



Company Announcements  
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By Electronic Lodgement

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## **REALM RESOURCES SECURES \$15 MILLION FUNDING PACKAGE** **CORNERSTONE INVESTOR TAKES SIGNIFICANT STAKE**

### **Highlights**

- **Realm secures \$15 million funding package**
- **Taurus Funds Management Pty Limited, a specialist resources sector fund, becomes a cornerstone investor of the Company**
- **Realm intends to proceed with the acquisition of 51% of PT Katingan Ria, subject to the satisfaction of certain conditions precedent**
- **Fund raising paves the way for the acquisition and development of the Katingan Ria coal project with first production targeted by mid 2012**
- **Joint Lead Managers to the issue were Veritas Securities Limited and Patersons Securities Limited**

**Realm Resources Ltd (ASX: RRP) (Realm or the Company)** is pleased to announce that it has completed the placement of 95,934,066 fully paid ordinary shares in the capital of Realm (**Shares**) at an issue price of \$0.091 per Share to Taurus Funds Management Pty Ltd (**Taurus**), institutional and sophisticated investors of Joint Lead Managers' Veritas Securities and Patersons Securities to raise approximately \$8.73 million (**Placement**).

As a result of the Placement, Taurus will become a cornerstone investor of the Company with the issue of 53,076,923 Shares (representing a 19.9% interest in the Company following completion of the Placement). In addition, Taurus has agreed to provide Realm with a zero coupon loan of \$5,170,000 to be repaid on or before 12 January 2012 through the issue of 56,813,187 Shares at a deemed issue price of \$0.091 per Share (**Loan Shares**) (subject to the Company obtaining all necessary shareholder approvals under the Corporations Act and ASX Listing Rules) (**Loan**).

Commenting on the completion of the funding package, Realm's Managing Director Richard Rossiter said, "We are delighted to have secured the funding package and welcome Taurus as a cornerstone investor as Realm embarks on an exciting new phase of development aimed at becoming a significant coal producer."

As previously announced to ASX, the Company has entered into an option and share sale 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. In consideration for the acquisition of Kalres, Realm agreed to:

- pay US\$1,350,000 (**Cash Consideration**) to the sellers of Kalres (**Sellers**);

- issue 15,000,000 performance rights to the Sellers; and
- pay US\$1,250,000 to Kalman Resources Limited (**Kalman**), in consideration of Kalman assigning all of its rights and obligations under the Master Agreement with PT Sinar Mulia Anugerah Agung (**PT SMAA**) (**Master Agreement**).

The Sellers have subsequently agreed with Realm to receive 12,087,912 Shares (at a deemed issue price of \$0.091) per Share (**Consideration Shares**) (subject to the Company obtaining all necessary shareholder approvals under the Corporations Act and ASX Listing Rules) and a cash payment of \$250,000 in lieu of the original Cash Consideration.

Shareholder approval for the issue of the Loan Shares and the Consideration Shares will be sought at the next general meeting of the Company's shareholders. A Notice of Meeting and independent expert's report commenting on the fairness and reasonableness of the issue of the Loan Shares to Taurus is currently being prepared and will be sent to shareholders in the coming weeks.

### **Use of funds and proposed acquisition of 51% interest in PTKR**

Kalres is a party to the Master Agreement, under which Kalres can acquire up to a 75% interest in an Indonesian coal company, PT Katingan Ria (**PTKR**), which holds the Katingan Ria concession (**Katingan Ria Project**). The Katingan Ria Project is an advanced thermal coal exploration project located in Central Kalimantan, Indonesia.

Further details relating to the Katingan Ria Project are set out in Appendix 1.

The Company intends to apply the funds raised from the Placement and Loan as follows:

- the payment of US\$250,000 to the Sellers in consideration for the acquisition of Kalres;
- the payment of US\$1,250,000 to Kalman in consideration of Kalman assigning all of its rights and obligations under the Master Agreement to Kalres;
- subject to the satisfaction of the outstanding Tranche 1 Conditions Precedent (as defined in the Notice of Meeting dated 1 August 2011), the payment of US\$10,000,000 as consideration for the acquisition of a 51% interest in PTKR as part of Tranche 1 under the Master Agreement; and
- the remaining funds will be used for costs and expenses associated with the Placement.

### **Next Steps**

Due diligence on the Katingan Ria Project and PTKR is well advanced and the Directors are confident that the outstanding Tranche 1 Conditions Precedent are close to being satisfied. Following completion of the Company's due diligence investigation and satisfaction of the outstanding Tranche 1 Conditions Precedent, Realm intends to proceed with the acquisition of 51% interest in PTKR. The Company will continue to keep the market updated in respect of the acquisition.

Thereafter, a commercial feasibility study on the Katingan Ria Project will be refined with the aim of bringing the Katingan Ria Project into production by mid CY2012. In addition PTKR will continue to seek the Pinjam Pakai Exploitation licence in respect of 1,500 hectares in the southern part of the Katingan Ria Project as part of Tranche 2 under the Master Agreement.



## **Share Purchase Plan**

The Company intends to invite shareholders to participate in a share purchase plan. Further details will be given in the coming weeks. The record date for the share purchase plan is 13 September 2011.

Richard Rossiter  
Managing Director

**Realm Resources Limited**

**For further information please contact:**

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Or visit the company's website at [www.realmresources.com.au](http://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.

## **About Taurus Funds Management**

Taurus Funds Management Pty Limited is a dedicated manager of investment strategies in the mineral commodities sector, particularly focusing on early stage mining projects and companies. The Taurus team has a strong mining operational and development background particularly in the coal industry.

## Appendix 1

### BACKGROUND TO 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.

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

- (a) **Exploration and Production Risks:** The business of coal exploration, project development and production involves risks by its very nature. 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. Exploration involves numerous risks, including the risk that the Company will not find any commercially productive coal reserves.
- (b) **Resource and reserves estimates:** The Company faces numerous uncertainties in estimating reserves and resources which are based on a number of assumptions. Determinations of coal resources or reserves that appear valid when made may change significantly in the future when new information becomes available. Numerous uncertainties inherent in estimating quantities and the value of coal reserves exist, including many factors beyond Realm's control. The Company's estimates may not accurately reflect actual reserves or be indicative of future production, costs, revenues or expenditures. In addition, the rank of coal ultimately mined may differ from that indicated by drilling results. Any significant reduction in the volumes and grades of the coal reserves recovered from what has been estimated could have a material adverse effect on the Company.
- (c) **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. In addition, 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. Various factors beyond the control of the Company will affect the prices of coal, including exchange rates, domestic supplies of coal, economic conditions, marketability and quality of production, consumer demand, the price, availability and acceptance of alternative fuels, weather conditions and the actions of government authorities.
- (d) **Coal Quality:** The Company is required to meet quality thresholds for certain coal characteristics. The failure to meet delivery or product specifications could result in economic penalties, including price adjustments, rejection of deliveries or termination of the contracts, which could have a material adverse effect on the Company.
- (e) **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.

- (f) **New Indonesian laws or regulations:** The coal mining operations at the Katingan Ria Project are regulated by the Government of Indonesia primarily through the Ministry of Energy and Mineral Resources (**MEMR**), as well as the Ministry of Forestry, the State Ministry for Environmental Affairs and the Investment Coordinating Board. A new mineral and coal mining law came into effect in January 2009 (the **Mining Law**). The Mining Law also references new regulations implementing domestic market sales obligations as well as pricing for such sales. In April 2010, the Minister of Energy and Mineral Resources issued a decree which sets out a minimum percentage of domestic market sales obligation for 2010 which must be fulfilled by coal mining companies. Future implementing regulations could create additional costs or operational difficulties for the Company. The interpretation of mining laws and implementation of regional governance in Indonesia is uncertain and may adversely affect Realm's business. Regional autonomy laws and regulations have changed the regulatory environment for mining companies in Indonesia by decentralizing certain regulatory and other powers from the central Government to regional governments, thereby creating uncertainty for mining companies.

Earlier this year, the MEMR indicated that it would ban "low calorific value" coal exports. The benchmark for what would be considered as "low calorific value" has been posited as being anywhere between 5,000kCal (adb) and 5,800kCal (adb). There is significant uncertainty surrounding the interpretation of the potential ban and the introduction of such regulations could have a material adverse effect on the Company.

- (g) **Reliance on licences, permits and approvals:** The Katingan Ria Project's coal mining operations are dependent on its ability to obtain, maintain and renew licenses, permits and approvals and maintain PTKR's concessions from the Government and other relevant government authorities. A loss of, or failure to obtain or renew, any permits, approvals and licenses necessary for project operations could have a material adverse effect on Realm's business, financial condition, results of operations and prospects.
- (h) **Government retains title to coal deposits:** Under the terms of the Katingan Ria Project's IUP, all of the coal deposits in the mining areas remain the property of the Government. Under the terms of the IUP, the Government retains title to all coal until the coal is delivered to the customer, which is usually deemed to occur when coal is transferred to the customers' selected mode of transportation.
- (i) **Fuel Price volatility:** Fuel represents a significant portion of Realm's operating costs and fluctuations in the fuel price may affect profitability. Any significant increases in fuel prices would cause a corresponding increase in productions costs, which could have a material adverse effect on Realm's business, financial condition, results of operations and prospects.
- (j) **Transportation of coal:** The Company may not be able to transport sufficient amounts of coal to fulfill its customers' requirements or deliver coal on schedule. The Company will be relying on a single transport route to deliver coal to coastal shipment points. Approximately 30-45 km haulage logging roads will be used to haul the coal from the Katingan Ria Project site to the Katingan River. The barge to port route is approximately 420km on river to the coast. Capacity issues and/or weather impacting on Realm's access to these transport routes will affect the ability to transport coal on schedule.



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- (k) **Environmental laws:** 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. 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. Further, coal mining operations create difficult and costly environmental challenges, and changes in environmental laws and regulations or their interpretation or implementation, or unanticipated environmental effects from operations on the Katingan Ria Project, could require the Company to incur new or increased costs.
- (l) **Greenhouse gas emissions:** The coal industry is likely to be affected by government policies and international agreements that aim to reduce greenhouse gas emissions. These may result in the imposition of taxes or other increased costs that may adversely affect Realm.
- (m) **Local community:** The Company may be unable to maintain good relations with local communities near the Katingan Ria Project. If operations are disrupted in the future by protests or complaints from members of the local communities, the Company's business, financial condition, results of operations and prospects could be materially and adversely affected.
- (n) **Contractual Risk:** The ability of the Company to achieve its objectives will depend on the performance by each of the parties of their respective obligations under the agreements to which the Company is a party. If a party defaults in the performance of their obligations, legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.
- (o) **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 may result in shareholders experiencing subsequent dilution. There can be no guarantee that any capital raisings will be successful.
- (p) **Reliance on Key Personnel:** The responsibility of overseeing the day-to-day operations and the management of the Katingan Ria Project depends substantially on key personnel with the appropriate technical expertise. Coal mining continues to be a labour-intensive industry. The Indonesian coal industry is experiencing a relatively high degree of worker mobility and any failure by Realm to retain or hire personnel in the future could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.
- (q) **Insurance coverage:** Realm's insurance policies may not provide coverage for all losses related to the Katingan Ria Project, and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on the Company.
- (r) **Labour activism:** Labour activism and legislation could adversely affect the Company, its customers and Indonesian companies in general.

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



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to above, may in the future materially affect the financial performance of the Company and the value of the Shares.