

**RMG LIMITED (ABN 51 065 832 377)
AND CONTROLLED ENTITIES**

Interim Report –for the half-year ended 31 December 2011

CONTENTS

	Page
Corporate directory	1
Directors' report	2
Auditor's independence declaration	5
Interim financial statements	6
Directors' declaration	15
Independent review report to the members	16

Corporate Directory

Directors	Robert Kirtlan Steven Chadwick Mark Stevenson
Company Secretary	Graeme Smith
Registered Office	Unit 1, 245 Churchill Avenue Subiaco WA 6008 Telephone: 08 9381 1177
Share Register	Computershare Investor Services Pty Limited Level 2, 45 St George's Terrace Perth WA 6000 Telephone: 1300 787 575
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street SUBIACO WA 6008
Bankers	Westpac Banking Corporation 109 St George's Terrace Perth WA 6000
Stock Exchange Listing	RMG Limited's shares and options are listed on the Australian Securities Exchange. ASX Code: RMG and RMGO

Directors' Report

Your directors present their report on the consolidated group (**RMG Group or the Group**) for the half-year ended 31 December 2011.

Directors

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

Robert Edward Kirtlan
Steven John Chadwick
Mark Ellis Stevenson

Principal Activities

During the half-year the principal activities of the Group consisted of exploration for minerals and contingency collections and realisation from acquired debt portfolios. The return from the debt portfolios continues to be a diminishing source of revenue.

Review of Operations

During the half-year the Group made a loss from continuing operations of \$479,532 (31 December 2010 : loss of \$187,334). Additional information on the financial position of the Group is set out in the financial statements.

Report on Exploration Activity

Kamarga Zinc Project

On 29 April 2011 RMG acquired the Kamarga zinc project through the acquisition of Sunlander Nominees Pty Ltd. Sunlander has an exclusive right to earn up to 100% of the Kamarga project from Teck Australia Pty Ltd (Teck) pursuant to a Farm-in Agreement.

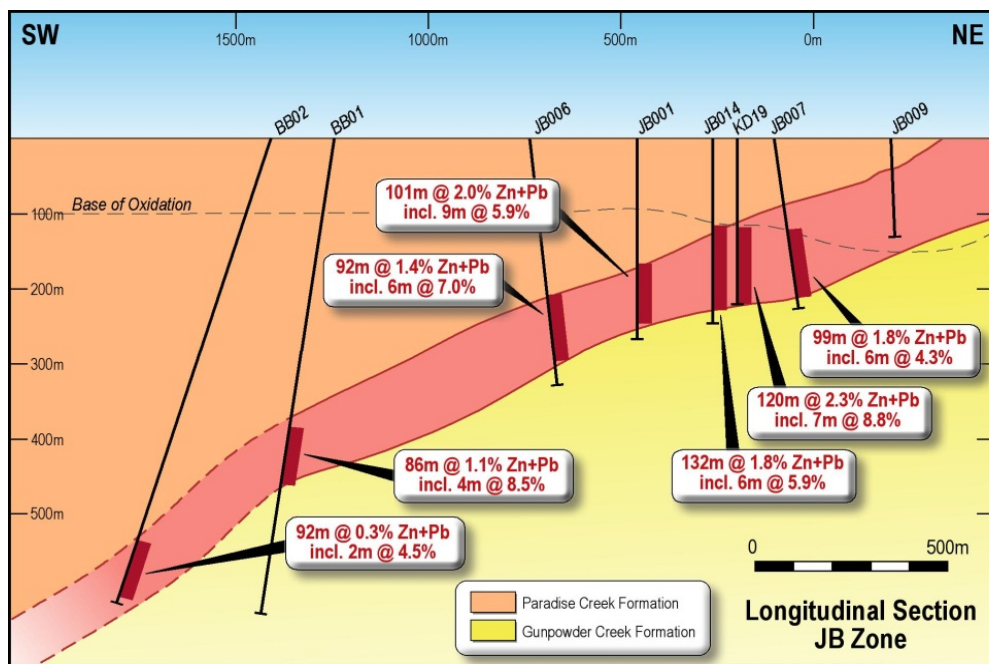
The consideration for the acquisition of Sunlander was the issue of 165,000,000 ordinary shares to the shareholders of Sunlander, as well as 75,000,000 Performance Options. In addition, under the terms of the Teck Farm-in Agreement, a further 40,000,000 ordinary shares were issued to Teck.

The terms of the Teck Farm-in Agreement include the following;

- Sunlander to expend \$1,500,000 within 4 years to earn 100% interest in EPM14309.
- Expend a minimum of \$610,000 within 2 years before withdrawing from the Farm-In Agreement.
- Until Sunlander has expended \$10,000,000 on exploration, Teck has a right to elect to earn back 51% of EPM14309 through sole funding exploration expenditure to the sum of twice Sunlander's expenditure.
- If Teck completes its earn back, Teck is appointed manager of the consequent Joint Venture.
- After achieving a 51% interest, Teck has a further right to take its interest to 75% by sole funding an additional \$15,000,000 over a further 3 years.

- Teck has a first right to purchase product.
- If Teck elects not to earn back, Teck will retain a 1.25% net smelter returns royalty irrespective of tenement ownership.
- There is a 1km area of influence around EPM14309 within which either party has a pre-emptive right to participate in further tenement acquisition.

RMG Ltd commenced drilling at the Kamarga Zinc project in northwest Queensland in late July. Drilling was halted in November due to severe inclement weather and bushfires resulting from the onset of the northern Australia wet season. During the period RMG completed drilling seventeen holes at the JB zinc prospect. The holes (JB01 to JB016) show that the zinc mineralisation extends for a minimum of 600m along strike and is still open along strike to the north-east and to the south-west. Further drilling is planned for the Kamarga zinc project in 2012.



Zeehan Zinc Project - Tasmania

The Company entered into an agreement with Stonehenge Metals Ltd on 13 December 2011 to acquire 100% interest in two permits near Zeehan (EL17/2003, ML 20/2001), conditional upon the approval and transfer by the Minister of DEIR in Tasmania. In summary, the terms of the acquisition are a purchase price of \$70,000 cash and the issue of 20 million fully paid ordinary shares in RMG Ltd to Stonehenge to be paid on the Minister's approval of transfer.

The Zeehan zinc-silver targets are ready for site access and drilling is planned upon confirmation from the DEIR that the permits have been transferred to the Company.

Mt Coffin and Wearing Gorge- EL 3812 & EL 3813: 100%

Given the recent acquisition of the Kamarga project, and the significant focus now directed at Kamarga. The only work on either the Mt Coffin or Wearing Gorge is rehabilitation work. These tenements are in the process of being relinquished.

Matters subsequent to the end of the Half-Year

Since 31 December 2011 there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Robert Kirtlan
Director
Perth
9 March 2012

9 March 2012

The Board of Directors
RMG Limited
Suite 1, 245 Churchill Avenue
SUBIACO WA 6008

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF RMG LIMITED

As lead auditor for the review of RMG Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

RMG Limited and Controlled Entities
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2011

	Notes	December 2011 \$	December 2010 \$
Other income	3	46,576	39,959
Expenses			
Audit and taxation services		16,301	17,207
Administration costs		169,066	58,026
Employment expenses		80,079	65,400
Independent consulting fees		-	4,953
ASX, share registry and ASIC Fees		62,289	26,405
Other expenses		77,102	1,302
Director's fees		121,271	54,000
		<u>526,108</u>	<u>227,293</u>
Loss and other comprehensive income for the half-year from continuing operations		<u>(479,532)</u>	<u>(187,334)</u>
Loss and other comprehensive income attributable to the members of RMG Limited and Controlled Entities		<u>(479,532)</u>	<u>(187,334)</u>
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Group:			
Basic loss per share		(0.04)	(0.04)

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

RMG Limited and Controlled Entities
Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,364,080	2,550,127
Trade and other receivables		168,588	188,735
Total current assets		2,532,668	2,738,862
Non-current assets			
Plant and Equipment		115,530	24,670
Exploration expenditure	5	6,469,800	4,694,665
Total non-current assets		6,585,330	4,719,335
Total assets		9,117,998	7,458,197
LIABILITIES			
Current liabilities			
Trade and other payables		76,907	227,759
Total current liabilities		76,907	227,759
Total liabilities		76,907	227,759
Net assets		9,041,091	7,230,438
EQUITY			
Contributed equity	4(a)	140,386,120	138,095,935
Reserves	4(b)	1,327,700	1,327,700
Accumulated losses	4(c)	(132,672,729)	(132,193,197)
Total equity		9,041,091	7,230,438

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

RMG Limited and Controlled Entities
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2011

Consolidated	Contributed equity	Option Premium Reserve	Accumulated losses	Total
Balance at 1 July 2011	138,095,935	1,327,700	(132,193,197)	7,230,438
Loss for the period	-	-	(479,532)	(479,532)
Total comprehensive income/loss for the half-year	-	-	(479,532)	(479,532)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,290,185	-	-	2,290,185
Balance at 31 December 2011	140,386,120	1,327,700	(132,672,729)	9,041,091
Balance at 1 July 2010	132,772,373	127,700	(130,989,566)	1,910,507
Loss for the period	-	-	(187,334)	(187,334)
Total comprehensive income/loss for the half-year	-	-	(187,334)	(187,334)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	627,141	-	-	627,141
Balance at 31 December 2010	133,399,514	127,700	(131,176,900)	2,350,314

RMG Limited and Controlled Entities
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2011

	December 2011	December 2010
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,210	1,110
Payments to suppliers and employees	<u>(544,692)</u>	<u>(242,590)</u>
Net cash outflow from operating activities	<u>(543,482)</u>	<u>(241,480)</u>
Cash flows from investing activities		
Interest received	72,549	13,392
Payments for fixed assets	(102,131)	-
Exploration expenditure incurred	<u>(1,903,168)</u>	<u>(33,225)</u>
Net cash outflow from investing activities	<u>(1,932,750)</u>	<u>(19,833)</u>
Cash flows from financing activities		
Proceeds from issue of shares	2,406,845	691,505
Cost of capital raising	<u>(116,660)</u>	<u>(64,363)</u>
Net cash inflow from financing activities	<u>2,290,185</u>	<u>627,142</u>
Net increase/(decrease) in cash and cash equivalents	(186,047)	365,829
Cash and cash equivalents at the beginning of the half-year	<u>2,550,127</u>	<u>1,277,873</u>
Cash and cash equivalents at the end of the half-year	<u>2,364,080</u>	<u>1,643,702</u>

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

1 Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB134, *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period.

2 Segment Information

Business Segment

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

The exploration assets as presented relate to the reporting segment, as identified above. All revenue and expenses relate to corporate activities and would not be used to assess segment performance.

3 Revenue	2011	2010
	\$	\$
<i>Other income</i>		
Debt collection activities	1,210	1,110
Interest received	45,366	38,849
	<u>46,576</u>	<u>39,959</u>

RMG Limited and Controlled Entities
Notes to the Financial Statements
31 December 2011

4 Equity

(a) Share Capital	31 December 2011 Shares Number	31 December 2011 \$	30 June 2011 Shares Number	30 June 2011 \$
Ordinary shares fully paid	1,348,581,592	140,386,120	1,040,133,592	138,095,935
(b) Other Equity Securities	31 December 2011 Number	31 December 2011 \$	30 June 2011 Number	30 June 2011 \$
Options exercisable at 5 cents on 30 June 2012	8,750,000	127,700	8,750,000	127,700
Options exercisable at 2 cents on 30 April 2014	390,000,000	-	150,000,000	-
Performance Options	6,552,000	1,200,000	75,000,000	1,200,000

(c) Movement in Accumulated Losses

	December 2011 \$	December 2010 \$
Balance at the beginning of the period	(132,193,197)	(130,989,566)
Net Loss for the Period	(479,532)	(187,334)
Balance at the end of the Period	<u><u>(132,672,729)</u></u>	<u><u>(131,176,900)</u></u>

(d) Movement in Ordinary Share Capital

		31 December 2011		30 June 2011	
Date	Details	Number of shares	Amount \$	Number of shares	Amount \$
	Opening balance	1,040,133,592	138,095,935	512,257,365	132,772,373
13/09/10	Placement			75,000,000	300,000
01/11/10	Entitlement Issue			97,876,227	391,505
29/4/11	Acquisition			205,000,000	3,280,000
29/4/11	Placement			150,000,000	1,500,000
10/11/11	Placement	75,000,000	750,000	-	-
30/11/11	Option conversion	61,008,000	6,101	-	-
22/12/11	Option conversion	7,440,000	744	-	-
22/12/11	Placement	165,000,000	1,650,000	-	-
	Capital raising costs		(116,660)	-	(147,943)
	Period end balance	1,348,581,592	140,386,120	1,040,133,592	138,095,935

(e) **Movement in Options**

		31 December 2011		30 June 2011	
		Number of options	Amount \$	Number of options	Amount \$
Date	Options exercisable at 5c expiring on 30 June 2012				
	Details				
	Opening balance	8,750,000	127,700	8,750,000	127,700
	Movement	-	-	-	-
	Period end balance	8,750,000	127,700	8,750,000	127,700

		31 December 2011		30 June 2011	
		Number of options	Amount \$	Number of options	Amount \$
Date	Options exercisable at 2c expiring on 30 June 2014				
	Details				
	Opening balance	150,000,000	-	-	-
	10/11/11 Placement	75,000,000	-	-	-
	29/4/2011 Placement			150,000,000	-
	22/12/11 Placement	165,000,000	-	-	-
		Period end balance	390,000,000	-	150,000,000

		31 December 2011		30 June 2011	
		Number of options	Amount \$	Number of options	Amount \$
Date	Performance Options				
	Details				
	Opening balance	75,000,000	1,200,000	-	-
	29/4/2011 Acquisition			75,000,000	1,200,000
	30/11/11 Option conversion	(61,008,000)	-	-	-
	22/12/11 Option conversion	(7,440,000)	-	-	-
	Period end balance	6,552,000	1,200,000	75,000,000	1,200,000

5 Other Non-Current Assets – Exploration Expenditure

	December 2011	June 2011
	\$	\$
Balance carried forward	4,694,665	665,662
Acquisition of Kamarga Zinc Project	-	4,479,700
Write down of exploration acquisition costs	-	(352,625)
Exploration expenditure capitalised net of cost recoveries, exploration and evaluation phase	1,775,135	289,174
Exploration expenditure written-off, net of cost recoveries	-	(387,246)
	<u>6,469,800</u>	<u>4,694,665</u>

Exploration Licences are carried at cost of acquisition.

Ultimate recoupment of the carrying amount of exploration assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

6 Commitments for Expenditure

	Consolidated 2011	Consolidated 2010
	\$	\$
Exploration expenditure commitments⁽ⁱ⁾		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Total exploration expenditure commitments	-	-

(i) The minimum expenditure requirement under which the mineral exploration licences are granted is \$345,000 over two years to June 2012. These tenements are in the process of being relinquished. The minimum expenditure under the Teck Farm-in Agreement was \$610,000 by April 2013. This minimum has already been met. All other tenements are applications or not yet transferred to the Group.

All exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Consolidated Entity has the option to relinquish these licences or its contractual commitments at any stage, at the cost of its expenditure up to the point of relinquishment.

The transfer of licences EL17/2003 and ML20/2001 (Zeehan Project) from Stonehenge Metals Ltd is not yet complete. On completion the company will be required to pay \$70,000 and issue 20 million shares.

7 Events occurring after the balance date

There have been no material items, transactions or events subsequent to 31 December 2011 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

To the best of the Director's knowledge and belief there have been no material items, transactions or events to 31 December 2011 which, although they do not relate to conditions existing at that date, have not been dealt with in this report and which would cause reliance on the information shown in this report to be misleading.

8 Contingent Liabilities

Since the last annual reporting date there has been no material change of any contingent liabilities or contingent assets.

9 Related Parties

Related parties and related party transactions are consistent with those at 30 June 2011 and which were detailed in the annual report.

In the directors' opinion:

- 1 the financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial half-year ended on that date; and
- 2 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



R Kirtlan
Director
Perth
9 March 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RMG LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RMG Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RMG Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RMG Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' on the top line and 'Brad McVeigh' on the bottom line.

Brad McVeigh
Director

Perth, Western Australia
Dated this 9th day of March 2012