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**RMG**  
Limited

**RMG Limited**

**ABN 51 065 832 377**

**FINANCIAL REPORT**

**HALF-YEAR ENDED 31 DECEMBER 2018**

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## Corporate Directory

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

## Directors' Report

Your directors present their report on RMG Limited (the "Company" or "RMG") and its subsidiaries which form the consolidated group ("RMG Group" or the "Group") for the half-year ended 31 December 2018.

### Directors

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

		<b>Appointed</b>	<b>Resigned</b>
Mr Robert Kirtlan	Executive Director	29 April 2011	Current
Mr Kinpo Yu	Non - Executive Chairman	13 September 2016	Current
Mr John Zee	Executive Director	19 January 2017	Current
Mr Ken Poon	Executive Director	20 December 2018	Current
Mr Liang Li	Non – Executive Director	20 December 2018	Current

### Company Secretary

The Company Secretary during the period is as follows:

	<b>Appointed</b>	<b>Resigned</b>
Mr Graeme Smith	1 July 2018	31 December 2018

\* Mr Kobe Li was appointed as the Company Secretary from 1 January 2019.

### Principal Activities

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

### Significant Changes in the State of Affairs

On 1 July 2018, Mr Graeme Smith was appointed as Company Secretary and Mr Smith resigned as Company Secretary on 31 December 2018. On 1 January 2019, Mr Kobe Li was appointed as the new Company Secretary.

On 1 August 2018, the Company raised \$656,000 by the issue of 500,000 Notes with a face value of US\$1 each, an interest rate of 10%pa and redemption date of 30 June 2019, where the notes will have to be repaid or, subject to shareholder approval, convert into shares at a conversion price of \$0.016 per share.

On 20 December 2018, Mr Ken Poon and Mr Liang Li were appointed as Executive Director and Non-Executive Director respectively to the Company.

### Results of Operations

During the half-year the Group made a loss from operations of \$1,161,651 (31 December 2017: loss of \$557,334). Additional information on the financial position of the Group is set out in the financial statements.

Review of Operations

**Tuina Copper Project - Chile**

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

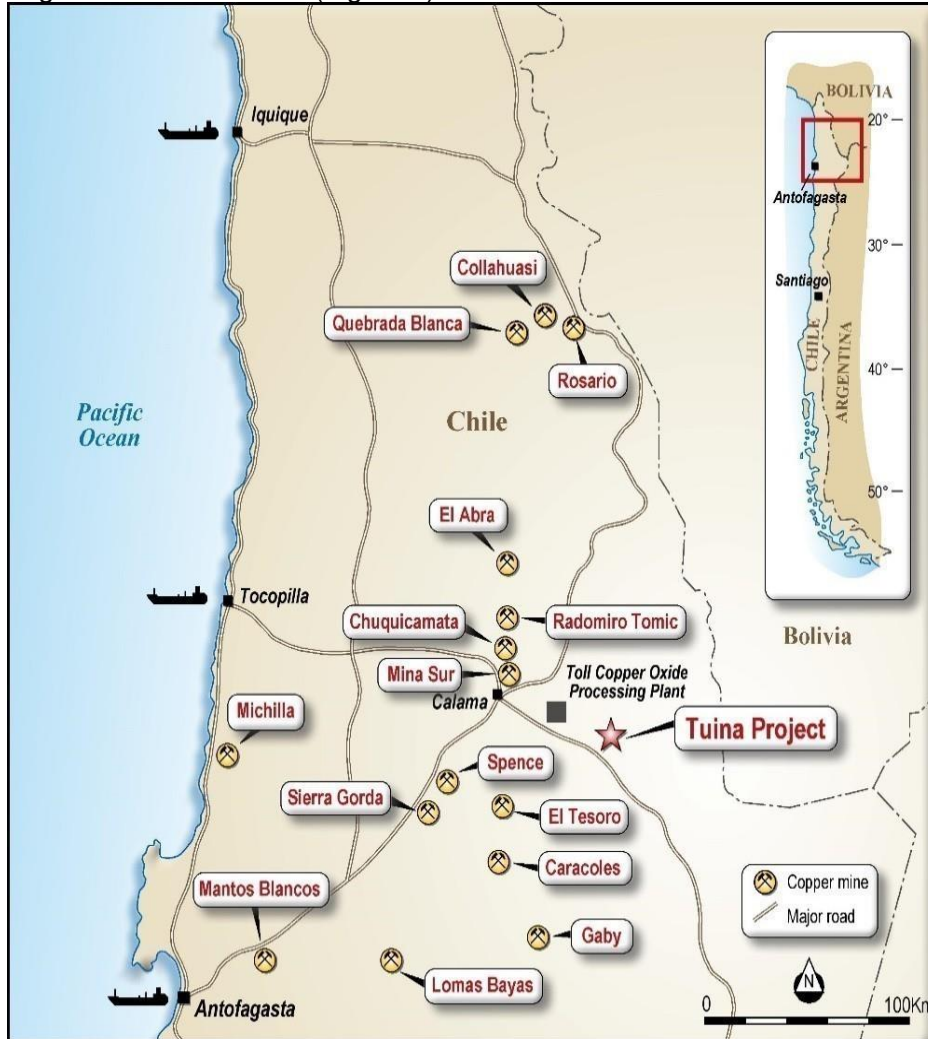


Figure 1: Location of Tuina Project, Chile

**Location**

The Tuina Project is located 55 kilometres south-east of Chuquicamata in the highly mineralised district around Calama in the Atacama region of northern Chile. The Tuina area is well serviced by all-weather roads and its proximity to the City of Calama with regular air and road transport services, power and water infrastructure.

**Mineralisation & Permits**

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

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

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## Company Strategy

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

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

## Matters subsequent to the end of the Half-Year

During the period ended 31 December 2018 RMG received A\$273,923 in respect of applications for convertible notes that had not yet been issued at 31 December 2018. On 31 January 2019, the Company issued 200,000 convertible notes in respect of these applications. The material terms of the 200,000 convertible notes are:

- i. face value of US\$1 each;
- ii. The convertible notes are unsecured;
- iii. Coupon interest rate of 10% pa payable on a quarterly basis;
- iv. A conversion price of A\$0.005 converted into US\$ per share using the A\$:US\$ exchange rate published in the Australia Financial Review on the date that is two business days prior to the date that relevant conversion notice is received by the Company. The maximum number of shares can be issued in relation to the conversion is 54,800,000, which is based on total AUD received (\$274,000) divided by the conversion price of A\$0.005. The Company intends to use its Listing Rule 7.1 capacity for the issue of the convertible notes;
- v. The redemption date is 30 July 2019;
- vi. Redemption at the Company's election: The Company may at any time redeem the Notes (by repaying them) by giving not less than 3 months' notice; and;
- vii. Redemption at the Noteholder's election: If the Company has not redeemed all the Notes prior to 30 July 2019, the Noteholder can, by giving not less than 3 months' notice, redeem the Notes by repayment,

If the Notes are not redeemed prior to 30 July 2019, the Noteholder may at any time, by giving not less than 3 months' notice, convert the Notes into shares (subject to shareholder approval).

In March 2019 the Group received \$200,000 from a share placement at \$0.015 per share. The Group has also received a signed acceptance for another \$500,000 from a share placement (also at \$0.015 per share), however the funds from this acceptance have not yet been received.

Since 31 December 2018 there has been no matter or circumstance other than the above, that has arisen that has significantly affected, or may significantly affect:

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

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**Auditor's Independence Declaration**

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

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



John Zee  
Executive Director  
27 March 2019

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## Auditor's Independence Declaration to the Directors of RMG Limited

As lead auditor for the review of the half-year financial report of RMG Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

T S Hammond  
Partner  
27 March 2019



**RMG Limited**  
**Consolidated Statement of Comprehensive Income**  
For the half-year ended 31 December 2018

	Notes	31 December 2018 \$	31 December 2017 \$
Other income	4	286	3,542
<b>Expenses</b>			
Exploration expenditure write off	5	(474,372)	(23,651)
Administration costs		(395,525)	(293,658)
Directors fees and employee benefits		(178,921)	(153,021)
Interest expense		(93,362)	(76,386)
(Loss)/gain on re-measurement of embedded derivative	7	33,500	(25,323)
Gain/(loss) arising on re-measurement of financial liability		(50,845)	11,163
Total expenses		<u>(1,159,525)</u>	<u>(560,876)</u>
<b>Loss before income tax</b>		<b>(1,159,239)</b>	<b>(557,334)</b>
Income tax expense		-	-
<b>Loss for the period from continuing operations attributable to:</b>			
Owners of parent		<u>(1,159,239)</u>	<u>(557,334)</u>
		<b>(1,159,239)</b>	<b>(557,334)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		<u>(2,412)</u>	-
<b>Total other comprehensive income for the period</b>		<u>(2,412)</u>	-
<b>Total comprehensive loss for the period</b>		<b><u>(1,161,651)</u></b>	<b><u>(557,334)</u></b>
		<b>Cents</b>	<b>Cents</b>
Loss per share attributable to the ordinary equity holders of the Group:			
<b>Basic and diluted loss per share</b>		<b>(0.19)</b>	<b>(0.11)</b>

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

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**RMG Limited**  
**Consolidated Statement of Financial Position**  
As at 31 December 2018

	Notes	31 December 2018 \$	30 June 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		53,099	170,115
Other receivables		18,130	55,119
<b>Total current assets</b>		<b>71,229</b>	<b>225,234</b>
<b>Non-current assets</b>			
Bank Deposits		86,284	86,284
Plant and equipment		250	1,000
Exploration and evaluation expenditure	5	1,700,000	1,700,000
<b>Total non-current assets</b>		<b>1,786,534</b>	<b>1,787,284</b>
<b>Total assets</b>		<b>1,857,763</b>	<b>2,012,518</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		138,368	129,062
Financial liabilities	6	1,372,993	472,403
Embedded derivative	7	97,000	-
<b>Total current liabilities</b>		<b>1,608,361</b>	<b>601,465</b>
<b>Total liabilities</b>		<b>1,608,361</b>	<b>601,465</b>
<b>Net assets/(deficiency)</b>		<b>249,402</b>	<b>1,411,053</b>
<b>EQUITY</b>			
Contributed equity	8(b)	153,562,311	153,562,311
Reserves	9(b)	2,331,795	2,331,795
Foreign currency translation reserve	9(a)	(78,400)	(75,988)
Equity reserve	9(c)	(2,309,759)	(2,309,759)
Accumulated losses		(153,256,545)	(152,097,306)
<b>Net equity/(deficit)</b>		<b>249,402</b>	<b>1,411,053</b>

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

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**RMG Limited**  
**Consolidated Statement of Changes in Equity**  
For the half-year ended 31 December 2018

Consolidated	Contributed equity	Share Based Payment Reserves	Equity Reserves	Accumulated losses	Foreign currency translation reserve	Total
<b>Balance at 1 July 2018</b>	<b>153,562,311</b>	<b>2,331,795</b>	<b>(2,309,759)</b>	<b>(152,097,306)</b>	<b>(75,988)</b>	<b>1,411,053</b>
Foreign currency translation Loss for the period	-	-	-	(1,159,239)	(2,412)	(1,161,651)
<b>Total comprehensive income/loss for the half-year</b>	-	-	-	(1,159,239)	(2,412)	(1,161,651)
<b>Balance at 31 December 2018</b>	<b>153,562,311</b>	<b>2,331,795</b>	<b>(2,309,759)</b>	<b>(153,256,545)</b>	<b>(78,400)</b>	<b>249,402</b>
<b>Balance at 1 July 2017</b>	<b>152,336,038</b>	<b>2,331,795</b>	<b>(2,309,759)</b>	<b>(150,894,215)</b>	<b>(72,655)</b>	<b>1,391,204</b>
Foreign currency translation Loss for the period	-	-	-	(557,334)	-	(557,334)
<b>Total comprehensive income/loss for the half-year</b>	-	-	-	(557,334)	-	(557,334)
<b>Balance at 31 December 2017</b>	<b>152,336,038</b>	<b>2,331,795</b>	<b>(2,309,759)</b>	<b>(151,451,549)</b>	<b>(72,655)</b>	<b>833,870</b>

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

**RMG Limited**  
**Consolidated Statement of Cash Flows**  
For the half-year ended 31 December 2018

	<b>31 December 2018 \$</b>	<b>31 December 2017 \$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(524,474)	(448,445)
Interest received	286	3,542
Interest paid	<u>(47,837)</u>	<u>(37,500)</u>
<b>Net cash outflow from operating activities</b>	<b><u>(572,025)</u></b>	<b><u>(482,403)</u></b>
<b>Cash flows from investing activities</b>		
Payments for exploration activities	<u>(474,372)</u>	<u>(23,651)</u>
<b>Net cash outflow from investing activities</b>	<b><u>(474,372)</u></b>	<b><u>(23,651)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	<u>929,381</u>	<u>-</u>
<b>Net cash inflow from financing activities</b>	<b><u>929,381</u></b>	<b><u>-</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(117,016)</b>	<b>(506,054)</b>
Cash and cash equivalents at the beginning of the half-year	<u>170,115</u>	<u>1,182,216</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<b><u><u>53,099</u></u></b>	<b><u><u>676,162</u></u></b>

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

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## 1 Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134, *Interim Financial Reporting* and the *Corporations Act 2001*.

The financial statements have been presented in Australian Dollars.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the group's annual financial report for the year ended 30 June 2018, other than as detailed below.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective 1 July 2018, including:

### *AASB 9 Financial Instruments (AASB 9)*

AASB 9 Financial Instruments (AASB 9) replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has adopted AASB 9 retrospectively in accordance with the standard; changes in accounting policies resulting from the adoption of AASB 9 did not have a material impact on the Group's consolidated financial statements.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, receivables and available for sale. Under AASB 9, on initial recognition a financial asset is classified as measured at:

- a. Amortised cost;
- b. Fair Value through Other Comprehensive Income (FVOCI) – debt investment;
- c. FVOCI – equity investment; or
- d. Fair Value through Profit or Loss (FVTPL)

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

As of 30 June 2018, and 31 December 2018, the Group's financial instruments consist of cash and cash equivalents, other receivables, trade and other payables and financial liabilities (convertible notes). Cash and cash equivalents and other receivables previously designated as receivables under AASB 139 are now classified as amortised cost under AASB 9. The trade and other payables and financial liabilities are designated as other financial liabilities, which are measured at amortised cost. Cash and cash equivalents, other receivables, trade and other payables and financial liabilities approximate their fair value due to their short-term nature.

Other financial liabilities (embedded derivative) are reported as financial liabilities and measured at fair value through the profit and loss.

Convertible notes are separated into derivative and host debt component based on the terms of the contract. While the option embedded in the Note is contingent on shareholder approval, this meets the definition of a derivative. The conversion right is treated as a derivative liability (FVTPL). It is measured first (factoring in the probability of non-approval) and the residual assigned to the host debt contract.

The Group classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

#### Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the directors concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. This assessment did not result in any identification of impairment.

#### Impact on measurement category

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Other receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial Liability at amortised cost	Financial liability at amortised cost
Borrowings (convertible notes)	Financial Liability at amortised cost	Financial Liability at amortised cost

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The change in classification has not resulted in any re-measurement adjustment at 1 July 2018.

*AASB 15 Revenue from Contracts with Customers (AASB 15)*

The Group has adopted AASB 15 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach.

AASB 15 supersedes AASB 118 Revenue, AASB 111 Construction Contracts and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 July 2018 it was determined that the adoption of AASB 15 had no impact on the Group.

*New accounting standards and interpretations issued but not yet effective*

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

## **2 Going concern**

The Group incurred a net loss after income tax of \$1,159,239 for the half-year ended 31 December 2018 (2017: \$557,334) and had net cash outflows from operating and investing activities for the half year of \$117,016 (2017: \$506,054). As at 31 December 2018 the Group had cash and cash equivalents of \$53,099 (30 June 2018: \$170,115) and net current liabilities of \$1,537,132 (30 June 2018: \$376,231). Land tax (patentes) on the Group's Tuina project is due to be paid within the next two months.

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

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

The directors have based this on the following pertinent matters:

- 500,000 unlisted convertible notes issued on 22 March 2017 at a face value of \$1.00 each (total value \$500,000), matured on 22 March 2019, however, the redemption of the convertible note is subject to 3 months' notice by the noteholder which has not yet been received. The Company is also currently negotiating with the noteholder to extend the maturity date of the convertible notes. In the event the Group does not have the sufficient funds required to repay the convertible notes by their due date the notes may, at the discretion of the noteholder, convert into shares at a conversion price of \$0.013 per share, as approved by shareholders on 24 November 2017.
- 500,000 unlisted convertible notes issued on 28 August 2018 at a face value of US\$1.00 each (total value US\$500,000), will mature on 30 June 2019. In the event the Group does not have sufficient funds required to repay the convertible notes by their due date, the notes may, at the discretion of the noteholder and subject to shareholder approval, convert into shares at a conversion price of \$0.016 per share.
- 200,000 unlisted convertible notes issued on 1 February 2019 at a face value of US\$1.00 each (total value US\$200,000), will mature on 30 July 2019. In the event the Group does not have sufficient funds required to repay the convertible notes by their due date, the notes

may, at the discretion of the noteholder and subject to shareholder approval, convert into shares at a conversion price of \$0.005 per share.

- Subsequent to period end, the Group has received \$200,000 from a share placement at \$0.015 per share. The Group has also received a signed acceptance for another \$500,000 from a share placement (also at \$0.015 per share), however the funds from this acceptance have not yet been received.
- The Group expects to receive the additional amounts required to repay the convertible notes by their due dates by raising amounts under ASX listing rules 7.1 and 7.1A (15% and 10% rules respectively).
- The directors have agreed not to demand repayment of outstanding director's fees until the Group has the capacity to repay them.
- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;
- The Group retains the ability, if required, to wholly or in part dispose of interests in mineral exploration assets;
- The Directors regularly monitor the Group's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.

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

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

### **3 Segment information**

#### **Business segment**

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

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

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



<b>4 Other income</b>	<b>31 December 2018 \$</b>	<b>31 December 2017 \$</b>
Interest income	286	3,542
	<b>286</b>	<b>3,542</b>

<b>5 Exploration and evaluation expenditure</b>	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
Balance carried forward	1,700,000	1,500,000
Exploration expenditure capitalised, exploration and evaluation phase	474,372	355,736
Write down of exploration expenditure incurred previously capitalised, net of recoveries	(474,372)	(355,736)
Impairment reversals	-	200,000
<b>Ending balance</b>	<b>1,700,000</b>	<b>1,700,000</b>

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

Capitalised costs amounting to \$474,372 (June 2018: \$355,736) have been included in cash flows from investing activities in the consolidated statement of cash flows.

The write down of exploration expenditure in the current and prior years relates to the Tuina project in Chile only.

As a result of a valuation carried out by AA Maynard and Associates on the Tuina project for the purposes of an experts report pursuant to a general meeting held on 21 August 2016, the Tuina Project was valued at \$1.5m.

As at 30 June 2018, the Group reconsidered the fair value of the Tuina project and had determined that due to changes to key inputs used in the valuation, the estimated fair value had increased to \$1,700,000 resulting in an impairment reversal of \$200,000.

The estimated fair value was based on an average calculated using the Multiples of Exploration Expenditure and the Yardstick valuation methods. The key inputs used in determining the fair value as at 30 June 2018 were:

- a) Copper Price (Cu US\$6,119.47 per tonne)
- b) Exchange rate (A\$=US\$0.81)

As at 31 December 2018, the Group has reconsidered the fair value of the Tuina project and has determined that the valuation method that applied at 30 June 2018 is still appropriate and that the estimated fair value of the project remains unchanged from 30 June 2018 at \$1,700,000.

In assessing the fair value Management has applied judgment in determining the assumptions that are considered to be reasonable.

The fair value of the Tuina project falls into level 3 of the fair value hierarchy and is based on unobservable inputs in the absence of quoted prices in a market.

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

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<b>6 Financial liabilities</b>	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
Debt component of convertible notes at amortised cost issued at 1 August 2018 (a)	598,833	-
Debt component of convertible notes at amortised cost issued at 22 March 2017 (b)	495,239	472,403
Convertible notes application liabilities (c)	273,923	-
Interest payable – debt securities	4,998	
<b>Ending balance</b>	<b>1,372,993</b>	<b>472,403</b>

**(a) Convertible notes issued 1 August 2018**

On 1 August 2018, the Company raised \$655,458 by the issue of 500,000 Notes with a face value of US\$1 each, an interest rate of 10% per annum and a redemption date of 30 June 2019. Following shareholder approval on 28 November 2018 these Notes were converted to Convertible Notes.

The material terms of the Convertible Notes are:

- i. Face value of US\$1.00 each;
- ii. The Notes are unsecured;
- iii. Coupon of 10% pa payable on a quarterly basis;
- iv. A conversion price of AU\$0.016 per share subject to shareholder approval;
- v. Redemption at the Company's election: The Company may at any time redeem the Notes (by repaying them) by giving not less than 3 months' notice; and;
- vi. Redemption at the Noteholder's election: If the Company has not redeemed all the Notes prior to 30 June 2019, the Noteholder can, by giving not less than 3 months' notice, redeem the Notes by repayment,

If the Notes are not redeemed prior to 30 June 2019, the Noteholder may at any time, by giving not less than 3 months' notice, convert the Notes into shares (subject to shareholder approval).

The fair value of the debt component of the instrument was calculated at the fair value of the instrument less the value of the derivative liability at inception. Refer to note 7 for detail on then derivative liability.

**(b) Convertible notes issued 22 March 2017**

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

- i. Face value of \$1.00 each;
- ii. The notes are unsecured;
- iii. Coupon of 10%pa repayable on a quarterly basis;
- iv. A conversion price of \$0.013 per share, for the issue of up to 38,461,538 fully paid ordinary shares, subject to shareholder approval;
- v. Redemption at the Company's election: The Company may at any time redeem the Convertible Notes (by repaying them) by giving not less than 3 months' notice; and;

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- vi. Redemption at the Noteholder's election: If the Company has not redeemed all the Notes prior to 22 March 2019, the Noteholder can, by giving not less than 3 months' notice, redeem the Notes by repayment.

If the Notes are not redeemed prior to 22 March 2019, the Noteholder may at any time, by giving not less than 3 months' notice, convert the Notes into shares (subject to shareholder approval).

The Company considers that the convertible notes are a compound instrument and in this regard a portion of the convertible notes was recognised in equity (refer note 9(c)).

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

Inputs utilised in assessing the fair value of the convertible note:

	<b>30 June 2018</b>
Coupon (paid quarterly)	
Face value	500,000
Market interest rate	20%
Fair value at initial recognition, 22 March 2017	455,676
Equity component	44,324

Reconciliation of debt component of convertible notes at amortised cost:

	<b>31 Dec 2018</b>	<b>30 June 2018</b>
Opening balance at amortised cost	461,320	-
Fair value upon initial recognition	-	455,676
Fair value adjustment upon modification	-	5,644
Accrued interest	33,919	-
Closing balance at amortised cost	495,239	461,320

The carrying amount of the Group's convertible notes approximates their fair value as at 31 December 2018. Fair value has been determined by using a discounted cash flow model, and applying a market interest rate of 20%. The fair value methodology is categorised as level 3 in the fair value hierarchy.

**(c) Convertible notes application liabilities**

A\$273,923 was received in December 2018 in relation to applications for convertible notes that had not yet been issued at 31 December 2018. The convertible notes were issued subsequent to period end, refer note 11.

<b>7 Embedded Derivative</b>	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
Embedded derivative arising from USD denominated financial liabilities:		
Balance at beginning of period	-	-
Fair value on recognition	130,500	274,686
Fair value movements	(33,500)	(274,686)
<b>Ending balance</b>	<b>97,000</b>	<b>-</b>

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As the Convertible Notes are denominated in USD, the conversion right represents a derivative liability. As the issue of the convertible notes was subject to shareholder approval, the notes were treated as a debt instrument until shareholder approval was obtained on 28 November 2018. The fair value of the embedded derivative falls into level 3 of the fair value hierarchy and is based on observable and unobservable inputs. The key inputs used in determining the fair value using an option pricing model were:

	28-Nov-18	31-Dec-18
Exercise price	\$0.016	\$0.016
Term - years	0.60	0.50
Volatility	100%	100%
Risk free interest rate	1.48%	1.46%
Probability of conversion	100%	100%
USD/AUD exchange rate	1.38	1.42

The movement in the fair value of the derivative liability during the period of \$33,500 has been recorded in the income statement.

## 8 Equity

(a) Share Capital	31 December 2018 Number	30 June 2018 Number
Ordinary shares fully paid	602,531,537	602,531,537

(b) Movement in ordinary share capital		31 December 2018		30 June 2018	
Date	Details	Number of shares	Amount \$	Number of shares	Amount \$
July 1	<b>Opening balance</b>	<b>602,531,537</b>	<b>153,562,311</b>	<b>521,281,537</b>	<b>152,336,038</b>
29 March 2018	Placement	-	-	73,750,000	1,180,000
05 April 2018	Placement	-	-	7,500,000	120,000
	Cost of issues	-	-	-	(73,727)
	<b>Ending balance</b>	<b>602,531,537</b>	<b>153,562,311</b>	<b>602,531,537</b>	<b>153,562,311</b>

There were no dividends recommended or paid during the period to 31 December 2018 (2017: nil).

9 Reserves		31 December 2018 \$	30 June 2018 \$
Foreign currency translation reserve	9(a)	(78,400)	(75,988)
Option reserves	9(b)	2,331,795	2,331,795
Equity reserves	9(c)	(2,309,759)	(2,309,759)
<b>Ending balance</b>		<b>(56,364)</b>	<b>(53,952)</b>

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(a) Foreign Currency Translation Reserve	31 December 2018 \$	30 June 2018 \$
Movements in Foreign currency translation reserve were as follows:		
Balance at the beginning of the period	(75,988)	(72,655)
Exchange differences on translating foreign operations	(2,412)	(3,333)
<b>Ending balance</b>	<b>(78,400)</b>	<b>(75,988)</b>

(b) Movement in options

Date	Details	31 December 2018 Number	31 December 2018 \$	30 June 2018 Number	30 June 2018 \$
1 July	Opening balance	-	2,331,795	-	2,331,795
	Ending balance	-	2,331,795	-	2,331,795

(c) Equity Reserves	31 December 2018 \$	30 June 2018 \$
Balance at beginning of period	(2,309,759)	(2,309,759)
Equity component of convertible note	-	-
<b>Ending balance</b>	<b>(2,309,759)</b>	<b>(2,309,759)</b>

10 Commitments	Consolidated 31 December 2018 \$	Consolidated 31 December 2017 \$
<b>(a) Operating lease commitments</b>		
Not later than one year	118,736	17,136
Later than one year and not later than five years	128,631	32,844
Total minimum lease payments	<b>247,367</b>	<b>49,980</b>
<b>(b) Remuneration commitments<sup>(i)</sup></b>		
Not later than one year	168,000	240,000
Total remuneration commitments	<b>168,000</b>	<b>240,000</b>
<b>(c) Exploration expenditure commitments<sup>(ii)</sup></b>		
Not later than one year	100,000	86,000
Later than one year and not later than five years	400,000	344,000
Later than five years	-	-
Total exploration expenditure commitments	<b>500,000</b>	<b>430,000</b>

- (i) Commitments for remuneration under service agreements in existence at the reporting date but not recognised as liabilities payable.
- (ii) The minimum expenditure requirement is in relation to granted mineral exploration licences.
- (iii) All exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Group has the option to relinquish these licences or its contractual commitments at any stage, at the cost of its expenditure up to the point of relinquishment.

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## 11 Events occurring after the balance date

During the period ended 31 December 2018 RMG received A\$273,923 in respect of applications for convertible notes that had not yet been issued at 31 December 2018. On 31 January 2019, the Company issued 200,000 convertible notes in respect of these application. The material terms of the 200,000 convertible notes are:

- i. face value of US\$1 each;
- ii. The convertible notes are unsecured;
- iii. Coupon interest rate of 10% pa payable on a quarterly basis;
- iv. A conversion price of A\$0.005 converted into US\$ per share using the A\$:US\$ exchange rate published in the Australia Financial Review on the date that is two business days prior to the date that relevant conversion notice is received by the Company. The maximum number of shares can be issued in relation to the conversion is 54,800,000, which is based on total AUD received (\$274,000) divided by the conversion price of A\$0.005. The Company intends to use its Listing Rule 7.1 capacity for the issue of the convertible notes;
- v. The redemption date is 30 July 2019;
- vi. Redemption at the Company's election: The Company may at any time redeem the Notes (by repaying them) by giving not less than 3 months' notice; and;
- vii. Redemption at the Noteholder's election: If the Company has not redeemed all the Notes prior to 30 July 2019, the Noteholder can, by giving not less than 3 months' notice, redeem the Notes by repayment,

If the Notes are not redeemed prior to 30 July 2019, the Noteholder may at any time, by giving not less than 3 months' notice, convert the Notes into shares (subject to shareholder approval).

In March 2019 the Company received \$700,000 as application monies in respect of a share placement at A\$0.015 per share.

## 12 Related party transactions

There were no transactions with related parties during the period other than the settlement of remuneration liabilities in accordance with service contracts.

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In the directors' opinion:

- 1 the financial statements and notes set out on pages 7 to 20 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 2018 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial half-year ended on that date; and
- 2 subject to the achievement of the conditions set out in Note 2 to the financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



John Zee  
Executive Director  
27 March 2019

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

### Report on the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of RMG Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Emphasis of matter - material uncertainty related to going concern

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

#### Directors' responsibility for the half-year financial report

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

#### Auditor's responsibility

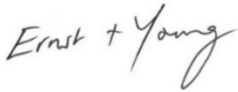
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

## Independence

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



Ernst & Young



T S Hammond  
Partner  
Perth  
27 March 2019

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