



Company Announcements
ASX Limited
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By Electronic Lodgement

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KATINGAN RIA COAL PROJECT UPDATE

Highlights

- **IUP Operations (mining) permit granted in line with expectations for production start up**
- **Drilling in the Northern Target Area confirms existence of 4-5 seams including the Main seam**
- **Shareholder approval paves way for financing and project development**

Realm Resources Ltd (ASX: RRP) (Realm or the Company) is pleased to provide an update on its potential acquisition of the Katingan Ria Coal Project in Indonesia.

Katingan Ria is an advanced thermal coal exploration project located in Central Kalimantan, Indonesia. Realm continues to advance its due diligence on Kalres Limited (**Kalres**), PT Sinar Mulia Anugerah Agung (**PT SMAA**) and PT Katingan Ria (**PTKR**), as part of its strategy to identify opportunities in the bulk commodity sector.

Background to the Katingan Ria Project

As announced on 12 April 2011, Realm has secured an exclusive option to acquire all of the issued capital in Kalres for an aggregate consideration of US\$29.6 million and the issue of 15 million performance rights. Kalres is a party to a Master Agreement with PT SMAA (**Master Agreement**), under which Kalres can acquire up to a 75% interest in an Indonesian coal company, PTKR, which holds the Katingan Ria concession (**Katingan Ria Project**).

The Katingan Ria Project has the potential to establish Realm as a thermal coal producer within the next 12 months in a nation that has an established coal industry and is ideally located to export to the high demand southeast Asian markets.

Permitting – IUP Operations granted

Realm is pleased to announce that the IUP Operations (mining permit) has been granted to PTKR paving the way for the upgrading of the forestry permits to Pinjam Pakai operations. Management expects this largely process-driven approval to be granted within the next six months. The directors of Realm believe that the status of the Katingan Ria Project's permitting brings the Katingan Ria Project a step closer to production. Table 1 below summarises the current status of the permitting process for the Katingan Ria Project.

Table 1: Permit Status – Katingan Ria Project

Description	Region	Status	Date	Comments
IUP Exploration	Both areas	Secured		
Pinjam Pakai (Forestry)-Exploration	South	Secured		
Pinjam Pakai (Forestry)-Exploration	North	Secured		
AMDAHL (Environmental Impact Statement)	Both areas	Completed		
IUP Operations	Both areas	Completed	August 2011	Commencement of production is subject to completion of Pinjam Pakai (operations)
Pinjam Pakai (Forestry)-Operations	South	Application following grant of IUP (OP)	March 2012	Final approval required to commence mine development. Process of upgrading forestry permit depends mostly on the commercial value of the forest being determined; Note this area was previously commercially exploited by the forestry licence holder.
Pinjam Pakai (Forestry)-Operations	North	Application following IUP (OP) as required	March 2012	Potential operation would commence in the south and a decision to apply to upgrade the forestry permit for the north, would be made around life of mine planning.

NB: All mining licences confirmed “clean and clear” by Minister of Energy and Mineral Resources.
See http://www.djmbp.esdm.go.id/modules/news/?_act=detail&sub=news_minerbapabum&news_id=3313

Drilling update

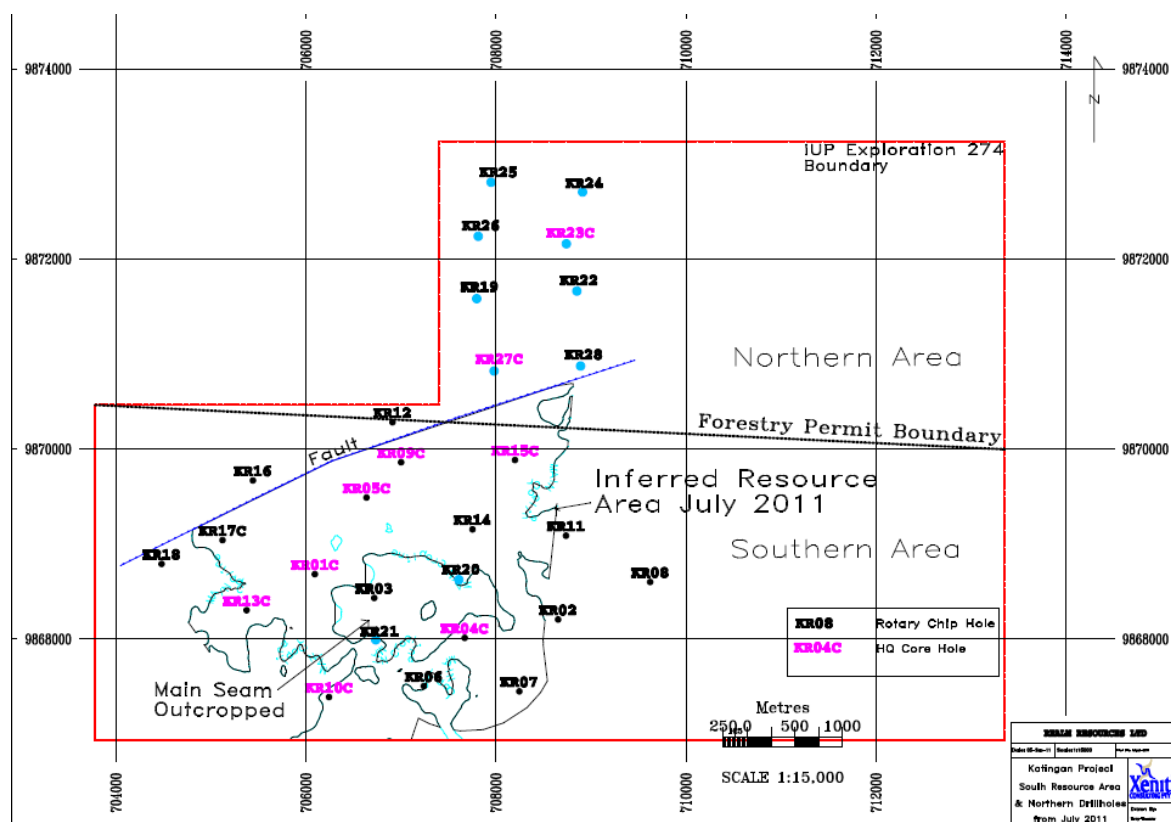
Following reporting of its initial inferred resource estimate of 40.1Mt on 11 July 2011, Realm has completed its first stage of exploration activities in the Northern Target Area. This work consisted of field mapping, validation of previous work and completion of 8 holes including 2 cored holes with a further 2 holes drilled in the Southern target area as shown on Figure 1. Drilling in the north intersected 4-5 seams, including the main seam, with an average cumulative total of approximately 11 metres of coal.

Work is currently being conducted to correlate the seam intersections, outcrop mapping and determine coal quality in this area.



realm resources

Figure 1: IUP Boundary, resource limit (South) and Location of Boreholes



Shareholder Approval and Proposed Capital Raising

At the General Meeting of the Company's shareholders on 5 September 2011, shareholders approved the Company's proposed capital raising of up to \$15,000,000 (before costs and expenses) to fund the Company's acquisition of Kalres and an initial 51% interest in PTKR under the terms of the Master Agreement (**Initial Placement**).

Shareholders have also approved the subsequent placement to raise up to \$31,000,000 (before costs and expenses) (**Subsequent Placement**). The Company's executive team are also exploring alternative funding sources in order to maximise shareholder value.

Information regarding the Katingan Ria Project, the material transaction terms and the contemplated capital raising are set out in further detail in the Notice of Meeting and Explanatory Statement dated 1 August 2011 and released to ASX on 4 August 2011 (**Notice of Meeting**). Defined terms used in this announcement have the same meaning ascribed to them in the Notice of Meeting.

The proposed timetable for the proposed capital raising envisages:

Event

Completion of Initial Placement
Completion of Tranche 1 of the acquisition of PTKR
Completion of Subsequent Placement
Completion of Tranche 2 of the acquisition of PTKR

Proposed Timing

Early September 2011
End September 2011
November 2011 or February 2012
December 2011 or March 2012

Amendments to the Master Agreement

In order to secure the obligations of PT SMAA to obtain the Pinjam Pakai Operations permit for the area of 2,680.79 hectares in the southern part of the Katingan Ria Project, PT SMAA agreed under the terms of the Master Agreement 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. Such guarantee or security would guarantee or secure the unconditional and immediate repayment of the cash consideration paid by Kalres to acquire a 51% interest in PTKR under Tranche 1 (**Tranche 1 Payment**) should the Pinjam Pakai Operations permit not be obtained by PTKR.

Following the granting of the IUP Operations (mining permit), the parties to the Master Agreement, together with Mr Kenedy Arnol Pisy (who, at the completion of Tranche 2 under the Master Agreement will hold 15% of PTKR) (**Mr Kenedy**), entered into an agreement to amend the Master Agreement on the following basis:

- 1) **Corporate and Personal Guarantee:** PT SMAA is relieved of the requirement to provide the bank guarantee referred to above on the basis that PT SMAA agreed to provide:
 - a) a corporate guarantee provided by PT Rizqi Utama Indobara (a company incorporated in Indonesia and an affiliate of PT SMAA) of US\$8,000,000; and
 - b) a personal guarantee from Mr Kenedy of US\$2,000,000.

These guarantees must unconditionally and irrevocably severally guarantee to repay the Tranche 1 Payment in the event of Kalres's withdrawal from the Master Agreement on the occurrence of certain events or the termination of the Master Agreement by Kalres on the terms and conditions set out in the Master Agreement;
- 2) **Tranche 2 Condition Precedent:** it is currently a condition precedent (among others) that PTKR obtains 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 makes all necessary forestry payments and charges under the relevant forestry regulations. This condition precedent has been amended so that the Pinjam Pakai Exploitation licence must only be obtained in respect of 1,500 hectares in the southern part of the Katingan Ria Project;
- 3) **Tranche 3 Payment:** the requirement for Kalres to pay US\$5,000,000 as part of Tranche 3 must now occur within 5 business days of PTKR receiving the Pinjam Pakai Exploitation for 1,000 hectares (as opposed to 2,372.21 hectares) in the northern part of the Katingan Ria Project and the payment of all forestry charge obligations under the forestry regulations;
- 4) **Subscription for additional share capital:** after the acquisition of a 51% interest in PTKR as part of Tranche 1, PTKR will increase its issued capital by 2,000,000 shares. Each of Kalres and PT SMAA have agreed to subscribe to these newly issued shares in proportion to their respective shareholding in PTKR upon the exercise of Tranche 1. The funds raised from such additional capital are to be used for budgeted and previously agreed corporate purposes
- 5) **Exclusivity Period:** the period of three months in which Kalres can conduct a commercial feasibility study on PTKR and the Katingan Ria Project following the acquisition by Kalres of a 51% interest in PTKR or such other date as may be agreed (**Tranche 2 Period**) can now be extended for a further period of three months at the election of Kalres.

Realm considers the changes above to be appropriate given the changed risk profile from our due diligence activities to-date.



Regulatory Risk - Ban on Low CV coal exports from Indonesia

The Indonesian Minister of Energy & Mineral Resources has circulated an advanced draft of a Regulation re Value Added Upgrading of Minerals and Coal through Processing and Refining Activities (**Draft Value Added Regulation**).

In its current form, the Draft Value Added Regulation envisages that, starting in January 2014, it will no longer be possible to export coal with a calorific value of less than 5,100 kcal/kg on an air dried basis (adb). Realm is targeting marketing of Katingan Ria coal at greater than 5,100 kcal/kg (adb) which is above the proposed restriction. For clarity, however, Realm is seeking independent advice on the probability of this legislation being passed.

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Or visit the company's website at www.realmresources.com.au

About Realm

Realm's strategy is to create shareholder value through exploration and development of quality metal and minerals sector projects. The Company's focus is on platinum group metals (**PGM**) in South Africa as well as bulk commodities abroad. In addition, Realm has an aluminium dross treatment plant located in Pietermaritzburg, South Africa.

Competent Persons Statement: *The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves 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 announcement of the matters based on his information in the form and context in which it appears.*