

REALM RESOURCES LIMITED

ABN 98 008 124 025

NOTICE OF GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

Date of Meeting: Monday, 5 September 2011

Time of Meeting: 11.00 am (EST)

Place of Meeting: Level 2
3 Spring Street
Sydney NSW 2000

This Notice of General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Time and Place of Meeting and How to Vote

VENUE

The general meeting of the Shareholders to which this Notice of Meeting relates will be held at 11.00am (EST) on Monday 5 September 2011 at Level 2, 3 Spring Street, Sydney, New South Wales, 2000.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Realm Resources Limited, GPO Box 4216, Sydney, NSW, 2001; or
- (b) facsimile to the Company on facsimile number (+61 2) 8249 4001,

so that it is received not later than 11.00am (EST) on Saturday 3 September 2011.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

REALM RESOURCES LIMITED

ABN 98 008 124 025

Notice is hereby given that a general meeting of Realm Resources Limited (**Realm** or **the Company**) will be held at 11.00am (EST) on Monday 5 September 2011 at Level 2, 3 Spring Street, Sydney, New South Wales, 2000.

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered at the General Meeting and contains a glossary of defined terms that are not defined in full in this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 7.00pm (EST) on Saturday 3 September 2011.

AGENDA

1. Resolution 1 – Acquisition of Kalres Limited and Change to Scale of Activities

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

"That, subject to the passing of Resolutions 2, 3 and 4, for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the scale of its activities in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

2. Resolution 2 - Initial Placement of Shares

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

"That, subject to the passing of Resolutions 1, 3 and 4, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 200,000,000 Shares on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

3. Resolution 3 – Subsequent Placement of Shares

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

"That, subject to the passing of Resolutions 1, 2 and 4, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 206,000,000 Shares on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

4. Resolution 4 - Issue of Performance Rights to Vendors

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

"That, subject to the passing Resolutions 1, 2 and 3, for the purposes of Listing Rules 7.1 and 10.11 and for all other purposes, Shareholders approve the allotment and issue of 15,000,000 Performance Rights to the shareholders of Kalres Limited (or their respective nominees) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Adoption of Employee Share Plan

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

"That, for the purposes of Listing Rule 7.2 (Exception 9) of the ASX Listing Rules and for all other purposes, approval is given for the Company to allot and issue Shares pursuant to the Company's employee share plan, a summary of which is set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

6. Resolution 6 - Adoption of Employee Option Plan

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

"That, for the purposes of Listing Rule 7.2 (Exception 9) of the ASX Listing Rules and for all other purposes, approval is given for the Company to grant Options pursuant to the Company's employee option plan, a summary of which is set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Other Business

To transact any other business that may be lawfully brought forward in accordance with the constitution of the Company and the Corporations Act.

BY ORDER OF THE BOARD



Grant Button
Chairman

1 August 2011

EXPLANATORY MEMORANDUM

REALM RESOURCES LIMITED

ABN 98 008 124 025

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the General Meeting to be held at Level 2, 3 Spring Street, Sydney New South Wales at 11.00 am (EST) on Monday 5 September 2011.

The Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting. For the assistance of Shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

Full details of the business to be considered at the General Meeting are set out below.

1. Background to the Transaction

1.1 The Proposed Transaction

As announced to ASX on 12 April 2011, the Company has entered into an option and share sale agreement (**Agreement**) pursuant to which Realm has been granted an exclusive option to acquire 100% of the issued capital in Kalres Limited (**Kalres**), a company incorporated in the Cayman Islands (**Transaction**).

Pursuant to a Master Agreement (**Master Agreement**) with PT Sinar Mulia Anugerah Aguing (**PT SMAA**), Kalres can acquire a 75% interest in PT Katingan Ria, a company established in the Republic of Indonesia (**PTKR**) on the terms and conditions set out in the Master Agreement. PTKR is the holder of a mining business permit for coal exploration in Indonesia.

The total amount to be paid by the Company for the acquisition of Kalres (and the subsequent acquisition by Kalres of a 75% interest in PTKR) is US\$29,600,000.

1.2 Option and Share Sale Agreement

The material terms and conditions of the Agreement are as follows:

- (a) **Option:** the shareholders of Kalres (**Sellers**) irrevocably grant to the Company an exclusive option to acquire 100% of the issued capital in Kalres (**Kalres Shares**) during the period commencing on the date of execution of the Agreement and ending on the Long Stop Date (as that term is defined in the Agreement) and otherwise on the terms and conditions to be set out in the Agreement (**Option**);
- (b) **Option Fee:** in consideration of the Sellers granting the Option, the Company will agree to:
 - (i) issue a total of 15,000,000 Performance Rights to the Sellers (or their nominees), which shall convert into Shares on the last to occur of the following:
 - (A) completion of the sale and purchase of the Kalres Shares in accordance with the terms of the Agreement (**Completion**); and
 - (B) Realm acquiring a 51% interest in PTKR pursuant to the terms of the Master Agreement,

and otherwise on terms reasonably acceptable to ASX. ASX has confirmed that the terms and conditions of the Performance Rights are appropriate and equitable for the purposes of Listing Rule 6.1, subject to (among other things) the Company obtaining shareholder approval for the issue of the Performance

Rights. Resolution 4 seeks approval from Shareholders for the issue of 15,000,000 Performance Rights to the Sellers (or their respective nominees);

- (ii) procure that Andrew Matheson is appointed as an executive director of Realm. As announced to ASX on 6 June 2011, Mr Matheson has been appointed to the Board. Please refer to Section 1.7 of this Explanatory Memorandum for further details; and
 - (iii) be responsible for all costs reasonably incurred by the Sellers in connection with Kalres performing its obligations under the Master Agreement during the period commencing on the date of execution of the Agreement and ending on the date that the Company notifies the Sellers that it does not intend to exercise the Option;
- (c) **Conditions Precedent:** upon Realm exercising the Option, Completion will be subject to the following conditions (**Conditions**) being satisfied on or before the Long Stop Date:
- (i) the Company obtaining all necessary shareholder approvals under the Corporations Act and the ASX Listing Rules to give effect to the transactions contemplated by the Agreement;
 - (ii) the Company receiving confirmation from ASX that Chapter 11 of the ASX Listing Rules does not apply to the Company as a result of the transactions contemplated by the Share Sale Agreement or, if ASX does consider that Chapter 11 of the ASX Listing Rules will apply, ASX imposing such conditions as are acceptable to the Company in its sole and absolute discretion;
 - (iii) the Company completing a capital raising of a minimum of US\$10,000,000;
 - (iv) the parties obtaining any necessary or, in the reasonable opinion of the Company, desirable, approvals or consents from, or other actions by, any third party to implement the transactions contemplated by the Agreement; and
 - (v) Kalman providing a written notice of the assignment of its rights in, and obligations under, the Master Agreement to Kalres to PT SMAA in accordance with the Master Agreement;
- (d) **Consideration:** in consideration for the sale of the Kalres Shares to the Company, Realm will pay the sum of US\$1,350,000 to the Sellers on Completion; and
- (e) **Completion:** Completion will take place at Realm's offices on the date which is 5 business days after satisfaction or waiver of the last of the Conditions.

1.3 Master Agreement

The Master Agreement was entered into on or about 24 March 2011 between PT SMAA and Kalman Resources Limited (**Kalman**), a company incorporated in the Cayman Islands.

In consideration of Kalman assigning all of its rights and obligations under the Master Agreement to Kalres, Kalres has agreed to pay US\$1,250,000 to Kalman within 2 business days of Completion. This payment relates to the reimbursement of expenditure incurred by Kalman in relation to the Katingan Ria Project.

The Master Agreement contains the following material terms and conditions:

- (a) **Sale of Shares:** Kalres agrees to acquire, and PT SMAA agrees to sell, 75% of the issued capital of PTKR (**PTKR Shares**) on the terms and conditions set out in the Master Agreement;

- (b) **Consideration:** the total amount to be paid by Kalres for the PTKR Shares is US\$27,000,000 which will be paid in three tranches as follows:
- (i) subject to the fulfilment of the relevant conditions precedent, US\$10,000,000 shall be paid by Kalres for a 51% interest in PTKR (**Tranche 1**);
 - (ii) subject to the fulfilment of the relevant conditions precedent, US\$12,000,000 shall be paid by Kalres for the acquisition of a further 24% interest in PTKR, so that Kalres holds a 75% interest in PTKR (**Tranche 2**); and
 - (iii) US\$5,000,000 shall be paid by Kalres within 5 business days of PTKR receiving the Pinjam Pakai Exploitation for 2,372.21 hectares in the northern part of the Katinga Ria Project and making all necessary forestry payments and charges under the relevant forestry regulations (**Tranche 3**).

PT SMAA is not a related party or substantial holder of the Company and therefore Listing Rule 10.1 does not apply to the Tranche 1, Tranche 2 or Tranche 3 payments to be made by Kalres as outlined above;

- (c) **Tranche 1 Conditions Precedent:** the acquisition by Kalres of the PTKR Shares in Tranche 1 is subject to the following conditions:
- (i) an assessment of the coal resources in accordance with the JORC guidelines and legal, financial and technical due diligence to the satisfaction of Kalres in its absolute discretion;
 - (ii) all mining licenses are valid and current and in the form of IUP Operation Production and also obtaining all approvals and permits necessary to enable Kalres to conduct exploration activities in respect of the Mining Business Permit for Exploration (IUP Exploration) No. 274 dated 20 October 2009 (as renewed or extended) (**Katingan Ria Project**);
 - (iii) a recommendation or approval from the Regent of Katingan in relation to the transfer of the PTKR Shares from PT SMAA to Kalres to enable the conversion of PTKR into a PMA company (ie. to enable direct foreign investment in PTKR) at the cost of PT SMAA. In the event that Kalres withdraws from the Master Agreement during the Tranche 2 period, Kalres must reimburse PT SMAA for such expenses;
 - (iv) obtaining the approval of BKPM (the Investment Coordinating Board of the Republic of Indonesia) to the change in the status of PTKR to a PT PMA company at the cost of Kalres;
 - (v) the public announcement of the transfer of the PTKR Shares to Kalres as required by the relevant Indonesian company laws and confirmation that no claims or objections were raised by creditors or employees of PTKR within the relevant period;
 - (vi) if necessary, PT SMAA and/or PTKR must coordinate with PT Hulan Mulya and other concession holders or right to exploit forest holders (if any) when commencing the exploration and mining activities on the Katingan Ria Project; and
 - (vii) PTKR obtaining the Pinjam Pakai Exploration licence for the Katingan Ria Project area from the Minister of Forestry and making all necessary forestry payments and charges under the relevant forestry regulations;

- (d) **Tranche 2 Conditions Precedent:** the acquisition by Kalres of the PTKR Shares in Tranche 2 is subject to the following conditions:

- (i) completion of a feasibility study confirming to Kalres in its absolute discretion that the Katingan Ria Project is commercially viable;
- (ii) PTKR (with the assistance of PT SMAA) ensuring that all mining licenses comprising the Katingan Ria Project being valid and current and obtaining all approvals and permits necessary to enable Kalres to explore, exploit, sell, deliver and transfer the coal, pursuant to applicable Indonesian mining laws, at the cost of PTKR; and
- (iii) obtaining the Pinjam Pakai Exploitation license for approximately 2,680.79 hectares in the southern part of the Katingan Ria Project from the Minister of Forestry and making all necessary forestry payments and charges under the relevant forestry regulations,

(together, the **Tranche 2 Conditions Precedent**);

- (e) **Bank Guarantee:** in order to secure the obligations of PT SMAA to obtain the Pinjam Pakai exploitation permit for the area of 2,680.79 hectares in the southern part of the Katingan Ria Project, PT SMAA agrees to provide Kalres with a bank guarantee, or such other security as may be acceptable to Kalres for the amount of US\$7,000,000 for the unconditional and immediate repayment of the portion of the payment in relation to Tranche 1 should the Pinjam Pakai exploitation permit not be received by PTKR;
- (f) **Exclusivity:** Kalres has an exclusive period to enable it to conduct the following:
 - (i) an assessment of the coal resources in accordance with JORC guidelines, data review, financial and legal due diligence on PT SMAA, PTKR and the Katingan Ria Project for a period of 3 months following the later of the effective date of the Master Agreement and the date that the Katingan Ria Project are fully permitted for exploration activities (**Tranche 1 Period**); and
 - (ii) a commercial feasibility study on PTKR and the Katingan Ria Project for 3 months following the acquisition by Kalres of a 51% interest in PTKR or such date as may be mutually agreed between PT SMAA and Kalres (**Tranche 2 Period**),

(together, the **Exclusive Period**);

- (g) **Withdrawal by Kalres:** Kalres may at any time during the Tranche 1 Period withdraw from the Master Agreement due to the following reasons:
 - (i) the coal deposit is insufficient or uneconomical in Kalres' sole opinion;
 - (ii) the necessary licenses to allow for the commencement of the exploration activities in relation to the Katingan Ria Project have not been obtained;
 - (iii) it is discovered that any of the legal papers of PTKR are not legitimate or valid;
 - (iv) a settlement has not been reached with holders of the area within the Katingan Ria Project which overlaps with other concessions; or
 - (v) the review and due diligence results suggest that the acquisition does not meet Kalres' investment criteria.

Should PT SMAA or PTKR fail to satisfy the Tranche 2 conditions precedent set out above by the end of the Tranche 2 Period, Kalres may elect to sell its 51% interest in PTKR back to PT SMAA for US\$10,000,000. In addition, Kalres may at any time during the Tranche 2 Period withdraw from the Master Agreement for any reason. However, if the withdrawal is for a reason other than a breach by PT SMAA or PTKR of the

conditions precedent set out above, Kalres will sell its 51% interest in PTKR to PT SMAA for US\$5,000,000 within 45 days of giving notice to PT SMAA of its intention to withdraw;

- (h) **Expansion:** PT SMAA, PTKR and Kalres agree to cooperate and jointly develop any future coal related businesses in the Katingan Regency and its adjacent regencies and to not pursue any such businesses individually without the prior written consent of the other parties until the sooner of 5 years from the acquisition by Kalres of a further 24% interest in PTKR, or until 200 million tonnes of coal reserves, as defined in the JORC guidelines, are owned by PTKR and its affiliates in Indonesia.

PT SMAA, PTKR and Kalres agree that any future expansion of coal related business including but not limited to the acquisition and development of additional coal concession areas or the development of coal related infrastructure such as intermediate stockpiles, coal loading or unloading facilities and coal transport and handling facilities in Katingan Regency or its directly adjacent Regencies will be undertaken jointly by PT SMAA and Kalres, with Kalres holding the majority interest in any shares so acquired and that any costs associated with such development would be borne in proportion to such shareholdings. PT SMAA, PTKR and Kalres further agree that they will not enter into any arrangement that would see them undertake such business as outlined above without the prior approval of the other parties;

- (i) **Option:** PT SMAA and Kalres agree that on the date of the successful completion of the acquisition by Kalres of a further 24% interest in PTKR, PT SMAA will grant a six month option to Kalres to purchase 60% of the total shares in PT Katingan Bersama (PTKB) for the price of US\$10,000,000.

PTKB is a company incorporated in Indonesia, owned by the same shareholders as PTKR. It holds a concession of 5,000 ha in extent and holds an IUP exploration permit. Exploration data is minimal but data provided to Realm and Realm's own investigations show evidence of coal outcropping in the south west corner. The Company has no obligation to proceed with the acquisition of the property if further exploration does not support it. The Company has not yet made any decision as to whether Kalres will exercise the option to purchase a 60% interest in PTKB. This decision will be made prior to expiry of the six month option and subject to the Company and Kalres obtaining all necessary approvals including, without limitation, any necessary shareholder approvals;

- (j) **Shareholders Agreement:** immediately upon the completion by Kalres of a 51% interest in PTKR, the parties agree to enter into a shareholders agreement to regulate the relationship between Kalres and PT SMAA in PTKR;
- (k) **Termination:** the Master Agreement may be terminated by Kalres in the event of a breach of the Master Agreement by PT SMAA before expiry of the Tranche 2 period; and
- (l) **Governing Law:** the Master Agreement is governed by the laws of the Republic of Indonesia.

1.4 Kalres

Kalres is an unlisted private company registered in the Cayman Islands. Pursuant to the Master Agreement, Kalres can acquire a 75% interest in PTKR on the terms and conditions set out in the Master Agreement. Kalres does not hold any material assets other than its interest in the Master Agreement.

Following the Completion, Realm will hold 100% of the issued capital in Kalres.

1.5 PTKR and the Katingan Ria Project

PTKR is an unlisted private company registered in Indonesia. Following completion of the Master Agreement, Kalres will own a 75% interest in PTKR.

PTKR is the holder of the Katingan Ria Project, which consists of a Mining Business Permit for Exploration (IUP Exploration). The Katingan Ria Project covers 5,053 hectares located in Central Kalimantan within the Katingan Hulu district in Indonesia, approximately 175km north-west of the regional capital of Palangkaraya.

Geological setting

The Katingan Ria Project site is located within the Barito basin with coal occurring within the Dahoor formation. This formation is characterised by interbedded sandstone, mudstone and coal units. The area is underlain by volcanics.

Exploration activities

A total of 69 boreholes were drilled by PTKR throughout the project site during 2010, along with various outcrop mapping and coal quality analysis. Unfortunately none of these holes were geophysically logged and little traceable coal quality work is available from this work.

South Region

Drilling commenced in the southern region of the Katingan Ria Project on 29 April 2011 with 3 rigs mobilised (2 man portable type rigs with 120 metre capacity and 1 track rig with 180 metre capacity). 17 holes with a total meterage of approximately 1,300 metres were drilled by the Company including 9 cored holes, totalling 220 metres of HQ¹ core. All holes were geophysically logged.

Drilling work has confirmed the existence of the main seam, which has an overall thickness ranging from 1.9 - 5.2 metres including one minor stone band. It is expected that the main seam will form the majority of the deposit tonnage and it has been the focus of the field investigations to date. Another two thinner seams underlie the main seam and range from 0.5 - 1.5 metres thick.

Based on field mapping and intercepts, the coal seams dip at less than 5 degrees to the north with overburden cover ranging from 13m in the southern extremity of the Katingan Ria Project to approximately 50m at the northern extent of the drilling. The seams are interpreted as being cut off to the north by an east-west trending fault.

The main topographical feature is a northerly trending ridge approximately 3.5km wide which hosts the coal formation.

A scoping study on the feasibility of developing an initial 3mtpa open pit operation has commenced in the southern region, along with analysis of coal quality data and logistics studies.

North Region

A number of samples were previously taken by previous explorers in this area. Realm also completed initial mapping and sampling work during the recent field program. This mapping identified a coal outcrop of 6 – 8 metres thickness in the area, which appears consistent with PTKR's initial assessment.

Drilling in the Northern area is expected to confirm the existence of the main seam which is seen in outcrop at various locations and mapped at over 6 metre seam thickness.

Resource Estimate

As announced to ASX on 11 July 2011, Realm has identified an initial 40 million tonne inferred resource estimate for the Southern area of the Katingan Ria Project. Of note, the deposit has relatively low stripping ratios (average approximately 3:1).

The resource estimate was based on the main seam only, drill spacing of approximately 1 kilometre and publically available terrain elevation data. In order to improve the JORC classification to indicated, further work will need to be done to upgrade the topographical resolution. This work will only be done if the Company proceeds with the acquisition of Kalres and the terms of the Master Agreement, subject to the receipt of all necessary shareholder approvals.

The raw coal quality obtained to date on the Katingan Ria Project confirms the coal is typically sub-bituminous, low ash, moderate moisture with relatively low energy and consistently low total sulphur. Coal marketing study work is progressing and negotiations are underway with a number of groups regarding the provision of marketing support services within the markets of Indonesia, India and northern Asia.

In the mean time, further coal quality test work will be undertaken on outcrop samples during the next few weeks. No washability test work is planned at this stage. Due to the relatively low levels of ash the coal is likely to require only crushing and screening to produce a marketable product thus obviating the need for a coal handling and preparation plant.

Future Work Program

The northern portion of the Katingan Ria Project is now available for exploration. However, given that the Company is scoping the southern portion of the Katingan Ria Project for development, drilling in the north will consist of a limited program of 6 to 10 holes, including both structural and coal quality holes. This program should be completed by the end of August 2011.

The results of the planned scoping work over the next month will form the basis of the Company's decision as to whether to proceed with the acquisition of Kalres and the Katingan Ria Project, subject to the receipt of all necessary shareholder approvals.

Regular updates on progress will be provided to Shareholders during the following months.

The information in this Notice of Meeting that relates to Exploration Results and Mineral Resources at the Katingan Ria Project is based on information compiled by Mr Troy Turner, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Turner is a full-time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Turner consents to the inclusion in the Notice of Meeting of the matters based on his information in the form and context in which it appears.

1.6 Proposed Placements

It is a condition precedent to Completion under the Agreement that the Company completes a capital raising of a minimum of US\$10,000,000. Prior to Completion, the Company intends to:

- (a) undertake a placement to professional and sophisticated investors of that number of Shares which, when multiplied by the issue price, will raise up to \$15,000,000 (before costs and expenses) (**Initial Placement**). The Initial Placement is the subject of Resolution 2; and/or

- (b) undertake an entitlement offer of Shares to the Company's shareholders (**Entitlement Offer**). The Company will not require Shareholder approval to proceed with the Entitlement Offer, as it falls within an exception to the Company's 15% placement capacity under Listing Rule 7.1.

After Completion, the Company intends to:

- (a) undertake a subsequent placement; and/or
- (b) undertake an Entitlement Offer,

to enable the Company to have sufficient funds to ensure that Kalres can meet its funding obligations under the terms of the Master Agreement. The Company will offer that number of Shares which, when multiplied by the issue price, will raise up to a total of \$31,000,000 (before costs and expenses) (**Subsequent Placement**).

It is not yet known whether the Subsequent Placement and/or Rights Issue will occur in one or two tranches. This will largely depend on the timing of satisfaction of the Tranche 2 Conditions Precedent under the Master Agreement and, in particular, PTKR obtaining the Pinjam Pakai Exploitation license in the southern part of the Katingan Ria Project from the Indonesian Minister of Forestry.

The issue price of the Shares to be issued under the Initial Placement and Subsequent Placement will be not less than 80% of the average market price of Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made.

Shareholder approval is sought for the Initial Placement and Subsequent Placement under Resolutions 3 and 4 respectively. Shareholders should note that the Directors have not yet decided whether the Initial Placement and/or the Subsequent Placement will incorporate an Entitlement Offer and that it may be the case that no Entitlement Offer will be conducted.

1.7 Appointment of Director

As announced to ASX on 6 June 2011, Andrew Matheson has been appointed to the Board as an Executive Director. It is expected that he will drive the Company's expansion into the bulk commodity sector and specifically coal.

Andrew, who has a Bachelor of Engineering (Geological), has a 25 year track record in the resources industry including his current role as Chief Executive Officer of Carbon Materials with the Talbot Group, General Manager of Aquila Resources Limited's coal portfolio and various project, engineering, commercial and operational roles with BHP Billiton and GHD. He has extensive experience with project development, mining and logistics within Australia, Indonesia and Africa.

1.8 Risk Factors

Shareholders should be aware that if the Resolutions are approved, the Company will be changing the scale of its activities and acquiring the Katingan Ria Project, which is subject to various risk factors. Based on the information available, a non-exhaustive list of risk factors are set out below.

(a) Exploration and Production Risks

The business of coal exploration, project development and production involves risks by its very nature. Success depends on the successful exploration appraisal and development of economic coal reserves. Operations such as design, and construction, of efficient recovery and processing facilities, competent operational and managerial performance and efficient distribution and marketing services are required for success. In particular, exploration is a speculative endeavour whilst production operations can be

hampered by force majeure circumstances, engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events.

The outcome of the Company's exploration programs on the Katingan Ria Project will affect the future performance of the Company and the Shares.

If and when the Company commences production, the production may be curtailed or shut down for considerable periods of time due to any of the following factors:

- disruptions to the transport chain being road, rail, port infrastructure and ocean freight;
- a lack of market demand;
- government regulation;
- production allocations; or
- force majeure.

These curtailments may continue for a considerable period of time resulting in a materially adverse effect on the results of operations and financial condition of the Company.

The exploration for, and production of, coal involves certain operating hazards, such as:

- failure and/or breakdown of equipment;
- adverse geological, seismic and geotechnical conditions;
- industrial accidents;
- labour disputes;
- pollution; and
- other environmental hazards and risks.

Any of these hazards could cause the Company to suffer substantial losses if they occur. The Company may also be liable for environmental damage caused by previous owners of the property to be developed. As a result, substantial liabilities to third parties or governmental entities may be incurred. The payment of which could reduce or eliminate funds available for acquisitions, exploration and development or cause the Company to suffer losses.

Exploration involves numerous risks, including the risk that the Company will not find any commercially productive coal reserves. The cost of exploration is often uncertain, and a number of factors can delay or prevent drilling operations, including:

- unexpected drilling conditions;
- equipment failures or accidents;
- adverse weather conditions;
- compliance with governmental requirements;
- shortages or delays in the availability of drilling rigs and the delivery of equipment; and

- availability of specialised personnel.

In addition, the Company may find that it is unable to negotiate suitable access or compensation agreements with the local Indonesian community (such as land owners, local authorities and traditional land users). These agreements will be required prior to commencing any mining activities.

The future exploration activities of the Company may not be as successful as expected. Unsuccessful exploration activities could have a materially adverse effect on the results of operations and financial position. Although the Company has identified numerous potential drilling locations, the Company cannot be sure that it will drill them all or that drilling or other exploration techniques will locate economically mineable coal or that the Company will be able to commence production.

(b) Coal marketing and coal prices

In the event that the Company's exploration on the Katingan Ria Project is successful and the Company proceeds to develop a coal mine, the marketability of the coal production depends upon the quality and tonnage demand from the international and domestic marketplace.

Customers may default on their contractual obligations with the Company. Potential contractual defaults may include non-payment for coal or failure to take delivery of contracted volumes. Should such a default occur, the Company may find it difficult to access other customers.

Depressed coal prices could also affect the Company's business. Future revenues, operating results, profitability, future rate of growth and the carrying value of the properties of the Company depend heavily on prevailing market prices for coal. Any substantial or extended decline in the price of coal would have a material adverse effect on the financial condition and results of operations. Various factors beyond the control of the Company will affect the prices of coal, including:

- exchange rates for coal is typically in US dollars and a strengthening of the Australian dollar relative to the US dollar will adversely impact upon Australian dollar returns;
- domestic supplies of coal;
- economic conditions;
- marketability and quality of production;
- consumer demand;
- price trends for coal product types;
- the price, availability and acceptance of alternative fuels;
- weather conditions; and
- actions of federal, state, local and foreign government authorities.

(c) Country Risk

The Katingan Ria Project is located in Indonesia and the economy in Indonesia is subject to many global and internal forces beyond the control of the Company. Changes in the general economic and political climate, both in Indonesia and on a global basis, that could impact on economic growth, the reformation of government structure or industry,

change on mining policies and contract interpretation, coal prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any coal activity that may be conducted by the Company.

Operating in a country such as Indonesia has inherent risks which may impact adversely on the financial position, financial performance, cash flows, growth prospects, ability to pay dividends and the share price of the Company.

While Indonesia coal production is highly competitive by international standards, Indonesia's export potential over the next ten years will depend to some extent on the perceived risks attached to investment in the coal mining sector. The coal industry in Indonesia is facing a range of legal, governance and human capacity building challenges in the transition to regional autonomy. To the extent that these risk factors continue to affect the mining sector, they can be expected to have an adverse impact on mining exploration and coal production and exports in Indonesia.

The risk of terrorism, war or social upheaval activities in Indonesia and the resulting impact on the Katingan Ria Project is also a relevant risk factor.

The legal system operating in Indonesia may be less developed than in more stable and developed countries, which may result in risks such as:

- political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- a higher degree of discretion on the part of governmental agencies; or
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

(d) Environmental impact constraints

The coal mining operations and proposed activities of the Company on the Katingan Ria Project in Indonesia are subject to Indonesian laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligations, including compliance with all environmental laws.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in the area.

(e) Greenhouse gas emissions

The coal industry is likely to be affected by government policies and international agreements that aim to reduce emissions of greenhouse gases such as carbon dioxide. These may result in the imposition of taxes or other increased costs that may adversely affect the Company in terms of the volumes of its production output and the prices it receives for the coal it produces.

(f) Contractual Risk

As set out above, the Company has entered into the Agreement and Kalres (which will be the Company's wholly owned subsidiary upon Completion) has entered into the Agreement and the Master Agreement, as summarised in sections 1.2 and 1.3 respectively. The ability of the Company to achieve its objectives will depend on the performance by each of the parties of their respective obligations under these agreements. If a party defaults in the performance of their obligations, it may be necessary for the Company or Kalres (as the case may be) to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

(g) Future capital needs

Further funding will be required by the Company to support its ongoing activities and operations on the Katingan Ria Project. There can be no assurance that funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of the Company and its performance. If additional funds are raised the issue of equity or equity-linked securities of the Company other than on a pro-rata basis to existing shareholders, the percentage ownership of shareholders may be reduced. Shareholders may experience subsequent dilution. There can be no guarantee that any capital raisings will be successful.

(h) Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Katingan Ria Project depends substantially on key personnel with the appropriate expertise. There can be no assurance given that there will be no detrimental impact on the Company if one or more of their employees cease their employment.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares. Therefore, the Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

1.9 Potential advantages of the Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolutions:

- **Diversification of business** – the Transaction provides an opportunity for the Company to diversify its current business operations into the thermal coal market.
- **Exposure to a growing thermal coal market** – All forecasting bodies anticipate strong growth in the thermal coal trade over the next 10 to 20 years, especially in the Pacific Basin and the Board considers that this an opportune time for the Company to enter the market.
- **There is already a solid database of coal seam coal quality existing for this project** – Whilst ongoing drilling is anticipated at the Katingan Ria Project, there is sufficient available knowledge to cover basic quality of the blocks and sectors contemplated for the first 5 – 10 years of mining.
- **Market acceptance** – Based on the coal quality data assessed to date, the Directors believe that the vast bulk of the coal to be mined from the Katingan Ria Project would meet market acceptance with the specifications fitting within the normal range of coals produced from Kalimantan.
- **Access to potential bulk commodity projects in Indonesia** – pursuant to the terms of the Master Agreement, PT SMAA, PTKR and Kalres have agreed to cooperate and

jointly develop any future coal related businesses in the Katingan Regency and its adjacent regencies, subject to the terms of the Master Agreement. Please refer to the summary of the Master Agreement in section 1.3 above for further details.

1.10 Potential disadvantages of the Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolutions:

- **Dilution** – current Shareholders will have their interests in the Company diluted.
- **Diversification of business** – the Company will broaden its focus to include coal exploration which may not be consistent with the objectives of its Shareholders.
- **Risk Factors** – there are a number of risk factors associated with the change in the Company's activities. Please refer to section 1.7 above for further details.
- **Value of Shares** – there is no guarantee that Realm Shares will increase in value.

While the disadvantages of the Transaction and Capital Raising are important for Shareholders, the Board considers that the advantages of the Transaction significantly outweigh the disadvantages.

1.11 Indicative Timetable

An indicative timetable of the Transaction and Capital Raising is set out below:

Event	Date
General Meeting	05 September 2011
Completion of Initial Placement	21 September 2011
Completion of acquisition of Kalres pursuant to Agreement	07 October 2011
Completion of Tranche 1 pursuant to Master Agreement	07 October 2011
Completion of Subsequent Placement(s)	07 December 2011
Completion of Tranche 2 pursuant to Master Agreement	07 January 2012

1.12 Pro-forma balance sheet

An unaudited pro forma balance sheet of the Company following completion of the Transaction and Capital Raising is set out below:

	Unaudited 31-May-11	Adjustments	Pro-forma 31-May-11
ASSETS			
Current assets			
Cash and cash equivalents	4,264,211	4,000,000	8,264,211
Trade and other receivables	631,579		631,579
Inventories	16,887		16,887
Other assets	52,231		52,231
Total current assets	<u>4,964,908</u>		<u>8,964,908</u>
Non-current assets			
Investments accounted for using the equity	2,206,080		2,206,080

method			
Exploration and evaluation assets	-	27,000,000	27,000,000
Plant and equipment	1,887,282	40,000,000	41,887,282
Deferred tax assets	204,827		204,827
Total non-current assets	4,298,189		71,298,189
TOTAL ASSETS	9,263,097		80,263,097
LIABILITIES			
Current liabilities			
Trade and other payables	(514,926)		(514,926)
Borrowings	(11,482)	(2,500,000)	(2,511,482)
Current tax liabilities	(111,348)		(111,348)
Total current liabilities	(637,756)		(3,137,756)
Non-current liabilities			
Borrowings	-	(37,500,000)	(37,500,000)
Deferred tax liabilities	(107,219)		(107,219)
Total non-current liabilities	(107,219)		(37,607,219)
TOTAL LIABILITIES	(744,975)		(40,744,975)
NET ASSETS	8,518,122		39,518,122
EQUITY			
Capital and reserves			
Contributed equity	(20,821,894)	(43,500,000)	(64,321,894)
Retained earnings	12,406,776	12,500,000	24,906,776
Reserves	191,958		191,958
Attributable to shareholders	(8,223,160)		(39,223,160)
Non-controlling interests	(294,962)		(294,962)
TOTAL EQUITY	(8,518,122)		(39,518,122)

Notes: The following pro forma items have been adjusted on the following basis:

1. Cash and cash equivalents – Funds retained for working capital purposes from initial and subsequent placements.
2. Exploration and evaluation assets – Vendor payments allocated as cost of asset.
3. Plant and equipment – Estimated capital requirement to get to 3mtpa production capacity.
4. Borrowings – At appropriate time financing will be sought.
5. Contributed equity – Anticipated level of equity raised.
6. Retained earnings – Assuming investment in Kalres will be written down by 12,500,000 together with start up costs.

1.13 Pro-forma capital structure

The pro-forma capital structure of the Company following completion of the Transaction and Capital Raising is set out below.

Shares	Number
Shares currently on issue	165,197,809
Shares to be issued to Nkwe Platinum (Rooderand) (Pty) Ltd pursuant to Farmin Agreement ¹	5,000,000
Shares to be issued to Nkwe Platinum (South Africa) (Pty) Ltd and the former shareholders of Morning Star Holdings (Australia) Limited ²	50,009,998
Shares to be issued pursuant to the Initial Placement ³	200,000,000
Shares to be issued pursuant to the Subsequent Placement ⁴	206,000,000
Total Shares	626,207,807
Options	
Options currently on issue ⁵	3,500,000
Total Options	3,500,000
Performance Rights	
Performance Rights currently on issue	Nil
Performance Rights to be issued to the Sellers (or their nominees) pursuant to the Agreement ⁶	15,000,000
Total Performance Rights	15,000,000

Notes:

- 1 Realm has entered into a farmin and joint venture agreement (**Farmin Agreement**) with Nkwe Platinum (Rooderand) (Pty) Ltd (**Nkwe Rooderand**) pursuant to which Realm will be entitled to acquire a 51% interest in the prospecting right(s) granted in respect of platinum group minerals pursuant to the South African Minerals and Petroleum Development Act, 28 of 2002. As part of its obligations under the Farmin Agreement Realm will issue 5,000,000 Shares to Nkwe Rooderand.
- 2 Realm's wholly owned subsidiary Realm Resources SA (Pty) Limited (**Realm Resources SA**), entered into a share purchase agreement in June 2009 (as amended) (**Share Purchase Agreement**) pursuant to which Realm Resources SA was granted an option to acquire 49.99% of the issued capital of Masedi Platinum (Proprietary) Limited (**Masedi**) and Nkwe Platinum (Scarlet) (Proprietary) Limited (**NPS**) from Nkwe Platinum (South Africa) (Pty) Limited (**Nkwe Platinum**). The Share Purchase Agreement contained a number of conditions precedent, including the condition that the parties obtaining the required consent of the South African Minister of Minerals and Energy for the acquisition of a controlling interest in Masedi and NPS (**Ministerial Approval**), in accordance with section 11(4) of the Mineral and Petroleum Resources Development Act 2002 (South Africa) (Act 28 of 2002) (**MPRD Act**) and Ministerial Approval being lodged for registration with the South African Mining Titles Office within 30 days of obtaining the Ministerial Approval, in accordance with section 11(4) of the MPRD Act. The parties to the Share Purchase Agreement are yet to receive the necessary Ministerial Approval. Upon completion of the acquisition under the Share Purchase Agreement, Realm is required to issue 15,220,435 Shares to Nkwe Platinum and a further 34,789,565 Shares to the former shareholders of Morning Star Holdings (Australia) Limited.
- 3 Subject to the Company obtaining the approval of Shareholders pursuant to Resolution 2. This assumes that the Company decides to undertake the Initial Placement, rather than raise funds under an Entitlement Offer. This also assumes an issue price of \$0.07 per Share. However, the issue price of the Shares to be issued under the Initial Placement will be not less than 80% of the average market price of Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is

made and, as such, the number of Shares issued under the Initial Placement may vary. For example, if the issue price is \$0.16 per Share, the Company will issue up to 94,000,000 Shares under the Initial Placement.

- 4 Subject to the Company obtaining the approval of Shareholders pursuant to Resolution 3. It is not yet known whether the Subsequent Placement Shares will be allotted and issued in one or two tranches. This will largely depend on the timing of satisfaction of the Tranche 2 Conditions Precedent under the Master Agreement and, in particular, PTKR obtaining the Pinjam Pakai Eksploitasi license in the southern part of the Katingan Ria Project from the Indonesian Minister of Forestry. The table above assumes that:

- (a) the Company obtains a waiver of Listing Rule 7.3.2 from ASX to permit it to issue the Subsequent Placement Shares on or before 31 March 2012. In the event that the Company does not obtain a waiver of Listing Rule 7.3.2, the Subsequent Placement Shares will be issued no later than three months of the date of the General Meeting; and
- (b) the Subsequent Placement Shares are issued in two tranches, with 173,000,000 Shares issued at an issue price of \$0.15 per Share and 33,000,000 Shares subsequently issued at an issue price of \$0.15 per Share. However, the issue price of the Shares to be issued under the Subsequent Placement will be not less than 80% of the average market price of Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made and, as such, the number of Shares issued under the Subsequent Placement may vary. For example, if the issue price is \$0.25 per Share, the Company will issue up to 124,000,000 Shares under the Subsequent Placement.

- 5 Exercisable at \$0.15 each on or before 30 June 2014.

- 6 The issue of the Performance Rights is subject to the Company obtaining the approval of Shareholders pursuant to Resolution 4.

1.14 Proposed expenditure on Katingan Ria Project and South African Platinum Projects

Katingan Ria Project

To date, the Company has incurred \$530,000 in exploration expenditure on the Katingan Ria Project. Realm estimates that approximately \$500,000 in expenditure will be incurred by the Company in relation to the conduct of exploration activities on the Katingan Ria Project over the next 12 months.

South African Platinum Projects

As previously announced to the market, regulatory delays continue to hamper the progression of the South African platinum projects by Realm and its controlled entities (**Realm Group**). These comprise the Kliprivier Platinum Project, Ghost Mountain Platinum Project and aluminium dross treatment plant.

The Company's budgeted annual exploration expenditure for the financial year ended 31 December 2010 was approximately \$800,000, of which approximately \$400,000 was spent during the same period.

Subject to the receipt of regulatory approvals, the Company will continue its exploration activities on the South African platinum projects. The Company has budgeted \$800,000 in annual exploration expenditure for its South African platinum interests for the financial year ending 31 December 2011. To date, \$325,000 in exploration expenditure has been incurred.

The Company's skilled management team in South Africa continues to be responsible for overseeing the aluminium dross treatment plant and the Realm Group's platinum projects.

This Section 1.14 includes statements of current intention as of the date of this Notice of Meeting. As with any budget, intervening events (including failure to obtain regulatory approvals and

exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

2. Resolution 1 – Acquisition of Kalres Limited and Change to Scale of Activities

2.1 General

Resolution 1 seeks approval from Shareholders for a change to the scale of the activities of the Company to conduct exploration on the Katingan Ria Project in addition to the Company's existing exploration activities in South Africa.

As outlined in this Explanatory Memorandum, the Company has entered into the Agreement to acquire 100% of the issued capital in Kalres Limited. Pursuant to the Master Agreement, Kalres can acquire a 75% interest in PTKR on the terms and conditions set out in the Master Agreement. PTKR is the holder of the Katingan Ria Project, a detailed description of which is outlined in Section 1.5 above.

Subject to the receipt of regulatory approvals, the Company will continue its exploration activities on the South African platinum projects. However, the Group continues to assess and progress complementary PGM opportunities to bolster its current portfolio. It is also intended that Realm's subsidiary, Alumicor SA Holdings (Pty) Ltd, will continue to treat aluminium dross on a toll conversion basis.

While the Company intends to continue its exploration activities in South Africa, the Katingan Ria Project will be an additional focus for the board of directors moving forward.

2.2 Legal Requirements

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that the acquisition of Kalres requires the Company to obtain Shareholder approval for the purposes of Listing Rule 11.1.2. Re-compliance with the requirements of Chapters 1 and 2 of the Listing Rules is not required for the change to activities contemplated in Resolution 1.

2.3 Directors' Recommendation

The Directors (other than Andrew Matheson, who is a shareholder of Kalres) unanimously recommend Shareholders vote in favour of Resolution 1. Each of the Directors (other than Andrew Matheson) who hold a relevant interest in Shares intends to vote in favour of Resolution 1. Resolution 1 is important and affects the future of the Company. Shareholders are therefore urged to give careful consideration to the Notice of Meeting and this Explanatory Memorandum.

3. Resolution 2 – Initial Placement of Shares

3.1 General

Resolution 2 seeks the approval of Shareholders for the allotment and issue of up to a maximum of 200,000,000 Shares (**Initial Placement Shares**) to professional and sophisticated investors pursuant to the Initial Placement. Under the Initial Placement, the Company intends to issue that number of Shares which, when multiplied by the issue price, will raise up to \$15,000,000 (before costs and expenses). It is a condition precedent to Completion under the Agreement that the Company completes a capital raising of a minimum of US\$10,000,000.

None of the Initial Placement Shares will be issued to related parties of the Company.

Listing Rule 7.1 provides, subject to certain exceptions, that a company may not issue or agree to issue, during any 12 month period, any securities if the number of those securities is more than 15% of the number of securities in the same class on issue at the beginning of that 12 month period.

The effect of Resolution 2 will be to allow the Directors to issue the Initial Placement Shares during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% capacity.

3.2 Technical information required by Listing Rule 7.1

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders in relation to the Initial Placement:

- (a) the maximum number of Initial Placement Shares to be issued is up to 200,000,000 Shares;
- (b) the Initial Placement Shares will be issued no later than three months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). The Initial Placement Shares will be allotted and issued on one and the same date;
- (c) the issue price of the Initial Placement Shares will be not less than 80% of the average market price of Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made;
- (d) the Initial Placement Shares will be allotted and issued to professional and sophisticated investors as determined by the Directors. None of the allottees of the Initial Placement Shares will be related parties of the Company;
- (e) the Initial Placement Shares to be issued by the Company will be fully paid ordinary shares in the capital of the Company and issued on the same terms and conditions as the existing Shares on issue; and
- (f) the funds raised from the Initial Placement will be applied as follows:
 - (i) the payment of US\$1,350,000 to the Sellers on Completion in consideration for the sale of the Kalres Shares to the Company;
 - (ii) the payment of US\$1,250,000 to Kalman within 2 business days of Completion in consideration of Kalman assigning all of its rights and obligations under the Master Agreement to Kalres;
 - (iii) the payment of US\$10,000,000 for Kalres to acquire a 51% interest in PTKR as part of Tranche 1 under the Master Agreement; and

- (iv) the remaining funds will be used for costs and expenses associated with the Initial Placement.

4. Resolution 3 – Subsequent Placement of Shares

4.1 General

Resolution 3 seeks the approval of Shareholders for the allotment and issue of up to a maximum of 206,000,000 Shares (**Subsequent Placement Shares**) to professional and sophisticated investors pursuant to the Subsequent Placement. Under the Subsequent Placement, the Company intends to offer that number of Shares which, when multiplied by the issue price, will raise up to a total of \$31,000,000 (before costs and expenses).

None of the Subsequent Placement Shares will be issued to related parties of the Company.

A summary of Listing Rule 7.1 is set out in section 3.1 above.

The effect of Resolution 3 will be to allow the Directors to issue the Subsequent Placement Shares during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% capacity.

4.2 Information required by Listing Rule 7.1

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders in relation to the Initial Placement:

- (a) the maximum number of Subsequent Placement Shares to be issued is up to 206,000,000 Shares;
- (b) the Subsequent Placement Shares will be issued no later than three months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). The Company intends to apply to ASX for a waiver of Listing Rule 7.3.2 to permit it to issue the Subsequent Placement Shares on or before 31 March 2012. If ASX grants the waiver, the Company will advise the market accordingly. Irrespective of whether the waiver is granted, it is not yet known whether the Subsequent Placement Shares will be allotted and issued in two tranches or on one and the same date. This will largely depend on the timing of satisfaction of the Tranche 2 Conditions Precedent under the Master Agreement and, in particular, PTKR obtaining the Pinjam Pakai Exploitation license for approximately 2,680.79 hectares in the southern part of the Katingan Ria Project from the Minister of Forestry;
- (c) the issue price of the Subsequent Placement Shares will be not less than 80% of the average market price of Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made;
- (d) the Subsequent Placement Shares will be allotted and issued to professional and sophisticated investors as determined by the Directors. None of the allottees of the Subsequent Placement Shares will be related parties of the Company;
- (e) the Subsequent Placement Shares to be issued by the Company will be fully paid ordinary shares in the capital of the Company and issued on the same terms and conditions as the existing Shares on issue; and
- (f) the funds raised from the Subsequent Placement will be applied as follows:

- (i) the payment of US\$12,000,000 for Kalres to acquire a further 24% interest in PTKR, so that Kalres holds a 75% interest in PTKR as part of Tranche 2 under the Master Agreement;
- (ii) the payment of US\$5,000,000 within 5 business days of PTKR receiving the Pinjam Pakai Exploitation for 2,372.21 hectares in the northern part of the Katingan Ria Project and making all necessary forestry payments and charges under the relevant forestry regulations as part of Tranche 3 under the Master Agreement;
- (iii) \$1,000,000 will be used for undertaking exploration activities on the Katingan Ria Project;
- (iv) \$10,000,000 will be applied towards developing the initial mining operations on the Katingan Ria Project:

Buildings and reticulation	\$1mln
Road upgrade	\$3mln
Stripping and waste movement	\$1mln
Barhge port	\$1mln
Loader	\$2mln
Feasibility and engineering	\$1mln
Land Acquisition	\$1mln

- (iv) \$1,900,000 will be used for working capital; and
- (v) the remaining funds will be used for costs and expenses associated with the Subsequent Placement.

5. Resolution 4 – Issue of Performance Rights to Vendors

5.1 Details of proposed issue

In consideration of the Sellers granting the Option to Realm, the Company has agreed to issue a total of 15,000,000 Performance Rights to the Sellers (or their respective nominees) under the terms of the Agreement. Each of the Performance Rights shall convert into one Share on the last to occur of the following:

- (a) completion of the sale and purchase of the Shares in accordance with the terms of the Agreement (**Completion**); and
- (b) Kalres acquiring a 51% interest in PTKR pursuant to the terms of the Master Agreement and the deed of assignment and assumption between Kalres and Kalman Resources Limited,

(the **Milestones**) and otherwise on the terms and conditions set out in Schedule 1.

If Shareholders approve the issue of the Performance Rights to the Sellers and the Performance Rights are subsequently converted into Shares, the issued share capital of the Company would increase from 165,197,809 Shares to 180,197,809 Shares (based on the current Shares on issue on the date of this Notice of Meeting and assuming that no other securities in the capital of the Company are issued and no Options are exercised). The effect of the conversion of the

Performance Rights would be to dilute the shareholding of Shareholders by approximately 8.32%.

ASX has confirmed that the terms and conditions of the Performance Rights are appropriate and equitable for the purposes of Listing Rule 6.1, subject to (among other things) the Company obtaining shareholder approval for the issue of the Performance Rights.

Resolution 4 seeks approval from Shareholders for the issue of:

- (a) 10,000,000 Performance Rights to the non-related Sellers, namely Andrew Black and Andrew Purcell, or their respective nominees under Listing Rule 7.1; and
- (b) 5,000,000 Performance Rights to the related Seller, being Andrew Matheson, or his nominee under Listing Rule 10.11.

5.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in section 3.1 above.

The effect of Resolution 4 will be to allow the Directors to issue 10,000,000 Performance Rights to Mr Black and Mr Purcell (or their respective nominees) without using the Company's 15% capacity.

5.3 Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The issue of Performance Rights to Andrew Matheson (or his nominee) requires the Company to obtain Shareholder approval pursuant to ASX Listing Rule 10.11 as he is a related party of the Company by virtue of being a director of the Company.

Shareholder approval is not required to issue 5,000,000 Performance Rights to Mr Matheson (or his nominee) under section 208 of the Corporations Act as the proposed issue falls within the commercial and arm's length terms exception provided by Section 210 of the Corporations Act. This is because the Performance Rights are being issued on the same terms and conditions as those being issued to the non-related Sellers, being Michael Black and Andrew Purcell, or their respective nominees as part consideration for the grant of the Option under the Agreement.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Performance Rights to Mr Matheson (or his nominee) pursuant to Resolution 4 as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of 5,000,000 Performance Rights to Mr Matheson (or his nominee) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

5.4 Information required by Listing Rules 7.3 and 10.13

Pursuant to and in accordance with the requirements of Listing Rules 7.3 and 10.13, the following information is provided in relation to the proposed issue of the Performance Rights:

- (a) the Company proposes to allot and issue the Performance Rights to the following Sellers (or their respective nominees):

Name	Performance Rights to be issued
Andrew Matheson	5,000,000
Michael Black	5,000,000
Andrew Purcell	5,000,000
Total	15,000,000

Mr Matheson is a related party of the Company by virtue of him being a Director. Mr Black and Mr Purcell are not related parties of the Company;

- (b) the maximum number of Performance Rights to be issued pursuant to Resolution 4 is 15,000,000 Performance Rights;
- (c) the Performance Rights will be allotted and issued no later than one month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Performance Rights will be allotted and issued on one and the same date;
- (d) the Performance Rights will be issued for nil consideration;
- (e) the Performance Rights will be issued on the terms and conditions set out in Schedule 1; and
- (f) no funds are being raised pursuant to the issue of the Performance Rights pursuant to Resolution 4. The Performance Rights are to be issued to the Sellers (or their respective nominees) as part consideration for the grant of the Option under the Agreement. Specifically, the purpose of the Performance Rights is to link part of the consideration for the Transaction to certain key performance criteria, namely the Milestones.

6. Resolutions 5 and 6 – Adoption of Directors and Employees Incentive Plans

6.1 Resolution 5 and 6 seeks the approval of shareholders for the issue of Shares pursuant to the

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of directors and employees of a high calibre, the Company has established share and option plans.

The Directors, employees and consultants of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Plans are an appropriate method to:

- (a) reward Directors, consultants and employees for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate Directors and generate loyalty from senior employees and consultants; and
- (d) assist to retain the services of valuable employees and consultants.

Further, the Directors consider that the Plans will provide the Company with the ability to attract and retain employees of a high calibre. The Plans will be used as part of the remuneration planning for executive Directors and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve a balance

between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the company's circumstances and goals. The Plans will also be used as part of the remuneration planning for non-executive Directors. Although this is not in accordance with the recommendations contained in the Corporate Governance Council Guidelines, the Company considers that it is appropriate for non-executive Directors to participate in the Plans given the size of the Company.

Although the Company is not required to obtain shareholder approval for the introduction of the Plans, if the Plans are approved by shareholders within 3 years of the date of issue of securities under the Plan, then those securities will be considered an exception to Listing Rule 7.1.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without obtaining shareholder approval. If Shareholders approve Resolutions 3 and 4, then the securities issued under the Plans would not be included in the 15% limit imposed by Listing Rule 7.1.

No Shares have been issued under the Share Plan and no Options have been granted under the Option Plan.

A summary of the terms of the Share Plan is set out in section 6.2 of this Explanatory Memorandum. A summary of the terms of the Option Plan is set out in section 6.3 of this Explanatory Memorandum. A copy of the full rules of the Plans will be sent to any member of the Company upon request.

6.2 Summary of the terms and conditions of the Share Plan

Set out below is a summary of the terms and conditions of the Share Plan:

- (a) **Participants** - Participants in the Share Plan may be directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries (**Participants**).
- (b) **Board** - The Board, or a duly appointed committee of the Board, is responsible for the operation of the Share Plan.
- (c) **Eligibility** - The Board determines the eligibility of Participants, having regard to:
 - (i) the seniority of the Participant and the position the Participant occupies with the Company or any subsidiary;
 - (ii) the length of service of the Participant with the Company and its subsidiaries;
 - (iii) the record of employment of the Participant with the Company and its subsidiaries;
 - (iv) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries; and
 - (v) any other matters which the Board considers relevant.
- (d) **Invitations** - The Board may issue invitations to the Participants for the number of Plan Shares specified in the invitation. Shares offered under the Share Plan must be in the name of the Participant.
- (e) **Number of Shares** - The number of Shares that may be offered to a Participant is entirely within the discretion of the Board.
- (f) **Issue Price** - The issue price for each Plan Share will be not less than:

- (i) (if there was at least one transaction in the Shares on ASX during the 5 day trading period immediately before the date on which an offer was made) the weighted average trading price of the Shares on ASX during that period; or
 - (ii) (if there were no transaction in the Shares on ASX during that 5 day trading period immediately before the date on which an offer was made) the last price at which an offer was made on ASX to purchase a Share.
- (g) **Loan** - A Participant who is invited to subscribe for Shares under the Share Plan may also be invited to apply for a loan (**Loan**) up to the amount payable in respect of the Shares accepted by the Participant, on the following terms:
 - (i) Loans must be made solely to the Participant and in the name of that Participant.
 - (ii) Loans will be interest free.
 - (iii) Any Loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares to be acquired under the Share Plan.
 - (iv) The term of the Loan, the time in which repayment of the Loan must be made by the Participant and the manner for making such payments shall be determined by the Board and set out in the invitation.
 - (v) The amount repayable on the Loan by the Participant will be the lesser of:
 - A. the issue price of the Shares, less any cash dividends paid in respect of the Shares and applied by the Company in accordance with paragraph (vii) below and any amount of the Loan repaid by the Participant; and
 - B. the last sale price of the Shares on ASX on the date of repayment of the Loan or, if there are no transactions on that day, the last sale price of the Shares prior to that date, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.
 - (vi) A Participant must repay the Loan in full prior to expiry of the term of the Loan but may elect to repay the Loan amount in respect of any or all of the Shares (in multiples representing not less than 1,000 Shares) at any time prior to expiry of the term of the Loan.
 - (vii) Cash dividends which are paid in respect of Shares the subject of a Loan will be applied by the Company on behalf of the Participant to repayment of the amount outstanding under the Loan and any surplus of the cash dividend will be paid to the Participant.
 - (viii) Any fees, charges and stamp duty payable in respect of a Loan will be payable by the Participant.
 - (ix) The Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Share Plan.
 - (x) A Share issued under the Share Plan will not be tradeable by a Participant until the Loan amount in respect of that Share has been repaid and the Company will retain the Share Certificate in respect of the Loan Shares until the Loan amount has been repaid.

- (h) **Termination of the Loan prior to the Repayment Date** - If, prior to repayment of a Loan by a Participant:
- (i) the Participant dies, becomes bankrupt or is no longer a director or employee of, or consultant to, the Company or its subsidiaries as a result of retirement or retrenchment, then the Participant is required to either repay the loan within 12 months or allow the Company to sell the Shares and apply the proceeds of sale in repayment of the Loan; or
 - (ii) the Participant is no longer a director or employee of, or consultant to, the Company or its subsidiaries other than as a result of one of the matters referred to in paragraph (a) above, then the Participant is required to either repay the loan within one month or allow the Company to sell the Shares and apply the proceeds of the sale in repayment of the loan.

If the proceeds of sale of the Shares are less than the amount outstanding in relation to the Loan, the Company will forgive the amount of the shortfall.

- (i) **Restriction on Transfer** - Subject to the requirements of the Listing Rules, Shares issued under the Share Plan will not be quoted on ASX and may not be sold or otherwise dealt with until the loan in respect of those Shares has been repaid in full and any other qualifying period that may be imposed by the Board has expired. If a Participant wishes to sell any Shares prior to the expiry of the qualifying period, the Participant may give written notice to the Company requesting the Company to place shares with excluded offerees for the purposes of s708 of the Corporations Act or to sell the relevant Shares on ASX. The Directors have absolute discretion to arrange the sale of the Shares, in the case of hardship or otherwise, provided that the proceeds of sale are reasonably likely to exceed the outstanding Loan amount.
- (j) **Rights attaching to Shares issued under the Share Plan** - Shares which are issued under the Share Plan will rank equally in all respects (other than with respect to any restriction on transfer imposed until the Loan has been repaid or otherwise imposed by the Board and set out in the relevant invitation) with all Shares on issue and, subject to the requirements of the Listing Rules, the Company will apply for quotation of those shares on ASX once the loan in respect of those Shares has been repaid in full and any other restrictions on transfer imposed by the Board have been satisfied.

6.3 Summary of terms and conditions of the Option Plan

Set out below is a summary of the terms and conditions of the Option Plan.

- (a) **Participants** - Participants in the Option Plan may be directors and full time or part-time employees of the Company or any of its subsidiaries (**Participants**).
- (b) **Board** - The Board, or a duly appointed committee of the Board, is responsible for the operation of the Option Plan.
- (c) **Eligibility** - The Board determines the eligibility of Participants, having regard to:
- (i) the seniority of the Participant and the position the Participant occupies with the Company or any subsidiary;
 - (ii) the length of service of the Participant with the Company and its subsidiaries;
 - (iii) the record of employment of the Participant with the Company and its subsidiaries;

- (iv) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries;
 - (v) the extent (if any) of the existing participation of the Participant in the Option Plan; and
 - (vi) any other matters which the Board considers relevant.
- (d) **Invitations** - The Board may, in its absolute discretion, issue invitations to Participants for the number of options specified in the invitation. Options may be renounced in favour of the spouse of the invitee, a body corporate in which the invitee holds and beneficially owns not less than 50% of the issued voting share capital, the trustee of a trust in which the invitee is a beneficiary or object or the trustee of a superannuation fund of which the invitee is a member.
- (e) **Number of Options** - The number of options that may be offered to a Participant is entirely within the discretion of the Board. Each option will entitle the holder to one Share, upon payment of the exercise price in full upon application, prior to the expiry date.
- (f) **Issue Price** - Options granted under the Option Plan will be granted free of charge.
- (g) **Exercise Price** - The exercise price of Options granted under the Option Plan will be determined at the discretion of the board at the time of making the invitation.
- (h) **Expiry Date** - The expiry date of the options will be determined by the Board, but will not be more than 10 years. Options granted under the Option Plan will lapse if not exercised prior to the expiry date, or on the first to occur of the following:
 - (i) if the Participant (or the person by virtue of whom a Participant holds options) ceases to be a Director, or employee for any reason other than set out in paragraph (b) below, one month thereafter; and
 - (ii) if the Participant (or the person by virtue of whom a Participant holds options) dies, retires, is retrenched, becomes bankrupt, wound up or deregistered, 12 months thereafter.
- (i) **Restriction on Transfer** - Options may not be transferred without the prior written approval of the Board.
- (j) **Adjustment of Options** - If, prior to the expiry of an option granted under the Option Plan, there is a reorganisation of the issued share capital of the Company (including a consolidation, subdivision or reduction of capital or return of capital to shareholders), the number of Shares subject to the option and/or the exercise price will be adjusted in the manner required by the Listing Rules.
- (k) **Bonus issue and rights issues** - A participant is required to exercise an Option in order to participate in a bonus or entitlement issue made by the Company. Participants will be provided with written notice of the terms of the issue to shareholders and afforded that period as determined by the Listing Rules to exercise their Options if they wish to participate in the bonus or entitlement issue.
- (l) **Shares issued on Exercise of Options** - Shares which are issued as a result of the exercise of options granted under the Option Plan will rank equally in all respects with all Shares on issue and the Company will apply for quotation of those Shares on ASX.
- (m) **Rights on exercise of option** - Dividends will not accrue on the shares in respect of which the option was exercised until the exercise price has been paid in full in cash. No Participant may exercise any votes attaching to the shares in respect of which the option was exercised until the exercise price has been paid in full in cash.

Glossary of Terms

The following terms and abbreviations used in the Notice of Meeting and this Explanatory Memorandum have the following meanings:

"Agreement" means the option and share sale agreement between the Company and the Sellers pursuant to which the Sellers agree to grant to the Company an exclusive option to acquire 100% of the issued capital in Kalres.

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means ASX Limited ACN 008 624 691.

"Board" means the board of Directors.

"Capital Raising" means the Initial Placement and the Subsequent Placement.

"Company" and **"Realm"** means Realm Resources Limited ABN 98 008 124 025.

"Completion" means completion of the sale and purchase of the Kalres Shares in accordance with the terms of the Agreement.

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

"Directors" means the directors of the Company, from time to time.

"Employee Option" means an option to acquire a Share on the terms and conditions set out in the Option Plan.

"EST" means eastern standard time.

"Explanatory Memorandum" means this explanatory memorandum.

"General Meeting" or **"Meeting"** means the general meeting of Shareholders to be held at Level 2, 3 Spring Street, Sydney NSW 2000 on Monday 5 September 2011 at 11.00am (EST) or any adjournment thereof.

"Group" means the Company and its controlled entities.

"Initial Placement" has the meaning given to it in section 1.6 of the Explanatory Memorandum.

"Initial Placement Shares" has the meaning given to it in section 3.1 of the Explanatory Memorandum.

"Kalman" means Kalman Resources Limited.

"Kalres" means Kalres Limited.

"Kalres Shares" means fully paid ordinary shares in the capital of Kalres.

"Katingan Ria Project" means Mining Business Permit for Exploration (IUP Exploration) No. 274 dated 20 October 2009 (as renewed or extended).

"Listing Rules" means the official listing rules of ASX.

"Master Agreement" means the Master Agreement between Kalres and PT SMAA.

"Notice of Meeting" means the notice of Meeting which accompanies the Explanatory Memorandum.

"Option" means an option to acquire a Share.

"Performance Right" means a right to a Share on the terms and conditions set out in Schedule 1.

“PGM” Platinum Group Metals.

“PTKR” means PT Katingan Ria.

“PT SMAA” means PT Sinar Mulia Anugerah Agung.

"Resolution" means a resolution in this Notice of Meeting.

"Section" means a section of this Explanatory Memorandum.

"Sellers" means the shareholders of Kalres.

"Shareholders" means registered holders of Shares.

"Shares" means fully paid ordinary shares in the capital of the Company.

"Subsequent Placement" has the meaning given to it in section 1.6 of the Explanatory Memorandum.

"Subsequent Placement Shares" has the meaning given to it in section 4.1 of the Explanatory Memorandum.

"Transaction" has the meaning given in section 1.1 of the Explanatory Memorandum.

SCHEDULE 1

TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

1. RIGHTS ATTACHING TO THE PERFORMANCE RIGHTS

- 1.1 **Performance Rights:** Each Performance Right is a right to a fully paid ordinary share (**Share**) in the capital of Realm Resources Limited (the **Company**).
- 1.2 **General Meetings:** The Performance Rights shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders of the Company. The Holder has the right to attend general meetings of shareholders of the Company.
- 1.3 **No Voting Rights:** The Performance Rights do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- 1.4 **No Dividend Rights:** The Performance Rights do not entitle the Holder to any dividends.
- 1.5 **Rights on Winding Up:** The Performance Rights do not confer on the Holder any right to participate in the surplus profits or assets of the Company upon winding up of the Company.
- 1.6 **Not Transferable:** The Performance Rights are not transferable.
- 1.7 **Reorganisation of Capital:** If at any time the issued capital of the Company is reconstructed, the Performance Rights will be treated in accordance with the ASX Listing Rules at the time of reorganisation.
- 1.8 **Application to ASX:** The Performance Rights will not be quoted on ASX. However, upon conversion of the Performance Rights into Shares, the Company must within seven days after the conversion apply for the official quotation of the Shares arising from the conversion on ASX.
- 1.9 **No Participation in Entitlements and Bonus Issues:** Holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- 1.10 **No Other Rights:** The Performance Rights give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

2. CONVERSION OF THE PERFORMANCE RIGHTS

- 2.1 **Conversion on achievement of milestones:** Each of the Performance Rights will convert into one Share upon the last to occur of the following:
 - (a) completion of the sale and purchase of 100% of the issued capital in Kalres Limited (**Kalres**) in accordance with the terms of the option and share sale agreement between the Company and the shareholders of Kalres dated on or about 11 April 2011; and
 - (b) Kalres acquiring a 51% interest in PT Katingan Ria pursuant to the terms of the Master Agreement between Kalman Resources Limited (**Kalman**) and PT Sinar Mulia Anugerah dated on or about 24 March 2011 and the deed of assignment and assumption dated on or about 31 March 2011 between Kalman and Kalres,(the **Milestones**).

- 2.2 **Conversion Procedure:** The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Rights into Shares.
- 2.3 **Ranking of Shares:** The Shares into which the Performance Rights will convert will rank pari passu in all respects with existing Shares.
- 2.4 **Lapse:** If the Performance Rights have not converted into Shares by the date that is two years after the date of their issue, those Performance Rights held by each Holder will automatically lapse.

FORM OF PROXY
REALM RESOURCES LIMITED
ABN 98 008 124 025

GENERAL MEETING

I/We _____
(print shareholder(s) name(s))

of _____
(print address of shareholder(s))

being a member/members of Realm Resources Limited entitled to attend and vote at the General Meeting, hereby appoint:

(print proxy's name in full)

or, failing the person so named or if no other person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit, at the General Meeting of the Company to be held at 11.00am (EST) on Monday 5 September 2011 at Level 2, 3 Spring Street, Sydney, New South Wales, 2000 and at any adjournment of that meeting.

If no directions are given, the Chair will vote in favour of all the Resolutions.

Voting on Business at the General Meeting

Resolution	For	Against	Abstain
1. Acquisition of Kalres Limited and Change of Scale of Activities			
2. Initial Placement of Shares			
3. Subsequent Placement of Shares			
4. Issue of Performance Rights to Vendors			
5. Adoption of Employee Share Plan			
6. Adoption of Employee Option Plan			

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box.

☐

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

If two proxies are being appointed, the proportion of voting rights this proxy represents is : _____ %

Signature of Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

REALM RESOURCES LIMITED
ABN 98 008 124 025

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Realm Resources Limited, GPO Box 4216, Sydney, NSW, 2001; or
 - (b) facsimile to the Company on facsimile number (+61 2) 8249 4001,so that it is received not later than 11.00am (EST) on Saturday 3 September 2011.

Proxy forms received later than this time will be invalid.