

ASX/Media Release

18 January 2012

## **COAL RESOURCES INCREASE TO 79Mt AT KATINGAN RIA, INDONESIA**

### **Highlights**

- **Phase 2 drilling work commenced and will continue through to mid February**
- **Inferred Resources estimate (JORC) for the Main seam increased to 63Mt and Total Inferred Resources increased to 79Mt**
- **Funding strategy and Feasibility Study work in progress**
- **Jakarta team strengthened by appointment of Michael Black as COO and Eva Armila as General Manager Legal**

**Realm Resources Ltd (ASX: RRP) (Realm or the Company)** is pleased to report that inferred coal resources have increased from 40Mt to 79Mt at the company's Katingan Ria Coal Project in Indonesia.

Katingan Ria is an advanced thermal coal exploration project located in Central Kalimantan. The project is central to Realm's strategy to become a coal producer in 2012 and ultimately a mid-tier Asia Pacific bulk commodity company.

The company is pleased to provide this update on its activities relating to the project.

### ***EXPLORATION***

Exploration work by Realm at Katingan Ria has been carried out in 2 Phases:

#### ***Phase 1***

Realm completed its first stage of exploration activities in November 2011. This programme included a total of 28 holes including 9 cored holes as shown on Figure 1. Drilling in the south identified 3 seams (Main, No. 2 and No. 3 seams). An additional seam overlying with the Main seam was intersected towards the centre of the site. The Main seam remains the target seam.

In the north, multiple seams were intersected including the Main seam. This was overlain by a series of 4 to 5 seams with a cumulative total of approximately 11

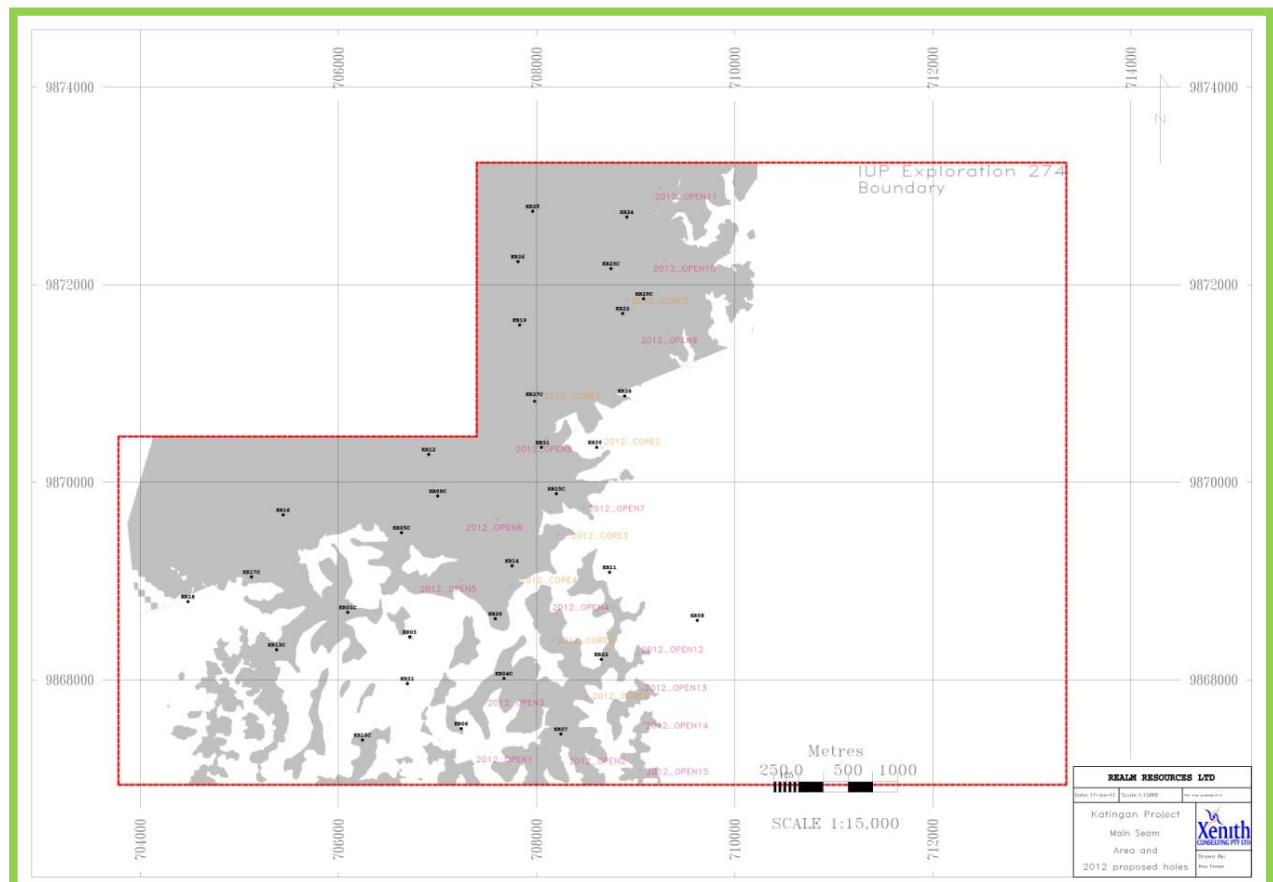
metres of coal. Initial modelling in the north showed the seams dipped gently to the west.

### ***Phase 2***

Realm commenced the second phase of exploration work in December 2011. The scope of this work is broadly targeted at achieving the following:

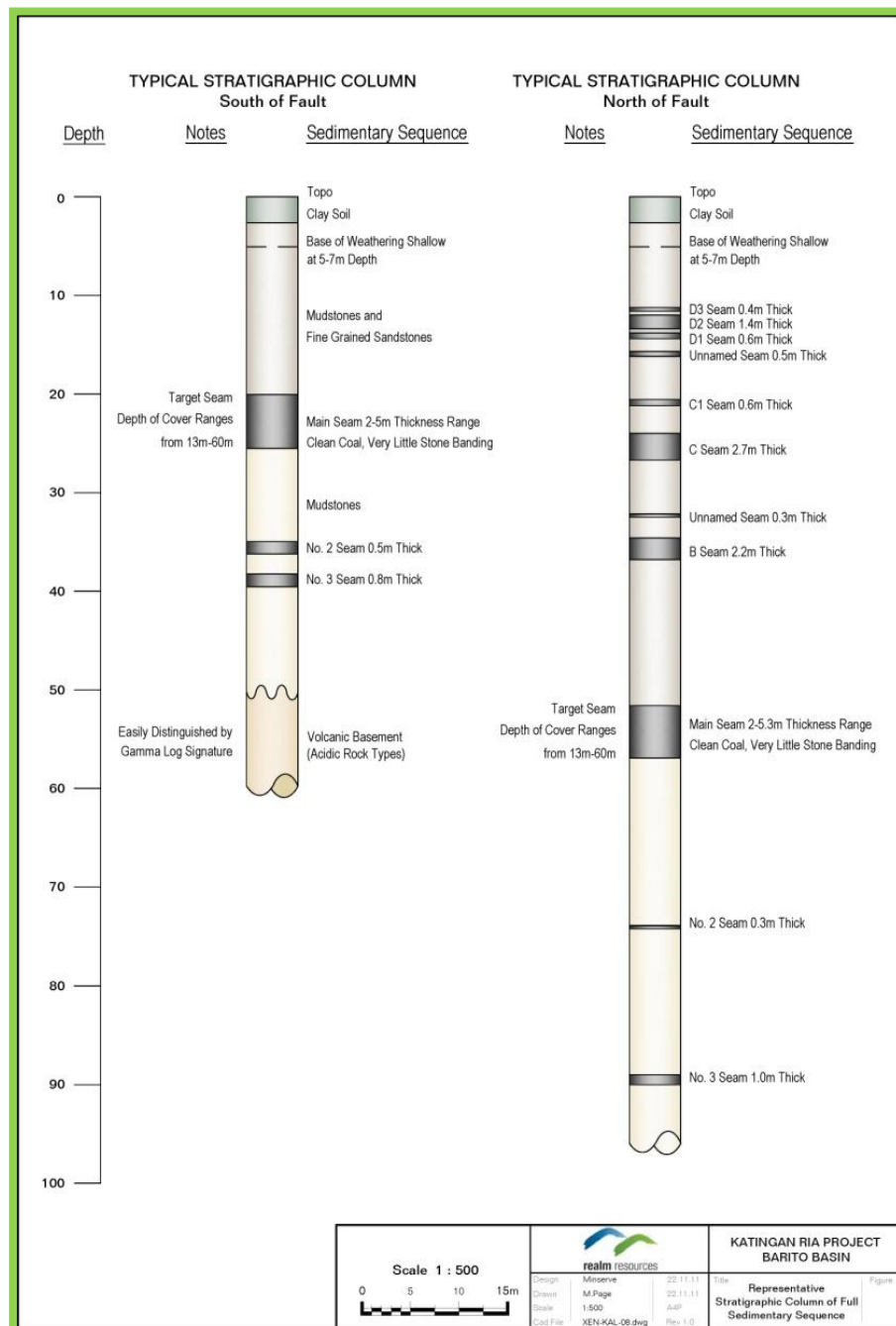
1. Up to 17 holes (6 cored holes) planned to:
  - improve the quality data for the Main seam and upper seams in the north and allow completion of the inferred resource estimate for the Main seam;
  - improve definition of Main, No. 2 and No. 3 seams in the southern resource area with the aim to move to indicated resources to allow reserves estimation in particular in the initial start up area; and
  - refine understanding of structure, in particular the location, vertical and lateral displacement of the fault which separates north and south.
2. Undertake a Lidar Radar survey to improve the topographical model for the site and associated areas for resource definition, mining and civil design work.

The locations of Phase 1 and 2 (planned) boreholes and the interpreted fault are shown on Figure 1.



**Figure 1 Location of Phase 1 and Phase 2 Boreholes**

Figure 2 summarises the stratigraphy for both north and south resource areas. Vertical displacement of approximately 50m was interpreted across the fault with a potential eastern lateral displacement to the north of the fault, exposing the Main seam to the east.



**Figure 2: Stratigraphical columns for North and South resource areas**

## COAL RESOURCES

The Company reported its maiden inferred resource estimate for Katingan Ria of 40.1Mt on 11 July 2011. This was based on an assessment of the coal in the southern portion of the lease. Updating of the resources estimate has now been undertaken by Xenith Consulting with the following key changes in approach, reflecting the current understanding of the deposit:

- Updated topography adopted for both north and south resource areas from the recent aerial survey work (LIDAR);
- The north/south boundary has been relocated for modelling purposes from the existing exploration forestry permit boundary to reflect the site's geological structure i.e. the fault now becomes the division line. This redistributes coal from south to north resource areas; and
- Inclusion of Main seam quality data from redrilled KR27 hole in the north which experienced some contamination during the original sampling.

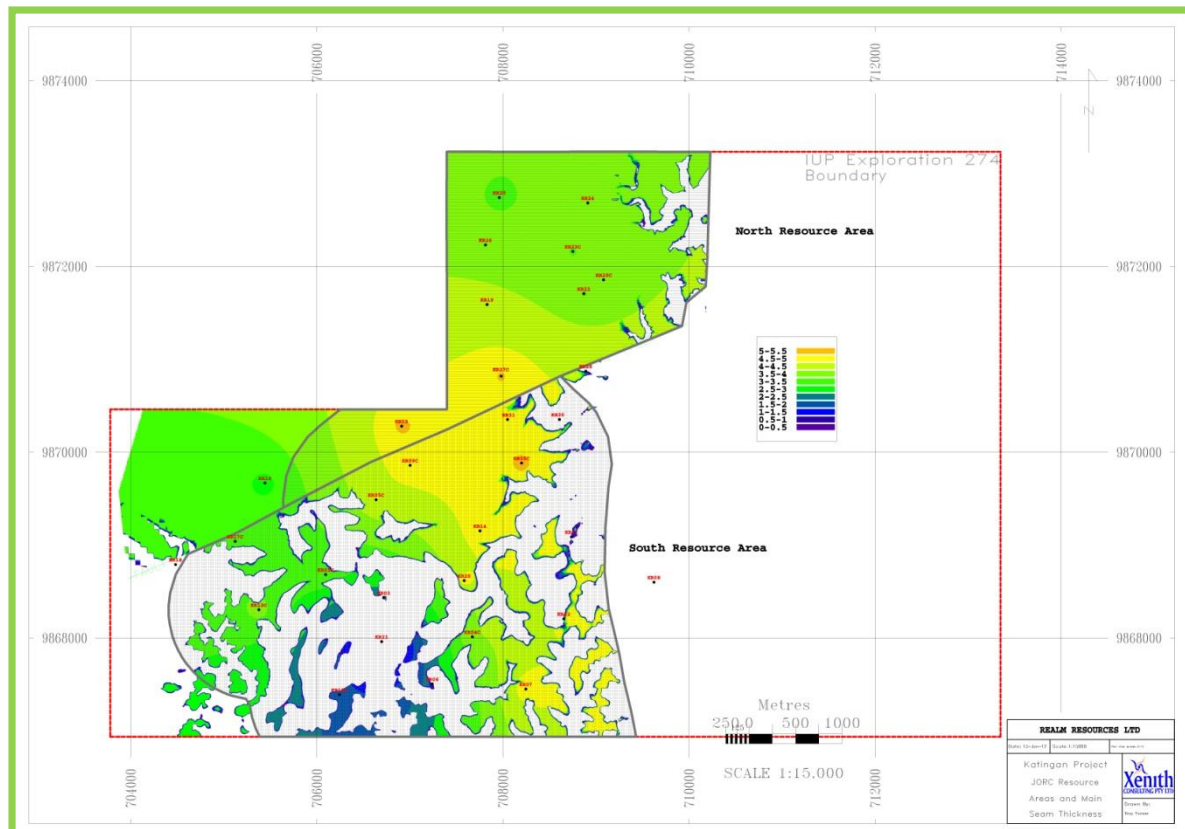
This work has led to an increase in the resources and quality for the Main seam. Inferred resources (JORC) for the Main seam is now 63.1Mt, whilst total inferred resources have increased to 79Mt, as detailed in Table 1 below. B and C seam quality is currently limited due to the laboratory test procedures which initially limited the scope of testing to moderate ash coal. These seams will continue to be reported as exploration and laboratory test data becomes available and are reported for information purposes.

**Table 1 Inferred JORC Resource Estimate**

Seam	Tonnes	Thickness	PRD	TM %	IM %	Ash %	Volatiles %	TS %	Specific Energy kcal/kg	HGI
	Mt	m	t/m3	arb	adb	adb	Adb	adb	adb	
<b>NORTH</b>										
<b>B</b>	8.0	1.13	1.33		10.8	16.5				
<b>C</b>	8.2	1.22	1.39		12.2	26.7				
<b>Main</b>	32.7	3.8	1.30	30.6	12.4	10.8	39.6	0.24	5,265	49
<b>SOUTH</b>										
<b>Main</b>	30.4	3.55	1.31	30.7	17.1	9.5	38.0	0.20	5,069	48
<b>Total Main</b>	63.1		1.30	30.7	14.6	10.2	38.8	0.22	5,171	49
<b>Total all</b>	79.3									

The resource estimate does not include the D, No. 2 and No. 3 seams. These will be reported as Phase 2 drilling is completed.

Figure 3 shows the resource area and estimated Main seam thickness distribution.



**Figure 3: Katingan Ria Resource Area and Main Seam Thickness**

### **PERMITTING**

The Company's application for the production forestry permit (Pinjam Pakai Eksploitasi) is progressing well through regulatory process. PT Katingan Ria anticipates receiving this permit, which is a prerequisite for commencement of mining operations, within the first quarter 2012.

**Table 2: Permit Status – Katingan Ria Project**

Description	Project Region	Status	Expected Date
IUP Exploration	Both areas	Secured	
Pinjam Pakai <sup>1</sup> (Exploration)	South	Secured	
Pinjam Pakai (Exploration)	North	Secured	
Environmental Impact Statement (AMDAL)	Both areas	Completed	
IUP Operations	Both areas	Secured	
Pinjam Pakai (Exploitation)	Both areas	Submitted <sup>2</sup>	Mar 2012

<sup>1</sup> Forestry permit

<sup>2</sup> Finalisation subject to Ministry of Forestry completing an assessment of the volume of timber to be disturbed

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](http://www.djmbp.esdm.go.id/modules/news/?_act=detail&sub=news_minerbapabum&news_id=3313)

## **FUNDING STRATEGY**

Realm announced on 12 April 2011, that it had entered into a 2 stage acquisition process for the PT Katingan Ria coal project (“PTKR”).

- Stage 1 was successfully completed with a \$15 million funding package secured (announced 14 September 2011), this resulted in the acquisition of 51% of PTKR (announced 6 October 2011) – Tranche 1;
- Stage 2 of the acquisition (expected before the end of April 2012, subject to satisfactory fulfilment of conditions precedent) requires payment of US \$17 million, to take Realm’s ownership of PTKR to 75% - Tranche 2; and
- Further to the initial concept study and current exploration programme findings, the capital required for start-up is being analysed with a view to commence sustainable operations with a minimum level of investment and operational expenditure.

Given the weak state of capital markets, Realm’s approach is to assess all avenues of funding while at the same time endeavouring to minimise shareholder dilution. The following funding options are being pursued:

- Off-take for equity - discussions are underway with potential strategic investors regarding the potential sale of a minority stake in Realm or a subsidiary in return for off-take;



**realm resources**

- Prepayment for Off-take –Realm’s marketing agents have identified several potential customers who may be prepared to make advanced payment for the coal they would receive in future;
- Debt - confidentiality agreements are in place with several banks to allow them to analyse relevant information on the company and the coal project. Initiating discussions have taken place on a range of debt facilities from off-take finance through to project finance; and,
- Equity markets – road-shows and market updates continue.

A strategic review of the company’s South African assets is underway, this is expected to be completed by the end of March. At this stage however, potential outcomes are not expected to crystallise in the short-term.

The company will provide further updates on any material developments in relation to funding as they arise.

Management is pleased with the progress of exploration, study work and preparations for a start up of the Katingan Ria project. Management continues to work vigorously towards funding the acquisition of the final 24% of PTKR and build Realm’s capability in bulk commodities and in Indonesia.

### **KEY STAFF APPOINTMENTS**

Realm is pleased to confirm the appointment of Mr Michael Black as Chief Operating Officer for Realm’s Indonesian activities and Ms Eva Armila as General Manager Legal. Both Eva and Michael are based in Jakarta.

Michael’s recent roles include CEO Teknix Capital, Deputy CEO of Asia Pulp & Paper and Partner at McKinsey & Company. Michael is a civil engineer with more than 10 years of experience in developing and managing resource projects in Indonesia including a period as Deputy CEO of Asia Pulp & Paper, a business employing 50,000 people and with annual revenues of USD2.5 billion. While at McKinsey & Company, Michael led the McKinsey’s work with the Indonesian Central Bank and the IMF in restructuring of the Indonesian banking sector following the Asian Financial Crisis.

Eva is an Indonesian national holding a Bachelor of Law from Padjadjaran University, Indonesia, a Master of Law and a Master of Business Administration from the Queensland University of Technology, Australia. She has been admitted to practice law in Indonesia since 2002 and is also a licensed litigation lawyer.

Prior to joining Teknix Capital as General Counsel in 2006, Eva practised law with international (DLA Piper) and Indonesian (AKHH and Hanafiah & Ponggawa) law firms. Her practice areas included corporate, investments, project finance, debt restructuring, merger and acquisition and natural resources. Her time at Teknix





Capital has further enhanced her skills in these areas, particularly in the area of resource law including particularly the new mining law.

Managing Director Andrew Matheson commented “we are delighted to have secured both Eva and Mike on the Realm team. Their appointments now provide us with a highly experienced, on-the-ground presence in Jakarta. This is a key step in achieving our initial goal to establish Realm, through its investment in PTKR, as a mining operator in Indonesia.”

### **ABOUT REALM**

Realm's strategy is to **create shareholder value through exploration and development of bulk commodity projects, primarily in coal**. In addition, the Company's has platinum group metals (**PGM**) advanced exploration projects and an aluminium dross treatment plant in South Africa.

#### **For further information please contact:**

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

#### *Competent Persons Statement – Katingan Ria Project*

*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.*