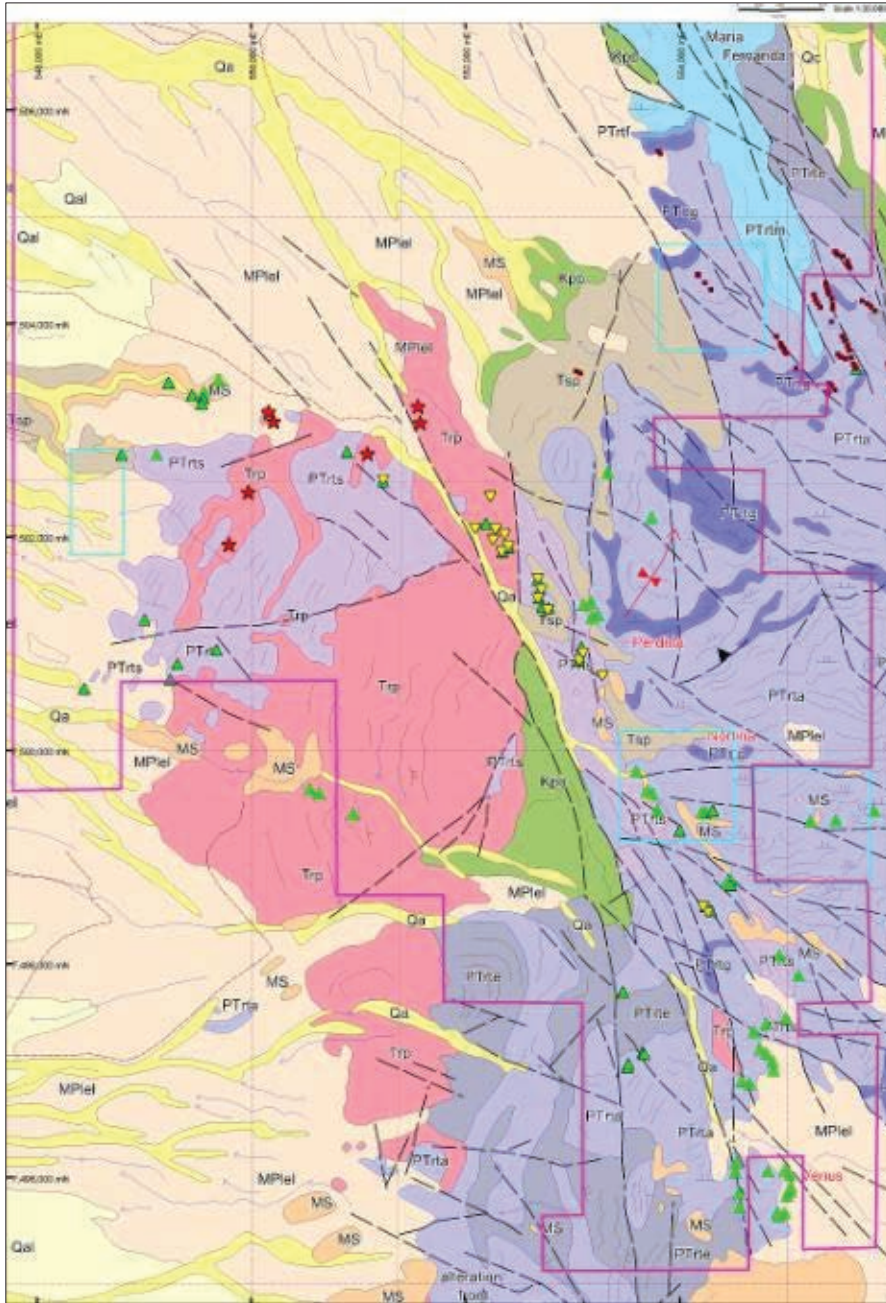
RMG commenced exploration in March 2013 and has undertaken the following activities at La Teca:

- Regional field inspection of all concessions and rock chip sampling
- Acquisition of WorldView satellite imagery
- Regional geology interpretation at a scale of 1:50k from the satellite imagery
- Stream sediment and rock chip sampling
- Ground magnetics survey over a limited area
- 3D IP survey over a small area at La Teca, survey inadequate.
- MT survey over the same area as the IP survey

The high grade gold-copper mineralisation discovered at La Teca is an important development in northern Chile. Not only is this area proximal to the Calama – El Toro lineament and thereby connected to structures that have possibly been involved in the Chuquicamata mineralisation, but it indicates significant gold, copper and molybdenum mineralisation in strongly potassic altered quartz porphyries.

The WorldView2 imagery identifies a strong spectral anomaly adjacent to the circular “collapse” structure with an Fe-ratio enhancement (Figure 7). The yellow triangles indicate anomalous gold rock chips. The La Teca structure is very obvious and the alteration appears to outline a zonation from Fe-rich in the SE to silica-chlorite rich in the NW. This is also evident on the ground, with large zones of haematite – specular haematite in the SE portion of the La Teca fault zone and pervasive incipient chlorite alteration with quartz veins in the north.

The current air-photo interpretation of the regional geology for La Teca has not been systematically field checked and there are several errors in the assigned rock units. For example, Trp is not a Triassic Porphyry but coarse grained andesites; Kpb is not Purilactus but iron altered andesites (Figure 9).



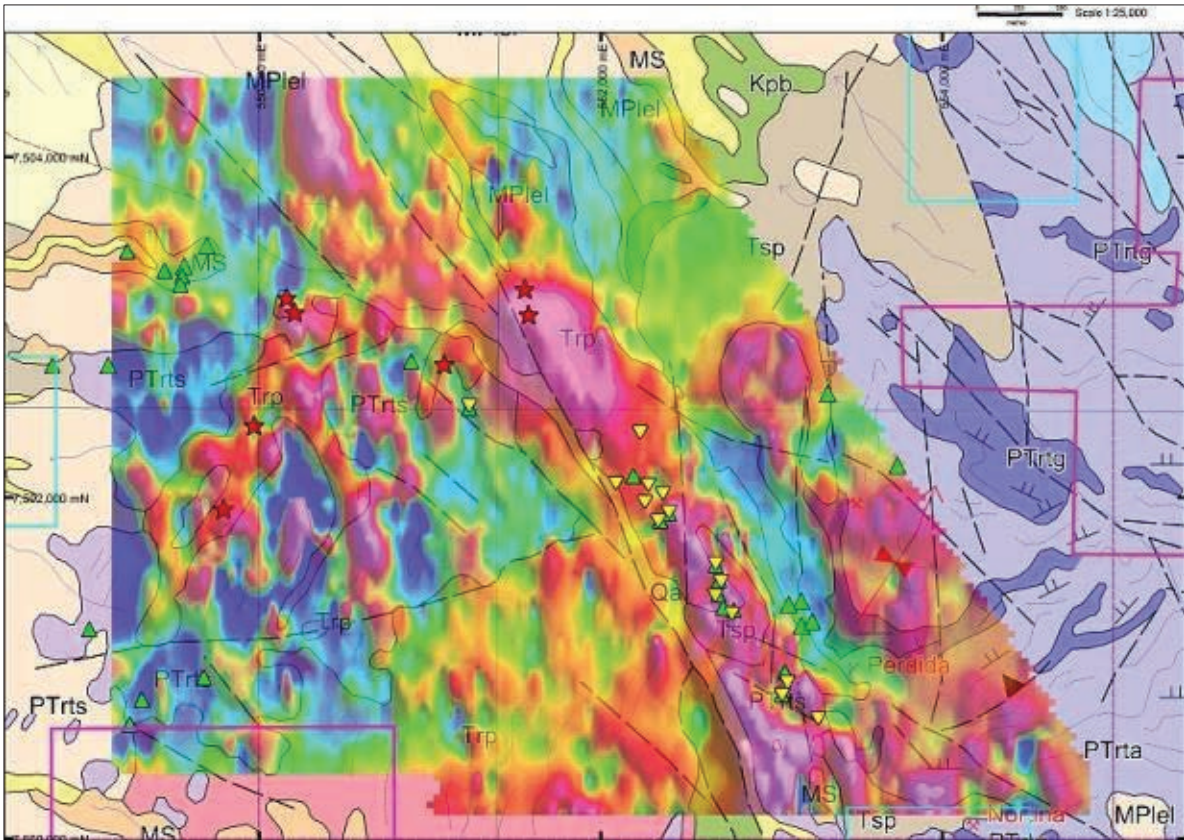
**Figure 9: La Teca Project – Satellite Geological Interpretation.**

*copper – green; gold - yellow; porphyry – red; manganese – brown;  
blue concessions – 3<sup>rd</sup> party; purple area – La Teca JV*

A small program of 26 stream sediment sample sites, with both fine fraction and heavy media fractions, were submitted to ALS and assayed by 4-acid digest for a multi-element suite and gold by 4-acid digest. The highest value gold is 120 ppb Au (sample # 29902) within the region of the potassic intrusives at 7502873N, 550536E. The highest value Mo (sample # 29906) is at 7503396N, 549327E in the same area.

A small ground magnetic program with 1 m stations on 200 m E-W lines was undertaken over part of the La Teca area in 2014. The RTP image over geology with gold, copper and porphyry rock chip sites clearly show the structural corridor of the La Teca Fault Zone as a complex magnetic zone that hosts the gold locations (Figure 10). The porphyry locations to the west of the La Teca Fault are also marked by anomalous magnetism in zones that trend 030<sup>0</sup>.

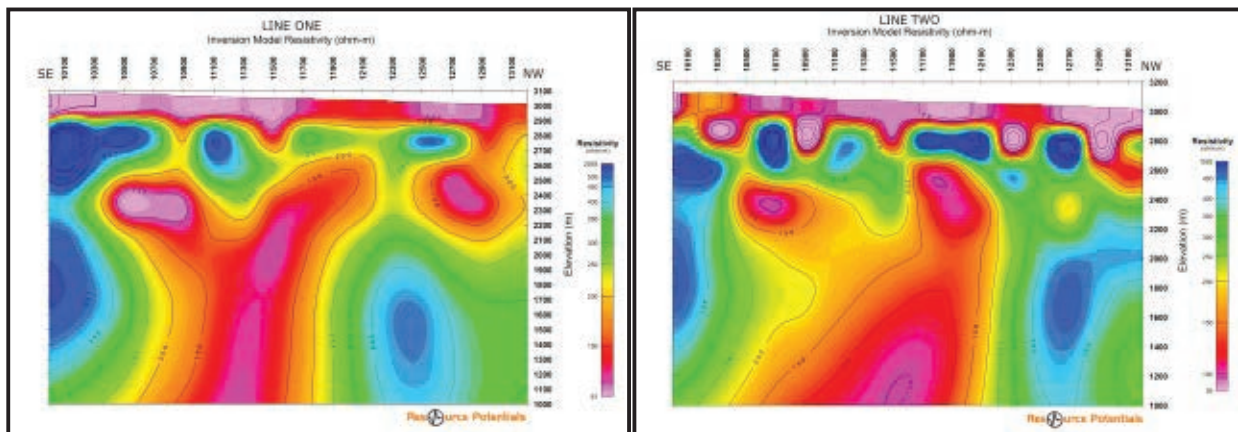




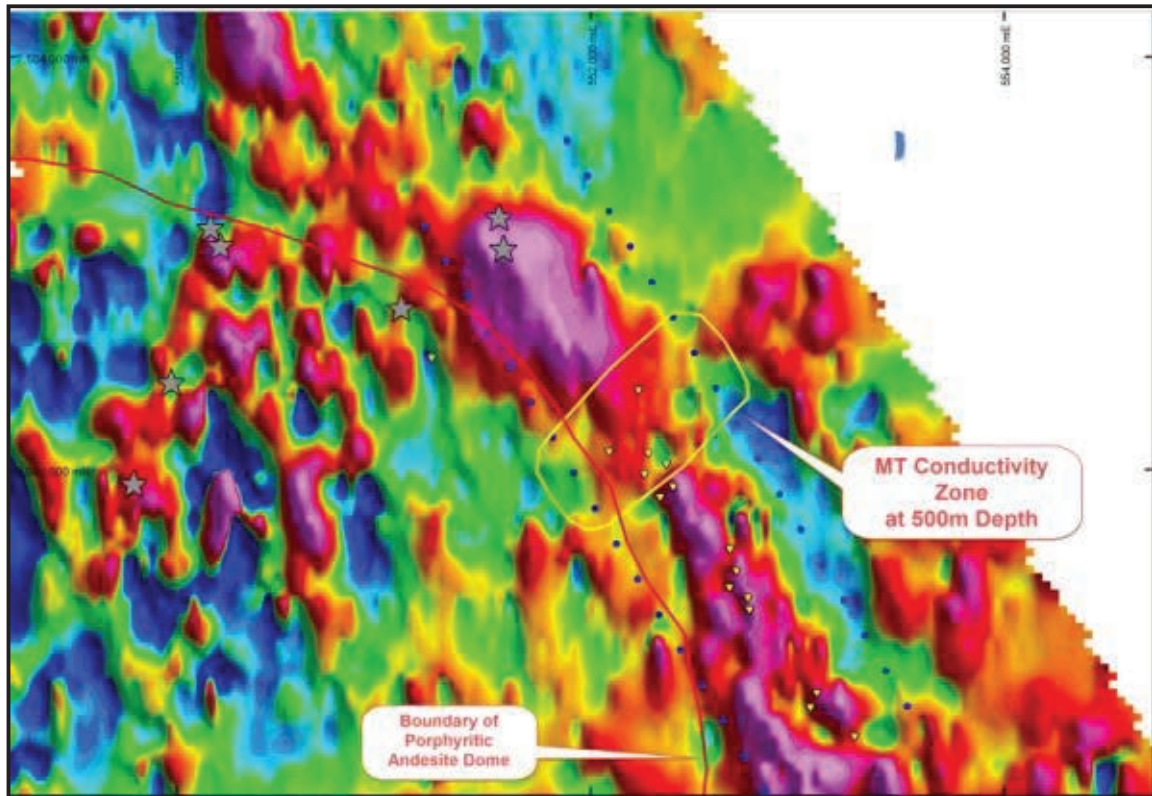
**Figure 10: La Teca Project - Ground Magnetics – RTP image.**

Two lines of 3D IP were undertaken in 2014. The Receiver lines are 800 m apart oriented NW, with stations 200 m along the lines. The array orientation is not optimal for the structural and geographic configuration of the La Teca area since the lines were oriented along two valley floors, parallel to the major La Teca structure, and either side of the magnetic corridor. The resultant chargeability and resistivity inversions do not agree with any known geology or structure and images are not useful to present.

Two lines of magneto-telluric survey were also completed with the IP survey with the same dipole spacing. A cross section of the 2D inversion model of the resistivity along Line 1 to the west and Line 2 to the east indicates a strong sub-vertical conductive zone that commences from around 500 m below surface and extends to depth (Figure 11). The surface position of this MT zone is a de-magnetised area within the magnetics and is coincident with the gold rich quartz veining (Figure 12). This strong conductive zone could be interpreted to be a mineralised copper porphyry system at depth. Further work is required with a more extensive geophysical survey to better identify the orientation and extents of this conductive zone and its relevance to geology.



**Figure 11: La Teca Project – Magneto-telluric resistivity for Lines 1 and 2.**



**Figure 12: La Teca Project – Porphyry Target.**

RMG compiled its various data sets into three groups of targets for further investigation. The Group a list includes high gold tenor samples. The area is in proximity to strongly potassic altered quartz porphyries with K-feldspar and sheeted quartz veining but is not characterised by quartz porphyries. The gold mineralisation within the Group A area is characterised by quartz-calcite veining with attendant haematite and with chlorite, potassic feldspar alteration selvages.

Geochemically the rocks with  $> 0.2\text{g/t Au}$  are, on average, also enriched in Ag, As, Cu, however individual samples can range from no Cu or Ag (sample 29983 with 3.6 g/t Au, 0.3 g/t Ag, 0.01% Cu) to high grades of all elements (sample 17542 with 6.9 g/t Au, 84 g/t Ag, 1.5% Cu). The zone of elevated gold extends for at least 1.6 km and is coincident with the zone of magnetic anomalism as shown in Figure 10.

The Group B Targets are in the only zone that has a cluster of Mo results in both stream sediments and in rock chips. This area is characterised by strongly anomalous molybdenum in association with copper, gold, bismuth, lead and zinc, and in association with quartz porphyry intrusives.

Several samples of quartz porphyries with attendant strong potassic feldspar veining and alteration were located. Whilst many samples are not mineralised, they are strongly altered and clustered within the magnetically anomalous zone in the Group B area. Examples of these highly altered and veined quartz porphyries are shown in Figure 13.



**Figure 13: Banded quartz veins and altered quartz porphyry in Group B area**

The Group C geochemical targets are characterised by isolated gold, albeit the highest grade gold veins discovered to date, and isolated copper outcrops. The alteration zones in this area are unique with large zones of intense haematite and epidote alteration. Site 17526 with 14.95 g/t Au within a chalcedonic banded quartz vein is in near proximity to quartz veins with 18.0 g/t Au.

In addition to the main targets there are a number of other isolated occurrences of copper mineralisation with manto replacement type characteristics throughout the La Teca area. Sites 17546, 17547 to the east of the main gold zone assay 1.1% Cu, 3 g/t Ag in sediment hosted manto copper-silver style mineralisation.

#### **4.7 Exploration Potential**

RMG has outlined a new gold-copper province at La Teca near the Giant porphyry copper province of Chuquicamata.

The La Teca Project is located 55 km SE of the world class Chuquicamata copper mine of Codelco, and 50 km NE of the world class Spence copper mine operated by BHPBilliton. As a result of the development of the copper mines in the region there are now freshwater pipelines, toll-treatment oxide copper plants, roads, grid power lines, and railway to coastal ports, all of which are within 30-50 km of the La Teca Project.

La Teca is located in the world's largest copper province. As well as the extensive portfolio of mineral concessions with numerous undrilled copper-silver manto targets with up to 8.8% Cu grab samples, The RMG's discovery of gold is the first known record of gold mineralisation in the area.

The best gold grades in rock chips range from 7.0 to 18.0 g/t Au so the RMG objective is to assess the extent of the various gold-copper outcrops including:

- grid soil sampling to assess the scale of the gold mineralisation
- regional geophysics including magnetics and IP
- regional alteration mapping and age dating
- drilling of resultant targets.

#### **5.0 Valuation of the Project**

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the current cash value estimates of the mineral asset under consideration. In this Report AM&A considers that the primary features to be taken into account are the Tenement Security; Available Infrastructure; Relevant Expenditure on

development, Resource Estimations and the general Geological Setting.

Basically, these “Boxes are Ticked” as described above with regards to tenement security, infrastructure, previous exploration concepts and a favourable geological environment.

### 5.1 Selection of Valuation Methods

The following valuation methods, as described above in section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Project as the lack of mineral reserve estimates precludes a DCF;
- The Kilburn ‘prospectivity’ method - as the range of values generated is typically too wide to be realistic.
- Comparable transactions – with the recent general demise of the exploration industry, through lack of ‘high-risk funds’, this has curtailed much activity thus no similar recent relevant transactions could be located for similar projects.
- Real estate value which is usually based on a value ascribed to varying areas of tenement holdings which may consequently become unrealistic due to the varying areas of projects.
- The Empirical method was deemed unreliable since there are not yet any JORC Code (2012) compliant resource estimates.

Accordingly the average of the MEE method and the Yardstick method, both with appropriate discount factors, have been adapted as the overriding basis for the estimation of the value. The MEE method was applied to the supplied historical expenditures for the project. The Yardstick method addressed heavily discounted in situ potential copper mineralisation.

### 5.2 Valuation – MEE Method

The historical expenditures were supplied by RMG and deemed applicable. The Reserve Bank Inflation Calculator was used to inflate the expenditures to a 2016 basis for the valuation, with PEM factors between 0.50 - 1.0 applied to the total inflated expenditures thereby establishing a range of values.

Details of these workings are summarised in Appendix 1.

### 5.3 Yardstick Method

The Exploration Target Potential mineralisation of length times width times depth times specific gravity times grade provides the in situ copper mineralisation tonnage potential for ten key historical working areas. This copper tonnage estimate was then used to estimate the in situ copper mineralisation value at current copper price and A\$:US\$ exchange rate which was then discounted from 99.6 to 99.8% in order to produce a range of values.

Details of these workings are also summarised in Appendix 1.

### 5.4 Valuation Conclusions

The summary result for the two methods is presented in Table 4. As stated above the average of the MEE and the Yardstick methods was selected as the most appropriate method for valuation estimate purposes.

Method	A\$M		
	Low	High	Preferred
MEE	1.86	3.72	2.79
Yardstick	1.06	2.12	1.59
Mean	1.46	2.92	2.19
Rounded	1.5	2.9	2.2

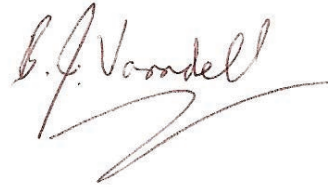
**Table 4: Summary Range of Current Values.**

This Report concludes that the cash value of 100% of the RMG Project in Chile at 24<sup>th</sup> June, 2016, is ascribed at \$2.2M from within the range of \$1.5M to \$2.9M.

Yours faithfully,



Allen J. Maynard  
BAppSc(Geol), MAIG, MAusIMM.



Brian J. Varndell  
BSc(Spec Hons) FAusIMM.

*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associate Pty Ltd and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including iron ore mineralisation. Mr Varndell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Varndell consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

## 6.0 References

### Valuation

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## 7.0 Glossary of Technical Terms and Abbreviations

Anomaly	Value higher or lower than the expected or norm.
Base metal	Generally a metal inferior in value to the precious metals, e.g. copper, lead, zinc, nickel.
Complex	An assemblage of rocks or minerals intricately mixed or folded together.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Intercept	The length of rock or mineralisation traversed by a drillhole.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Quartz	A very common mineral composed of silicon dioxide-SiO <sub>2</sub> .
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing	Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.

Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.

### Abbreviations

g	gram	m <sup>3</sup>	cubic metre
kg	kilogram	mm	millimetre
km	kilometre	M	million
km <sup>2</sup>	square kilometre	oz	troy ounce
m	metre	t	tonne
m <sup>2</sup>	square metre		

## Appendix 1: Details of Valuation Estimates.

RMG Valuation Worksheet										7 June 2016			
<b>MEE</b>	Reserve Bank Inflation Calculator used												
<b>La Teca</b>							<b>PEM Factor</b>			<b>MEE Value A\$ M</b>			
	2013	2014	2015	2015	2016	Total	Low	High	Preferred	Low	High	Preferred	
Exp \$	181,365	547,494	2,622,924	220,155	130633.00	3,702,571							
Infl Factor	1.04	1.02	1.00	1.00	1.00								
<b>MEE Val \$</b>	188,620	558,444	2,622,924	220,155	130,633	3,720,775	0.50	1.00	0.75	<b>1.86</b>	<b>3.72</b>	<b>2.79</b>	
<b>Commodity Prices &amp; Exchange rate</b>										21Jun2016			
Cu US\$/t 4633.25 on 21/6/16			Cu A\$/t		Exchange rate A\$1= US\$0.75				Au US\$ 1292.1 on 21/6/16			Au A\$/oz	
4633.25			6177.7		0.75				1218.5			1624.7	
<b>Cu Exploration Potential</b>										<b>Value A\$ M</b>			
										<b>Discount Factors</b>			
										99.80	99.60	99.70	
										Low	High	Preferred	
<b>Deposit</b>	<b>L</b>	<b>W</b>	<b>Depth</b>	<b>SG</b>	<b>t</b>	<b>Cu%</b>	<b>Cu t</b>	<b>Cu A\$ M</b>		0.002	0.004	0.003	
Santa Rosa N	100	10	100	2.5	250000	1.70	4250						
Gap	700	5	100	2.5	875000	1.70	14875						
Santa Rosa	150	15	200	2.5	1125000	1.70	19125						
La Teca	500	5	50	2.5	312500	1.00	3125						
Marianna	5000	2	50	2.5	1250000	1.00	12500						
Guanaco	?	?	?	2.5			0						
Aranita	150	100	50	2.5	1875000	1.00	18750						
Venus N	1000	3	50	2.5	375000	1.00	3750						
Venus W	1000	3	50	2.5	375000	1.00	3750						
Vicuna	500	2	100	2.5	250000	1.00	2500						
Paula	500	5	50	2.5	312500	1.00	3125						
					<b>7000000</b>		<b>85750</b>	<b>529.73</b>		<b>1.06</b>	<b>2.12</b>	<b>1.59</b>	
									<b>Total</b>	2.92	5.84	4.38	
									<b>Mean</b>	1.46	2.92	2.19	
									<b>Rounded</b>	<b>1.5</b>	<b>2.9</b>	<b>2.2</b>	



# PROXY FORM

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I/We being a member/s of **RMG Limited** and entitled to attend and vote hereby appoint

the Chair of  
the general  
meeting  
(mark with an  
'X')

OR

If you are not appointing the Chair of the general meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the General Meeting, as my/our proxy at the **General Meeting of Shareholders of RMG Limited ACN 065 832 377 to be held at The Irish Club, 61 Townshend Road, Subiaco, Western Australia on Monday 22 August 2016 at 4:00pm AWST** and at any adjournment or postponement of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the general meeting intends to vote all available proxies in favour of each Item.

RESOLUTIONS	FOR	AGAINST	ABSTAIN
1 Approval for issue of subscription shares to Epoch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval for the grant of the additional security to each of Ridgefield and Tyticus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of grant of the transfer option to each of Ridgefield and Tyticus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval for the issue of the conversion option to each of Ridgefield and Tyticus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this.....day of.....2016

Please sign on the reverse of this form. If the member is a company, it must sign in accordance with its constitution.

Proxy Forms (and power of attorney, if any, under which the Proxy Form is signed) must be sent by mail or delivered to PO Box 2025, Subiaco WA 6904 or by fax to +61 8 9468 5603 and must be received no later than 4:00pm (AWST), 20 August 2016.

**If the member is a company:**

EXECUTED by )  
 )  
ACN )  
in accordance with section 127 of the Corporations )  
Act 2001 (Cth) )

\_\_\_\_\_  
Director/Company Secretary\*

\_\_\_\_\_  
Director/Sole Director and Sole Company Secretary\*

\_\_\_\_\_  
Name of Director/Company Secretary\*  
(BLOCK LETTERS)

\_\_\_\_\_  
Name of Director/Sole Director and Sole Company  
Secretary\* (BLOCK LETTERS)

\*Delete whichever is not applicable  
or

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Insert capacity in which duly authorised officer is  
signing for a member which is a company)

**If the member is an individual or joint holders:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

**INSTRUCTIONS FOR APPOINTMENT OF PROXY**

1. A Shareholder entitled to attend and vote at the General Meeting convened by the above Notice is entitled to appoint not more than 2 proxies to vote on the Shareholder's behalf.
2. Where 2 proxies are appointed and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise half of the Shareholder's voting rights.
3. A proxy need not be a Shareholder.
4. Proxy Forms (and the power of attorney, if any, under which the Proxy Form is signed) must be received at PO Box 2025 Subiaco WA 6904 or by fax on +61 8 9468 5603 no later than 4.00pm (AWST), 20 August 2016.
5. Appointment of a proxy by a Shareholder being a natural person must be under the hand of the Shareholder or of an attorney appointed in writing by the Shareholder.
6. Appointment of a proxy by a Shareholder being a body corporate must be under the common seal of the body corporate or under the hand of an attorney appointed in writing by the body corporate.
7. If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.
8. The proxy appointment may be a standing appointment for all general meetings until it is revoked.

As permitted by the Corporations Act, the Company has determined that all securities of the Company registered as at 7.00pm (AWST) on 20 August 2016 will be taken for purposes of the general meeting, to be held by the persons who are the registered holders. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

Proxy Forms (and power of attorney, if any, under which the Proxy Form is signed) must be sent by mail or delivered to PO Box 2025 Subiaco WA 6904 or by fax to: +61 8 9468 5603.