

RMG Limited

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Company Announcements Office
Australian Stock Exchange Limited

By e-Lodgement

Dear Sir / Madam

RMG TO ACQUIRE URANIUM AND MINERAL EXPLORATION COMPANIES

Highlights

- **RMG Limited (RMG) has reached agreement to acquire 100% of the issued capital of San Saba Pty Ltd (San Saba) and Springfield Minerals Pty Ltd (Springfield), uranium and mineral exploration companies, subject to certain conditions being satisfied and shareholder approval.**
- **San Saba and Springfield are targeting:**
 - **uranium mineralisation at Springvale in Queensland**
 - **uranium mineralisation at Lake Frome in South Australia**
 - **lead, zinc and copper mineralisation at Mt Coffin in South Australia**
 - **copper and gold mineralisation at Bold Hill in South Australia**
 - **copper at West Lake Frome in South Australia**
- **The areas are made up of EPM applications in Queensland and Exploration Licence Applications in South Australia. Work will be undertaken to identify targets for resource evaluation and drilling and will include data review, reprocessing existing geophysical data, ground magnetics, ground radiometrics and mapping.**
- **The consideration payable for the acquisition of San Saba and Springfield is the issue and allotment of 75,000,000 ordinary shares and a further 17,500,000 performance shares. The performance shares will convert to ordinary shares in the event that an inferred resource is defined.**
- **San Saba and Springfield will have the right to subscribe for 8,750,000 options exercisable at 2.5 cents each on or before 30 June 2010 and 8,750,000 options exercisable at 5 cents each on or before 30 June 2012.**
- **As part of the transaction, RMG has agreed to raise \$1.375 million by the issue of 55,000,000 shares at 2.5 cents each, part of which will be used to fund the further development of the tenements.**

Summary of Transaction

RMG has the right to acquire two exploration companies, San Saba and Springfield. San Saba and Springfield are the owners of exploration licence applications representing the Mt Coffin, Lake Frome, Bold Hill and West Lake Frome projects in South Australia and the Springvale Project in Queensland.

The Springvale Project consists of 10 leases (applications) totalling an area of approximately 2,560km² and is located between Boulia and Bedourie in South West Queensland. The targets are tabular style ore bodies developed in and adjacent to the weathered Toolebuc Formation, and in the channel sediments of the Georgina-Hamilton river system. The Toolebuc Formation is enriched in uranium, vanadium, molybdenum and various other metals.

The Lake Frome, Mt Coffin, Bold Hill and West Lake Frome Projects in South Australia consists of 4 leases (applications) totalling an area of approximately 1,980km² and is located approximately 500km north/north east of Adelaide. The targets are surficial uranium ore bodies in a number of suitable host rocks, roll front style ore bodies developed in both Tertiary and Mesozoic host rocks and copper gold lead and zinc in various geological settings.

The consideration for the acquisitions, subject to shareholder approval, is the issue of 75,000,000 fully paid ordinary shares in the capital of RMG and the issue of 17,500,000 performance shares which upon the achievement of the relevant performance hurdle will convert into 1 ordinary share for each performance share held.

For the performance hurdle to be met:

- (a) an inferred resource of a minimum of 3,500 tonnes of U₃O₈ equivalent including molybdenum and vanadium credits counting as U₃O₈ equivalents at the spot prices for these commodities as at 15 May 2007 must be delineated in respect of the tenements; and
- (b) the minimum resource referred to in paragraph (a) shall have a U₃O₈ grade of a minimum of 0.03% including molybdenum and vanadium credits counting as U₃O₈ equivalents at the spot prices for these commodities as at 15 May 2007.

The shares to be issued to the shareholders of San Saba and Springfield will be subject to an escrow period of 12 months from the date of issue.

RMG has agreed to issue two tranches of 8,750,000 options to the vendors of San Saba and Springfield or their nominees. Tranche 1 has an exercise price of 2.5 cents each on or before 30 June 2010 and Tranche 2 has an exercise price of 5 cents each on or before 30 June 2012.

The acquisitions are subject to a number of conditions precedent including completion of due diligence and shareholder approval. RMG has agreed to raise \$1,375,000 by the issue of 55,000,000 fully paid ordinary shares at an issue price of 2.5 cents each to sophisticated investors. This placement will be used to fund the working capital of the company and the proposed exploration programmes but in the event that the transaction is not successful then the funds will be allocated to working capital.

The relevant tenements are presently controlled by Larca Pty Ltd, a company controlled by Mr John Risinger and Holloman Corporation Inc, a company associated with Mr Mark Stevenson, who will arrange for the transfer of those tenements into San Saba and Springfield prior to settlement. It is a condition of completion that Mr John Risinger and Mr Mark Stevenson be appointed to the board of RMG. Information on the proposed directors is detailed below.

Update on the Existing Business

Following the completion of the restructure of the RMG Limited in May 2006, as approved by shareholders in March 2006, the Company has continued with its receivables management business.

The Company has two debt portfolios, comprising:

- (i) Bank card debts with a face value of \$1,486,650; and
- (ii) Personal loans with a face value of \$562,564.

(Debt Portfolios).

Under the Assignment of Debt Deed, effective 28 April 2006:

- (i) RMG continued to perform the terms of the Collection Agreement (refer below) entered into between RMG (through its agent ACN 092 094 981) and Australia Receivables Limited (**ARL**) in respect of the Debt Portfolios; and
- (ii) RMG must pay ACN 092 094 981 50% of the net proceeds received by RMG in relation to the Debt Portfolios in the 12 months following assignment, to the extent that those net proceeds exceed \$25,000.

The Collection Agreement provides in relation to the Debt Portfolio that ARL shall be:

- (i) the exclusive agent for the collection of the Debt Portfolios; and
- (ii) entitled to a collection fee of 42.5% of the debts collected.

The 12 months expired on 28 April 2007. The Company has fulfilled its obligations under the Assignment of Debt Deed and has reviewed a number of potential acquisitions and business proposals for other debt portfolios and complementary businesses to increase the operations but these have not met the investment criteria. The Company intends to continue this development and review programme and progress discussions with potential parties with a view to increasing this business segment.

New Opportunity

In addition to the existing business, and as mandated by shareholders, the Board has been reviewing new opportunities and has determined that it needs to expand the operations of the Company and to provide incentives to parties to introduce opportunities for growth. The current market for mineral exploration companies provides opportunities to expand the operations of the Company.

The opportunity to invest in San Saba and Springfield allows the Company to commit specific funding to an exploration program in the mineral exploration industry. The Company has not made a decision to change the nature of its existing business and that decision will only be made if the Board considers this to be in the interests of all shareholders. At that time shareholders will be asked to consider and, if thought fit, ratify this proposal.

In the event that the exploration program provides encouraging results and requires further expenditure, the Board will consider that expenditure at that time.

It may be that at this time the activities of the Company will be sufficient to change the nature and/or scale of its operations. ASX has advised that in the event that the performance hurdle is met that the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The Company is aware of the implications of a change in the nature and/or scale of its activities and will review its work programmes and expenditure to ensure that it meets the objectives of both the receivables management business and proposed mineral exploration activities.

Summary of John Risinger and Mark Stevenson

John Risinger

John Risinger has over 35 years experience in the drilling industry and in managing drilling programmes and operations in mineral exploration. Mr Risinger has many years experience at the board level of a number of listed and unlisted public companies and is currently a director of PocketMail Group Limited.

Mark Stevenson

Mark Stevenson is President and CEO of Holloman Holdings Corporation and has over 30 years experience in management, engineering and operations in the upstream Oil and Gas Industry and holds a B.S. in Constructional Engineering, Texas Tech University, Lubbock, Texas.

Holloman Corporation is an oil, gas, utility and engineering construction company based in Odessa, Texas, USA. Holloman Corporation has operated in West Texas for 43 years and is an employee owned company that employs approximately 700 people. Holloman Corporation is licensed in twenty of the fifty states and is the leading West Texas oil and gas construction company servicing corporations such as Chevron, BP, Kinder Morgan, MobilExxon, Anadarko and Shell. Mr Stevenson is currently a director of PocketMail Group Limited.

Expenditure Plans and Utilisation of Funds

The Company plans to continue its receivables management business and allocate sufficient capital to adequately investigate the opportunities in the mineral exploration industry.

	Year 1
Total existing net funds available for the Company business	1,700,000
Placement of shares at 2.5 cents each	1,375,000
Less estimated costs of capital raising and transaction	(75,000)
<i>Total net funds available</i>	<u>3,000,000</u>
<i>Utilised as follows:</i>	
Review, evaluation and development of the existing receivables business assets of the Company	650,000
Review and evaluate mineral exploration projects (refer below)	500,000
<i>Total general working capital budget in Year 1</i>	<u>1,150,000</u>
<i>Total funds unallocated for operations in Year 2</i>	<u>1,850,000</u>

The proposed budget for the mineral exploration assets is as follows:

ACTION	\$ Lake Frome / Mt Coffin (Year 1)	\$ Springvale (Year 1)
GIS Database	8,000	10,000
Air Photo Interpretation	32,000	8,000
Ground Water Analysis	10,000	2,000
Ground Radio-metrics	140,000	60,000
Drilling	140,000	-
Assays	50,000	-
Aboriginal Heritage Management	20,000	20,000
TOTAL	400,000	100,000

As can be seen from the above, the proposed expenditure is not significant based on the Company's cash reserves of approximately \$3m however it will allow the Company to evaluate whether to consider a change in the nature of its activities.

It must be noted that the proposed exploration budget assumes the tenements being granted. The Springvale tenements and part of the Lake Frome Project are in the application stage only.

It is intended that the exploration program will be subject to review and revision as information and experience on the project area is gathered. Accordingly, this budget is indicative only and subject to change.

Description of projects

Springvale

The Springvale tenements are located 50 to 80 Km south of Boulia in the far south-west of Queensland. The area is isolated but access is good and the Diamantina Development road passes through the tenements.

The most obvious targets are located at the redox interface in of the Toolebuc Formation. Air photo interpretation and geological field work should be able to locate likely areas and first pass drilling should allow the target areas to be well defined.

The model proposed for the Springvale Project has some similarities with the standard roll front model. Uranium minerals are precipitated in a roll front system at a Redox (reducing-oxidising) interface between oxidised groundwater carrying uranium in solution and permeable sediments containing reducing substances such as organic matter. With time the reaction boundary (Redox zone) moves in the direction

of the oxidising groundwater flow and the previously precipitated uranium can be re-dissolved and then re-precipitated within the new reaction boundary. Hence the descriptive term "roll front".

The proposed process on the Springvale Project area has some similarities with the roll front model in that the uranium follows the slowly moving redox boundary at the interface between the oxidised (weathered) and the un-oxidised Toolebuc Formation rock.

The Toolebuc Formation in the Project area is essentially flat lying and is enriched in uranium, vanadium, molybdenum and various other metals. The weathered Toolebuc Formation is also permeable and porous (ie. facilitating easy flow of fluids) and is enclosed by impermeable rocks (mudstones and siltstones which will act to contain the uraniferous weathering fluids).

So, in the course of weathering and erosion the redox zone between the oxidised and unoxidised Toolebuc Formation will have moved a considerable distance (10-50 Km) and large quantities of uranium would have collected in this zone.

Exploration within the area has been limited to stratigraphic holes drilled to test radiometric anomalies in the Springvale area in 1972. Three of these holes intersected the Toolebuc Formation these gamma ray logs were well off scale. Samples recently taken from the Geoscience Australia library core from intervals showing high gamma counts were found to contain significant uranium.

The prospectivity of the project is confirmed by:

- the presence of significant concentrations of both vanadium and uranium in the Toolebuc Formation and in Tertiary calcrete derived from the weathering of the Toolebuc Formation.
- the large area (600km²) of calcrete derived from weathered Toolebuc Formation with a strong uranium radiometric signature adjacent to the project area;
- the strong radiometric anomalies seen in bore holes in the area;
- the presence of either shallow Toolebuc Formation or suitable trap sites close to large areas where the Toolebuc Formation has been eroded; and
- the large amounts of uranium and vanadium that have been eroded and moved through the Hamilton – Georgina River system.

There are three sources of the uranium in the project area. 1) The Toolebuc oil shale; 2) the uranium carried by the waters and sediments of the Georgina and Hamilton rivers which drain the uranium rich Mt Isa block, and; 3) both the alkaline artesian water and the plutonic waters from the basement of the Great Artesian Basin. Rocks of Mt Isa Block form the basement in the project area are known to be enriched in uranium.

The proposed exploration program includes reviewing existing data, air photo interpretation, radiometrics and drilling.

Reconnaissance can be quick and relatively cheap as the targets are shallow, allowing a cost effective exploration strategy of rapid evaluation and exploration focus.

Lake Frome

The project area consists of two exploration licence applications (ELA 443 and ELA 533) centred on Lake Frome, which is 140 Km east of Leigh Creek and 450 Km NNE of Adelaide, South Australia. These ELAs cover the middle third of the lake, and a margin on the eastern edge of the lake.

Lake Frome is a large modern playa lake which lies within a closed drainage basin of some 400,000 km². The area is considered prospective for sedimentary uranium mineralisation according to the standard models, and also prospective for mound spring model uranium orebodies.

The tenement area has not been previously explored for uranium. The area was previously explored for Trona (a sodium carbonate evaporite mineral) but this exploration was very limited, and it is considered that the area is still prospective for Trona and perhaps other evaporite minerals such as potassium.

The three drill holes on the tenement area disclosed Namba Formation sediments at shallow depth and two mapped faults traverse the tenement area.

Exploration of the project area will follow conventional lines, with the mound spring model being used to supplement the conventional models and methods. The mound spring model widens the type of prospective rock units and the style of favourable trap sites.

Mt Coffin

The tenement (part of ELA 425) lies in the northern part of the Adelaide Geosyncline, a deformed sedimentary basin of Late Proterozoic to Middle Cambrian age, flanked by crystalline basement complexes of the Gawler and Curnamona Cratons.

Lead, zinc and copper mineralisation is found throughout the geosyncline generally associated with Cambrian marine shelf carbonate lithologies. Following the Delamerian Orogeny diapirism and metasomatism were active which resulted in base metal deposits being localized in favourable stratigraphic and structural settings.

A group of small abandoned copper mines are situated on the tenement. These mines were worked during the period 1880-1900 and the ore in these mines consisted mainly of secondary copper minerals (malachite, chalcocite, cuprite and native copper). Chalcopyrite (primary ore) was reported at depth in the Diamond Jubilee and Elsie Adair mines but this primary ore was not mined.

These copper mines are located in sediments surrounding the contact of the Mt Coffin diapir. This diapir is about 6 Km long and has an outcrop area of about 5 km². Small amounts of copper are widespread in both the diapir and the immediate surrounding sediments.

The tenement area has had no significant exploration since circa 1972 even though drilling in 1969 disclosed significant intersections of copper mineralisation.

The widespread copper occurrences in and around the Mt Coffin diapir have not been adequately tested. The previous drilling results are very encouraging and should be followed up. The untested geophysical targets (Induced Polarisation) likewise are very encouraging and should be investigated.

Recent advances in geophysical techniques, particularly airborne EM (Electro-magnetic) methods should make the job of exploring the area for copper and other base metals more effective.

It is noteworthy that the area has never been explored for uranium, even though there is some evidence that the copper mineralisation is derived from brines from potassium rich rocks. Potassium rich rocks in the area include uranium rich granites and associated volcanics, so there is some possibility that uranium may have been mobilised as well as copper.

Bold Hill

This tenement (part of ELA 425) lies in the northern Flinders Ranges approximately 50 Km east south-east of Leigh Creek, and 480 Km north of Adelaide.

The tenement covers rocks of the Adelaide Geosyncline. Base metal mineralisation is found throughout the geosyncline generally associated with Cambrian marine shelf carbonate lithologies. Following the Delamerian Orogeny diapirism and metasomatism were active which resulted in base metal deposits localized in favourable stratigraphic and structural settings.

There are many copper, gold and base metal mineral occurrences within 15 Km of the tenement, but only one mineral occurrence (the Frome Copper Mining Syndicate Prospect) is located on the tenement. The Angepena Gold Field is situated 4-6 Km west of the tenement, and 3-6 Km south east of the Mt Coffin tenement.

There is a strong magnetic feature in the tenement area that has a gravity expression (both the magnetics and the gravity are high).

There has been little previous exploration on the tenement area. The South Australian Mines Department (PIRSA) data base does not have any record of any exploration drill holes and the only sampling recorded in this data base is thirty seven stream sediment and rock chip samples.

The limited exploration of the area coupled with the widespread occurrences of gold, copper and other minerals in similar lithologies and structural settings in the immediate surrounds of the tenement area suggests that a full evaluation of the area is warranted. Recent developments in geophysics and geochemistry mean that exploration of the tenement will be more effective than it could have been in the recent past.

West Lake Frome

These two adjoining tenements ELA 493 and part of ELA 425 lie in the Northern Flinders Ranges, 480 Km north of Adelaide and 35 Km west of Lake Frome.

The tenement area has been included in various larger mineral exploration tenements in the past, but little significant exploration work has been conducted on the tenement area.

The tenement lies in the northern part of the Adelaide Geosyncline, a deformed sedimentary basin of Late Proterozoic to Middle Cambrian age, flanked by crystalline basement complexes of the Gawler and Curnamona Cratons. Base metal mineralisation is found throughout the geosyncline generally associated with Cambrian marine shelf carbonate lithologies. Following the Delamerian Orogeny diapirism and metasomatism were active which resulted in base metal deposits being localized in favourable stratigraphic and structural settings.

The rocks outcropping on the tenements consist of Neoproterozoic Heysen Supergroup rocks (Sturtian to Marinoan age). These rocks are largely marine sediments, and include basal glacial sediments.

The tenements contain nine secondary copper mineral occurrences. Primary sulphide mineralisation (chalcopyrite) is recorded at one location and this is encouraging. The copper occurrences lie on two intersecting lines, running north-east and north and the copper occurrences are generally associated with dolomitic rocks.

There is a clear association between the various mineral occurrences and the edges of the gravity features, and this suggests that mineralisation is associated with deeper intrusive rocks.

The SA Mines Department (PIRSA) databases indicate that there has not been any significant modern exploration of the tenement areas, although exploration has occurred in the surrounding ground. In particular, there are no drill holes or rock sampling on the area as indicated by the PIRSA databases.

Given the lack of modern exploration and the nine copper occurrences and indications of primary sulphides, it is considered that the tenement area warrants preliminary exploration for copper. Given the association of copper with uranium in other places in the Adelaide Geosyncline, some attention should be given to examining the tenements for uranium mineralisation.

EFFECT ON CAPITAL STRUCTURE

The capital structure on completion of the placement and transaction will be as follows:

Capital Structure	Number	
Shares		
Existing Shareholders	373,924,033	
Acquisition	75,000,000	
Placement	55,000,000	
Totals	503,924,033	
Performance shares -		
Acquisition	17,500,000	
Options		
Existing on issue	24,888,888	1c options expiring on 31 December 2008
Acquisition - Tranche 1	8,750,000	2.5c options expiring on 30 June 2010
Acquisition - Tranche 2	8,750,000	5c options expiring on 30 June 2012

BALANCE SHEET

The following is a balance sheet of the Company as at 31 May 2007, together with a proforma balance sheet on the basis that the placement is completed:

		As at 31 May 2007 \$	Proforma after capital raising and completion of the transaction \$
Current Assets			
Cash assets	1	1,700,000	3,000,000
TOTAL CURRENT ASSETS		<u>1,700,000</u>	<u>3,000,000</u>
Non Current Assets			
Investment in subsidiaries		-	1,500,000
TOTAL NON CURRENT ASSETS		<u>-</u>	<u>1,500,000</u>
TOTAL ASSETS		<u>1,700,000</u>	<u>4,500,000</u>
Current Liabilities			
Trade and other payables		8,000	8,000
TOTAL CURRENT LIABILITIES		<u>8,000</u>	<u>8,000</u>
NET ASSETS		<u>1,692,000</u>	<u>4,492,000</u>
EQUITY			
Contributed equity	2	129,953,116	132,753,116
Reserve – option premium		622	622
Accumulated losses		(128,261,738)	(128,261,738)
TOTAL EQUITY		<u>1,692,000</u>	<u>4,492,000</u>

Note

1. The movement in the cash assets is reconciled as follows:

Cash assets:	\$
Opening balance	1,700,000
Placement of Shares at 2.5 cents	1,375,000
Costs of the placement	(75,000)
Closing balance	<u>3,000,000</u>

2. The movement in the contributed equity is reconciled as follows:

Contributed equity:	\$
Opening balance	129,953,116
Placement of Shares at 2.5 cents	1,375,000
Issue to acquire subsidiaries at a deemed issue price of 2 cents	1,500,000
Costs of the placement	(75,000)
Closing balance	<u>132,753,116</u>

Proposed Timetable

A general indicative timetable of events and activities is set out below:

Complete Placement	June 2007
Despatch Notice of Meeting	June 2007
Hold Shareholder Meeting to approve the Acquisition and ratify the Placement	July 2007

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