REALM RESOURCES LIMITED

ABN 98 008 124 025

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

Date of Meeting:	Thursday, 31 May 2012
Time of Meeting:	11.00 am (EST)
Place of Meeting:	Level 2 3 Spring Street Sydney NSW 2000

This Notice of Annual 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.

NOTICE OF ANNUAL GENERAL MEETING

REALM RESOURCES LIMITED
ABN 98 008 124 025

Notice is hereby given that the Annual General Meeting of Realm Resources Limited ("**Realm**" or "**the Company**") will be held at Level 2, 3 Spring Street, Sydney NSW 2000 on Thursday 31 May 2012 at 11.00am to conduct the following business.

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

AGENDA

Financial Statements and Reports

To receive and consider the financial statements, the Directors' report and auditor's report for the Group for the year ended 31 December 2011.

RESOLUTIONS

1. Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 31 December 2011."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution if:

(c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and

(d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

2. Election of Mr Andrew Matheson as a Director

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

“That Mr Andrew Matheson, having been appointed as a Director under the Company’s Constitution by resolution of the Board of Directors, and being eligible, offers himself for election, be elected as a Director of the Company.”

3. Election of Mr Michael Davies as a Director

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

“That Mr Michael Davies, having been appointed as a Director under the Company’s Constitution by resolution of the Board of Directors, and being eligible, offers himself for election, be elected as a Director of the Company.”

4. Election of Mr Andrew Purcell as a Director

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

“That Mr Andrew Purcell, having been appointed as a Director under the Company’s Constitution by resolution of the Board of Directors, and being eligible, offers himself for election, be elected as a Director of the Company.”

5. Re-election of Mr Richard Rossiter as a Director

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

"That, for the purpose of clause 12.9 of the constitution of the Company and for all other purposes, Mr Richard Rossiter, who retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director."

6. Re-election of Dr Neale Fong as a Director

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

"That, for the purpose of clause 12.9 of the constitution of the Company and for all other purposes, Neale Fong, who, retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director."

7. Proposed Placement of Shares

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 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 517,000,000 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.

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

Theo Renard
Director

24 April 2012

EXPLANATORY MEMORANDUM

REALM RESOURCES LIMITED
ABN 98 008 124 025

1. Financial Report and Directors' Report

The Corporations Act and the constitution of the Company require the following reports in respect to the financial year of the Company ended 31 December 2011 to be laid before the meeting:

- The Financial Report (which includes the financial statements and Directors' declaration); and
- The Directors' Report, the Corporate Governance Statement and the Auditor's Report.

Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on these Reports and on the business, operations and management of the Group.

There is no requirement in the Corporations Act or in the Company's constitution for shareholders to approve the Financial Statements and Reports.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically required to do so. The Company's annual financial report is available on its website at http://www.realmresources.com.au.

2. Resolution 1 - Remuneration Report

2.1. General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. Such a resolution is advisory only and does not bind the Directors or the Company.

However, under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on the Resolution are voted against adoption of the Remuneration Report at the Meeting, and then again at the Company's subsequent annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's annual general meeting. All of the Directors who were in office when the relevant Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

2.2. Content of Remuneration Report

The Remuneration Report is set out the Directors' report contained in the annual financial report of the Company for the financial year ended 31 December 2011 sent to those Shareholders who elected to receive it or available electronically at http://www.mmel.com.au. The Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- discusses the relationship between the Board's remuneration policy and the Company's performance;
- sets out the actual remuneration for the financial year ended 31 December 2011 for each Director and each member of the Company's senior executive management team; and
- details and explains any performance hurdles applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of any questions relating to the Remuneration Report at the Annual General Meeting[1].

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

2.3. Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of the Key Management Personnel or any Closely Related Party as your proxy to vote on this Resolution 1, ***you must direct the proxy how they are to vote.*** Where you do not direct the Chair, or another member of the Key Management Personnel or Closely Related Party on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

3. Resolution 2 - Election of Mr Andrew Matheson

The Company's Constitution and the Corporations Act require that any Director appointed by the Directors holds office only until the next Annual General Meeting and is then eligible for re-election.

Mr Andrew Matheson was appointed as a Director of the Company on 6 June 2011 by resolution of the Board of Directors and being eligible, has offered himself for re-election as a Director.

The remaining directors recommend to shareholders that Mr Andrew Matheson be re-elected.

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[1] See section 250SA

4. Resolution 3 - Election of Mr Michael Davies

The Company's Constitution and the Corporations Act require that any Director appointed by the Directors holds office only until the next Annual General Meeting and is then eligible for re-election.

Mr Michael Davies was appointed as a Director of the Company on 20 October 2011 by resolution of the Board of Directors and being eligible, has offered himself for re-election as a Director.

The remaining directors recommend to shareholders that Mr Andrew Matheson be re-elected.

5. Resolution 4 - Election of Mr Andrew Purcell

The Company's Constitution and the Corporations Act require that any Director appointed by the Directors holds office only until the next Annual General Meeting and is then eligible for re-election.

Mr Andrew Purcell was appointed as a Director of the Company on 20 October 2011 by resolution of the Board of Directors and being eligible, has offered himself for re-election as a Director.

The remaining directors recommend to shareholders that Mr Andrew Matheson be re-elected.

6. Resolution 5 - Re-election of Director

Clause 12.9 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third of the Directors must retire by rotation, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three years.

Mr Richard Rossiter retires and being eligible, offers himself for re-election by shareholders.

The remaining Directors recommend to shareholders that Mr Rossiter be re-elected.

7. Resolution 6 - Re-election of Director

Clause 12.9 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third of the Directors must retire by rotation, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three years.

Dr. Neale Fong retires and being eligible, offers himself for re-election by shareholders.

The remaining Directors recommend to shareholders that Dr. Fong be re-elected.

8. Resolution 7 – Proposed Placement of Shares

8.1 Background

Pursuant to a Master Agreement (**Master Agreement**) dated 24 March 2011 with PT Sinar Mulia Anugerah Aguing (**PT SMAA**), Kalres can acquire up to 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 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 a Mining Business Permit for Exploration (IUP Operations) (**Katingan Ria Project**). 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.

8.2 Master Agreement

Following the granting of a mining permit in the form of IUP Operation Production, the parties to the Master Agreement, together with Mr Kenedy Arnol Pisy (who, at completion of Tranche 2 (as defined below) under the Master Agreement will hold 15% of PTKR) (**Mr Kenedy**), entered into an agreement to amend the Master Agreement.

A summary of the terms and conditions of the Master Agreement (as amended) is set out below:

(a) **Sale of Shares**: Kalres has agreed to acquire, and PT SMAA has agreed 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) US$10,000,000 (**Tranche 1 Payment**) was paid by Kalres upon the completion of a number of conditions precedent and the subsequent acquisition by Kalres of a 51% interest in PTKR (**Tranche 1**);

(ii) subject to the fulfilment of the Tranche 2 Conditions Precedent (as set out below), 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 1,000 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**);

(c) **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 1,500 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**);

(d) **Corporate and Personal Guarantee:** PT SMAA has been relieved of the requirement to provide the bank guarantee previously contained in the Master Agreement on the basis that PT SMAA agreed to provide:

(i) 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

(ii) 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;

(e) **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 (which, at Kalres's election can be extended for a further 3 month period) 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**);

(f) **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;

(g) **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;

(h) **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;

(i) **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;

(j) **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 agreed to subscribe to these newly issued shares in proportion to their respective shareholding in PTKR upon the completion of Tranche 1. The funds raised from such additional capital are to be used for budgeted and previously agreed corporate purposes;

(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.

8.3 Subsequent Placement

As announced to ASX on 6 October 2011 and subsequent to the Company completing the Placement, Kalres has acquired a 51% interest in PTKR pursuant to the terms of the Master Agreement.

The Company now intends to undertake a subsequent placement 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**).

On 5 September 2011, the Company obtained shareholder approval under Listing Rule 7.1 to allot and issue up to a maximum of 517,000,000 Shares (**Subsequent Placement Shares**) to professional and sophisticated investors pursuant to the Subsequent Placement. However, Tranche 2 is not yet complete because it remains subject to certain Tranche 2 Conditions Precedent which are anticipated to be satisfied by 30 June 2012, subject to satisfactory feasibility study results. Although Shareholder approval was obtained for the issue of the Subsequent Placement Shares at the Company's general meeting, the Shareholder approval is no longer valid as a result of the time taken to satisfy the outstanding conditions.

Accordingly, Shareholder approval is sought for the Subsequent Placement under Resolution 8.

It is not yet known whether the Subsequent Placement 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 Subsequent Placement will be not less than 80% of the average market price of Shares calculated over the last 5 days on which sales in the Shares are recorded before the day on which the issue is made.

Resolution 3 seeks the approval of Shareholders for the allotment and issue of the 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.

8.4 Listing Rule 7.1

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

8.5 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 Placement:

(a) the maximum number of Subsequent Placement Shares to be issued is up to 517,000,000 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 Listing Rules). 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 and in the following order depending on the quantum of funds raised and the issue price of the Subsequent Placement Shares:

(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	$1,000,000
Road upgrade	$3,000,000
Stripping and waste movement	$1,000,000
Barge port	$1,000,000
Loader	$2,000,000
Feasibility and engineering	$1,000,000
Land Acquisition	$1,000,000

(v) $1,900,000 will be used for working capital; and

(vi) any remaining funds will be used for costs and expenses associated with the Subsequent Placement.

Glossary of Terms

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

"**Annual General Meeting**" or "**Meeting**" means the annual general meeting of Shareholders to be held at Level 2, 3 Spring Street, Sydney NSW 2000 on 31 May 2012 at 11.00am (EST) or any adjournment thereof.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means ASX Limited ACN 008 624 691.

"**Board**" means the board of Directors.

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

"**Chair**" means the chairperson of the Board.

"**Closely Related Party**" of a member of the Key Management Personnel means:

(a) a spouse or child of the member; or

(b) a child of the member's spouse; or

(c) a dependant of the member or of the member's spouse; or

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or

(e) a company the member controls; or

(f) a person prescribed by the *Corporations Regulations 2001* (Cth).

"**Corporations Act**" means the *Corporations Act 2001* (Commonwealth).

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

"**Explanatory Memorandum**" means this explanatory memorandum.

"**Group**" means the Company and its controlled entities.

"**Key Management Personnel**" has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any director (whether executive or otherwise) of the Company.

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

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

"**Remuneration Report**" means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 31 December 2011.

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

"**Section**" means a section of this Explanatory Memorandum.

"**Share Plan**" means the share plan approved by Shareholders on 5 September 2011.

"**Shareholders**" means registered holders of Shares.

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

Proxies

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the enclosed form of proxy. This form must be received by the company by 11.00am (EST) on Tuesday, 29 May 2012.

The completed form of proxy may be:

1. Mailed to Realm Resources Limited, GPO Box 4216, Sydney NSW 2001, or

2. Faxed to Realm Resources Limited on (02) 8249 4001.

A member entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the company.

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 (EDST) on Tuesday, 28 February 2012 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. To adopt the remuneration report			
2. Election of Mr A Matheson as a director			
3. Proposed Placement of Shares			
3. Election of Mr M Davies as a director			
4. Election of Mr A Purcell as a director			
5. Re-election of Mr R Rossiter as a director			
6. Re-election of Dr N Fong as a director			
7. Proposed Placement of Shares			

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 to 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 Resolutions 2 to 7 (inclusive) 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 Resolutions 2 to 7 (inclusive) 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. **Important information for Resolution 1:** If you appoint the Chair of the Meeting, or another member of the Key Management Personnel of the Company or a Closely Related Party of a member of the Key Management Personnel of the Company, as your proxy, and you do not direct your proxy how to vote as your proxy in respect of Resolution 1, your proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company or a Closely Related Party of a member of the Key Management Personnel of the Company is appointed as your proxy, you must direct your proxy how to vote on Resolution 1 in order for your votes to be counted. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 2 to 7 (inclusive) and will not cast undirected votes on Resolution 1.

4. (**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.

5. (**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.

6. (**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 Tuesday, 29 May 2012.

   Proxy forms received later than this time will be invalid.

REALM RESOURCES LIMITED

ABN 98 008 124 025

FINANCIAL REPORT

31 December 2011

REALM RESOURCES LIMITED
ABN 98 008 124 025

Contents to financial report

REALM RESOURCES LIMITED
ABN 98 008 124 025

Corporate information

ABN 98 008 124 025

Directors
Richard Rossiter – chairman
Andrew Matheson – managing director (appointed 6 June 2011)
Theo Renard – executive director
Neale Fong – non-executive director
Michael Davies – non -executive director (appointed 20 October 2011)
Andrew Purcell – non - executive director (appointed 20 October 2011)

Company Secretary
Theo Renard

Registered and Principal Office
Suite 805, 3 Spring Street
Sydney NSW 2000 AUSTRALIA
Telephone (+61 2) 8249 4542
Facsimile (+61 2) 8249 4001
Website www.realmresources.com.au
Email info@realmresources.com.au

Share Register
Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000 AUSTRALIA
Telephone (+61 8) 9323 2000
Facsimile (+61 8) 9323 2033

Stock Exchange Listing
Realm Resources Limited shares are listed on the Australian Stock Exchange (ASX code: RRP).

Country and Date of Incorporation
Australia, 30 January 1987

Auditors
HLB Mann Judd
Level 19
207 Kent Street
Sydney NSW 2000 AUSTRALIA
Telephone (+61 2) 9020 4000
Facsimile (+61 2) 9020 4190

REALM RESOURCES LIMITED
ABN 98 008 124 025

Chairman and managing director's Letter

Dear Shareholders,

It is with pleasure that your Board of Directors present the Realm Resources Limited ("the Group") Annual Report.

The Group is making good progress with its efforts to diversify into bulk commodities, on 5 October 2011 the Group acquired 51% of PT Katingan Ria thereby gaining control of the Katingan Ria coal project in Central Kalimantan, Borneo, Indonesia. The Group is progressing with a multi faceted funding strategy that will allow it to take its ownership of PT Katingan Ria to 75% and get the mine into production in late 2012.

Subsequent to 31 December 2011 the Group received the Section 11 approval that will allow it to finalise the acquisitions of Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited. The Group has a strategy in place to realise value for these assets, further announcements will be made in due course.

The aluminium waste toll treatment business performed well. Importantly safety and environmental performance improved in the year. The good operating performance resulted in a net profit after tax of A$477,959 (profit of A$898,237 in 2010). The aluminium business continues to contribute positively to the Group's cash flow.

On behalf of the Company we would like to thank all Shareholders for their interest and ongoing support, we look forward to the release of additional news and developments in the near future.

Yours faithfully

Richard Rossiter
Chairman

Andrew Matheson
Managing Director

Directors' report

Your directors present their report on the consolidated entity (referred hereafter as the Group) consisting of Realm Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2011.

Information on directors

Directors

The following persons were directors of Realm Resources Limited during the whole or part of the financial year and up to the date of this report:

Richard Rossiter *BSc (Hons), MSc.*
Chairman

Mr. Rossiter began his career as a geologist in the South African gold industry. He subsequently qualified in mine management and held various production management and business development roles. He then joined the financial sector as a mining analyst and later was responsible for corporate advisory, mergers, acquisitions and divestments. He then set up a consultancy and is currently non-executive chairman of Sylvania Platinum Limited (ASX:SLP) and has not been a director of any other listed companies in the past three years to 31 December 2011. He holds a Bachelor of Science (Hons) in Geology from the University of Natal and a MSc in Mineral Exploration from Rhodes University in South Africa.

Andrew Matheson *B Eng (Geological), appointed 6 June 2011*
Managing director

Mr. Matheson has a 25 year track record in the resources industry including his previous role as CEO of Carbon Materials with the Talbot Group, General Manager of Aquila Resources' 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. Mr. Matheson is currently a non-executive director of Goldminex Resources Limited and has not been a director of any other listed companies in the past three years to 31 December 2011.

Theo Renard *CA(SA), CSA*
Executive director and company secretary

Mr Renard is a Chartered Accountant and has over 20 years experience in credit and relationship banking in commercial and investment banking with Nedcor in South Africa and Asia and ABN AMRO in Australia and Asia. He spent over two years as CFO and Company Secretary with a retail group with retail and manufacturing operations in Asia and the Subcontinent, during that time he was a director of several of the South African listed companies and affiliates. He has not been a director of any other listed companies in Australia in the past three years to 31 December 2011.

Dr Neale Fong – *MBBS Dip CS MTS MBA FAICD AFACHSE*
Non-executive director

Dr Fong has extensive experience in management of large and complex organisations, especially in the health and human services field. He is a qualified medical practitioner holding Bachelors Degrees in Medicine and Surgery from the University of Western Australia as well as a Masters in Business Administration from the UWA Business School. He also holds a Masters Degree in Theological studies from Regent College, University of British Columbia.

Director's report (continued)

Dr Fong is a Fellow of the Australian Institute of Company Directors and is an experienced chairman and director. He was a director for 12 years and chairman for 9 years of the West Australian Football Commission. He is director of Curtin Health Innovation Research Institute, Curtin University, executive chairman of Chrysalis Resources Ltd, a non-executive director of Realm Resources Ltd, and chairman of Bethesda Hospital Inc. Dr Fong also provides consultancy services to a range of different industries and companies. He has not been a director of any other listed companies in the past three years to 31 December 2011.

Michael Davies - *BA Hons, MBA*, appointed 20 October 2011
Non-executive director

Mr Davies a Principal of Taurus Funds Management Pty Ltd, and is a specialist in resource financing, with over 20 years experience in major banks (Barclays, BZW and ABN AMRO) originating, structuring and arranging debt and providing corporate advice to natural resources companies. Mr. Davies is currently a non-executive director of Nucoal Resources Limited and US Masters Holdings Limited and has not been a director of any other listed companies in the past three years to 31 December 2011.

Andrew Purcell - *BEng, MBA, appointed 20 October 2011*
Non-executive director

Mr Purcell ran principal investments and the global resources group for the Asian region for the Credit Suisse Group for 15 years which afforded board level experience in the acquisition and development of resource and energy projects, including Indonesia. He founded Teknix Capital in 2005 to advise foreign investors interested in investing in Indonesia.

Grant Button - *BBus, CPA. Age 49, resigned 20 October 2011*
Chair and non-executive director

Mr Button is a qualified accountant and has significant financial and other commercial management and transactional experience. He is currently a director of Magnum Mining and Exploration Limited, Ferrum Crescent Limited and Sylvania Platinum Limited (all ASX listed, with Ferrum Crescent Limited dual listed on AIM). He was a director of Ferrum Crescent Limited (formerly Washington Resources Limited) until his resignation on 01 December 2008 and subsequent re-appointment to the Board on 15 October 2010. Mr Button has not been a director of any other listed companies in the past three years to 31 December 2011.

Interests in the shares and options of the company

Number of Shares held by directors

At the date of this report, the interests of the directors in the shares of Realm Resources Limited were:

Directors	Balance 1-Jan-11	Received as Remuneration	On Exercise of Options	Net Change Other	Balance 31-Dec-11
Grant Button	1,349,000	500,000	-	700,000	2,549,000
Richard Rossiter	2,500,000	1,250,000	-	-	3,750,000
Theo Renard	1,000,000	1,250,000	-	-	2,250,000
Neale Fong	1,184,696	500,000	-	-	1,684,696
Andrew Matheson	-	-	-	5,000,000	5,000,000
Michael Davies	-	-	-	-	-
Andrew Purcell	-	-	-	5,275,000	5,275,000
	6,033,696	3,500,000	-	10,975,000	20,508,696

Directors' report (continued)

Number of options held by directors

At the date of this report, the interests of the directors in the options of Realm Resources Limited were nil.

Share options

Unissued shares

As at the date of this report, there were 3,500,000 unissued ordinary shares under options (3,500,000 at the reporting date).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, no options were exercised.

REVIEW OF RESULTS AND OPERATIONS

Realm Resources Limited and its controlled entities ("Realm" or "the Group") has recorded revenue from ordinary activities of A$4,844,924 (A$5,450,485 in 2010) and a net loss for the year ended 31 December 2011 of A$5,246,730 of which A$5,362,371 is attributable to owners, versus a loss of A$501,653 in 2010, of which A$735,195 was attributable to owners. Overall financial performance was impacted by higher staff costs (Alumicor was unionised during 2011) at the operating subsidiary Alumicor SA Holdings (Pty) Ltd ("Alumicor'), resulting in a reduced net profit after tax for that subsidiary of A$477,959 (A$898,237 in 2010).The Alumicor results were impacted by a tax expense of A$215,863 (tax expense of A$304,297 in 2009).

BUSINESS DEVELOPMENT AND DIVERSIFICATION STRATEGY

COAL

Consistent with Realm's strategy to broaden its search for value adding opportunities beyond the historic focus on PGM's, Realm announced on 12 April 2011 that it had entered into an option and share sale agreement under which the shareholders of Kalres Limited, a company incorporated in the Cayman Islands, granted to Realm an option to acquire all of the issued capital in Kalres.

Kalres was a party to a Master Agreement with PT Sinar Mulia Anugerah Aguing, under which Kalres could acquire up to a 75% interest in an Indonesian coal company, PT Katingan Ria which holds the Katingan Ria concession in Central Kalimantan. The arrangements were subject to technical, commercial and legal due diligence investigations which have commenced.

The Katingan Ria Project covers 4,258 hectares, and at that time was under IUP (Exploration No. 274) and is located in Central Kalimantan within the Katingan Hulu district, approximately 175km North West of the regional capital of Palangkaraya. 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.

Directors' report (continued)

Figure 1: Location of Katingan Ria Project

A total of 69 boreholes were drilled by PTKR throughout the project site during 2010, along with various outcrop mapping and coal quality analysis. However none of these holes were geophysically logged and little traceable coal quality work is available from this work. On 23rd June 2011 Realm announced that it had proceeded with its technical due diligence, focussed on the following;

- Assessment of the integrity of the existing borehole, geological model and quality data set;
- Extension of the field mapping carried out to delineate coal seam outcrops and structure;
- A drilling and coal quality programme consisting of 20-25 holes with laboratory test work on core and outcrop samples; and
- Completion of the assessment of the deposit consistent with Australian coal industry guidelines.

For the purposes of the field investigations, the site was divided into North and South regions to coincide with the availability of forestry exploration permits. At that time the work focussed on the permitted southern half of the concession area while PTKR was awaiting the completion of the forestry exploration permit that would allow exploration drilling work to the north.

Four coal seam groups have been identified, with the main seam intersected up to 5.2 metres in thickness.

Directors' report (continued)

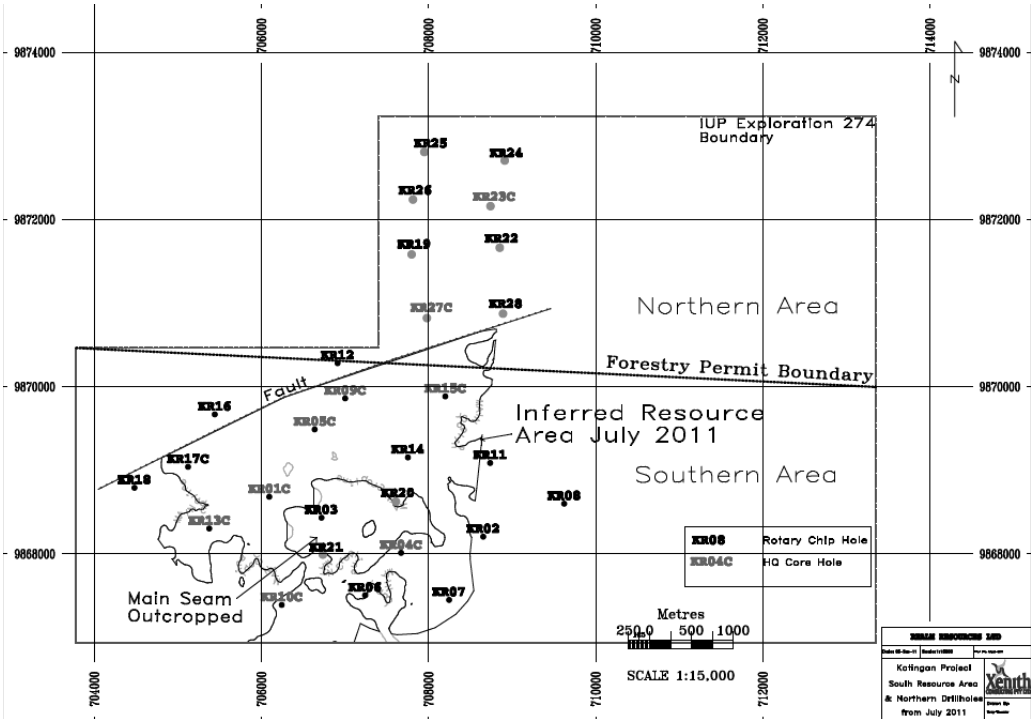

Figure 2: IUP Boundary, Resource Area (South) and Location of Boreholes

Drilling commenced on 29 April 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 Realm including 9 cored holes, totalling 220 metres of HQ core. All holes were geophysically logged.

Drilling work confirmed the existence of the Main Seam, which has an overall thickness ranging from 1.9-5.2m including one minor stone band. Another two thinner seams (named the No.2 and No.3 seams) underlie the main seam and range from 0.5-1.5m thick.

Directors' report (continued)

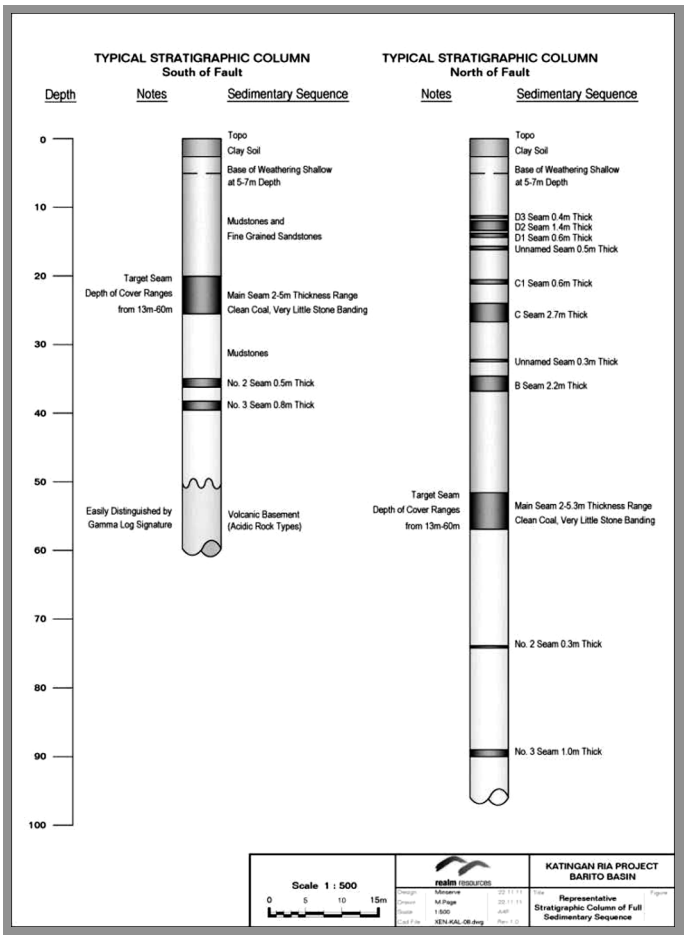

Figure 3: Typical stratigraphic columns in the North and the South

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 tenement 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. Laboratory test work of the coal cores was carried out by PT Geoservices in Banjabaru. Results are summarised in Table 1.

Table 1: Coal Quality (Main Seam)

HOLE NUMBER	DEPTH INTERVAL (m)			RD	TOTAL MOISTURE (% ar)	PROXIMATE ANALYSIS (% adb)					GROSS CV (cal/g adb)	HGI
	From	To	Thickness			Moisture	Ash	VM	FC	TS		
KR-01	11.41	15.05	3.64	1.39	31.85	13.29	5.21	42.44	39.06	0.15	5,497	49
KR-04	15.40	19.55	4.15	1.4	34.02	18.67	7.43	36.05	37.85	0.20	5,138	49
KR-05	28.70	33.40	4.70	1.42	26.2	13.68	11.19	38.96	36.17	0.20	5,175	45
KR-09	43.44	48.25	4.81	1.38	28.26	17.57	10.64	37.49	34.30	0.21	4,950	48
KR-10	13.55	15.23	1.69	1.43	31.44	17.66	13.29	34.73	34.32	0.22	4,634	51
	13.25	14.00	0.75	1.42	34.58	15.97	9.73	35.30	39.00	0.26	5,040	45
KR-13	15.60	16.65	1.05	1.45	33.75	15.85	14.40	35.46	34.29	0.23	4,723	71
	16.75	19.78	3.03	1.4	33.07	17.58	9.11	38.69	34.62	0.21	5,166	56
KR-15	22.58	27.88	5.30	1.37	31.86	20.39	8.52	37.14	33.95	0.22	4,819	47
KR-17	11.70	14.25	2.55	1.5	32.74	10.39	13.32	37.21	38.54	0.22	5,005	47

Directors' report (continued)

On 11 July 2011, Realm announced an inferred resource of 40.1 mln tonnes (inferred). This was followed by an announcement on 1 August 2011, that confirmed management wished to proceed with initial acquisition of 51% of PT Katingan Ria.

Table 1: JORC Resource Estimate (Main Seam – Southern area)

Main Seam	Coal Mass Tonnes Insitu (x 10^6)	Av. Coal Thickness (m)	Coal RD Insitu	Total Moisture %	Inherent Moisture % (Adb)	Raw Ash % (Adb)	Raw Volatile Matter % (Adb)	Raw Sulphur % (Adb)	Raw Specific Energy Kcal/Kg (Adb)	HGI
Total Measured	-	-	-	-	-	-	-	-	-	
Total Indicated	-	-	-	-	-	-	-	-	-	
Total Inferred	40.1	3.88	1.31	30.7	17.1	9.5	38.0	0.20	5,063	48
Sub Total	**40.1**									

Concept level assessment of the project showed that the relatively shallow dipping coal with low strip ratios is amenable to mining with conventional truck and excavator. Due to the site topography, dozer push on the east and western flanks is also a likely method which will further reduce operating costs.

Whilst minor amounts of drill and blast will be required, investigations continue to indicate predominately free dig conditions.

Minimal site infrastructure consisting of ROM pad, water management, mining industrial area and offices is proposed at the site. Subject to the satisfactory outcome of a feasibility study, a development plan is envisaged with potential for first shipments before the end of 2012.

Raw coal will be transported to the barge port location on existing disused logging roads. Upgrade works consisting of pavement, geometry and creek crossings will be required over the 45km haul. Coal will be crushed to sub 50mm most likely at the barge port using a mobile contract crusher.

Following receipt of all regulatory and community approvals, it is proposed to construct a barge loading facility consisting of simple fixed loading conveyor and fenders. Initial production will be loaded using a temporary jetty. An intermediate stockpile area downstream has been identified. It is proposed to construct this stockyard for buffer storage of coal in wet and dry seasons and also consolidation of cargos to larger barges for transhipment to mother vessel.

Barge requirements (420 km) have been assumed to be 180' from the barge port to the intermediate stockpile, transferring to 300' barges at this point.

Loading of the mother vessel will be done initially via geared vessels and/or contract floating crane depending on availability. It is intended to upgrade this to a longer term transhipment contract once production is stabilised.

Realm has secured the services of Coeclerici Asia (Pte) Ltd ("CCA") as marketing agent for its planned Indonesian operations. CCA will provide marketing support and market the coal on behalf of Realm as its agent. Coal will be marketed as a Katingan product.

It is expected that Katingan product would be sold primarily into the power generation markets in India, China and domestically within Indonesia.

The status of permitting shows a clear path to production for the project, the remanning permit the Pinjam Pakai Exploitasi that allows trees to be cleared for mining purposes is expected to be received within the first half of 2012.

Directors' report (continued)

Table 2: Permit Status - Katingan Ria Project

Description	Region	Status	Expected Date	Comments
IUP Exploration	Both areas	Secured		
Pinjam Pakai (Forestry)- Exploration	South	Secured		
Pinjam Pakai (Forestry)- Exploration	North	Secured		
IUP Operations	Both areas	Secured		
Pinjam Pakai (Forestry)- Operations	Both Areas	In progress	April 2012	Final approval required to commence mine development. Process of upgrading forestry permit depends mostly on the commercial value of the forest being determined. This area was previously commercially exploited by the forestry licence holder.

Shareholder approval was sought and received on 5 September 2011 to proceed with the transaction. On 14 September 2011, Realm announced that it had completed the placement of 95,934,066 fully paid ordinary shares in the capital of Realm at an issue price of $0.091 per Share to Taurus Funds Management Pty Ltd, institutional and sophisticated investors to raise approximately $8.73 million.

As a result of the Placement, Taurus became a cornerstone investor of the Company with the purchase of 53,076,923 Shares (representing an 18.9% interest in the Company following completion of the Placement). In addition, Taurus 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 (subject to the Company obtaining all necessary shareholder approvals under the Corporations Act and ASX Listing Rules).

On 6 October 2011, Realm announced that it had completed the acquisition of Kalres Limited and through Kalres acquired 51% of PT Katingan Ria (PTKR), for a total transaction value of US$12.6 million and 15 million Performance Rights. On 2 November 2011 Realm announced that the management team was progressing the Katingan Ria Project feasibility study, and were moving towards completion of the conditions precedent required to acquire the remaining 24% for a total of 75% by 31 March 2012 (subsequently extended).

Competent Persons Statement – Katingan Ria Project

The information in this announcement that relates to Exploration Results, 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 presentation of the matters based on his information in the form and context in which it appears.

Directors' report (continued)

PLATINUM GROUP METALS

Regulatory delays hampered the Group's ability to finalise the acquisition of its Kliprivier, Ghost Mountain and Tinderbox projects. Whilst the Group actively followed up the application lodged in December 2009, the process took much longer than anticipated with the final approval received in March 2012. The Group continued to assess and progress complementary PGM opportunities to bolster the portfolio and was able to announce on 26 May 2011 that the Group had strengthened its existing portfolio of platinum group metals (PGM) projects in South Africa, by signing a farmin agreement with Nkwe Platinum (Rooderand) (Pty) Ltd, a company in which Nkwe Platinum Limited holds a 70% interest.

Under the terms of the Farmin Agreement, Realm can earn a 51% interest in the prospecting rights for platinum group metals (PGM), gold, silver, nickel, copper and cobalt granted in respect of Nkwe's Rooderand prospect by spending $2 million in expenditure over a two year period.

Kliprivier platinum project (Realm - 47.5% interest)

A limited scale drilling program was completed at the Kliprivier platinum project while waiting for regulatory approval to complete the acquisition. Seven holes totalling 718 metres were drilled along the 6 km outcrop of the UG2 chromite horizon. All holes intersected near surface mineralisation. The results have provided valuable information for planning future exploration and development activities (refer to ASX Company Update released 1st September 2010 for details).

The Kliprivier project is the Group's most advanced asset, with an inferred UG2 resource of 109.6 Mt @ 2.3 g/t (3PGE+Au) containing 7.6 Moz 3PGE+Au (undiscounted). The project is located in the Eastern Limb of the Bushveld Igneous Complex in South Africa, one of the premier regions for PGM in the world. The improved market outlook for PGM's enhances the viability of this project, particularly given that the PGM bearing UG2 chromitite seam outcrops for 6 to 7 km on the property.

The Board has decided to restrict further expenditure on Kliprivier until regulatory approvals are finalised.

Ghost Mountain platinum project (Realm - 49.9% interest)

During the year, Realm extended its low cost surface mapping and sampling programme at the Ghost Mountain project. The farm Tweefontein 360KT has potential for the development of shallow UG2 reef mineralisation, whilst the eastern block of farms hold the potential for the discovery of PGM-bearing chromitite seams within outliers of the Critical Zone.

The survey confirmed the presence of PGM bearing chromitite seams (best value of 3.4g/t 3PGE +Au) on the property. However, the potential for significant tonnages to be defined appears to be limited. The Group is reviewing the survey and will determine whether follow up trenching and low cost percussion drilling is warranted.

Competent Persons Statement – Kliprivier, Ghost Mountain and Tinderbox projects

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Allen Maynard, who is a Member of the Australian Institute of Geoscientists and a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr. Maynard is the principal of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard 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. Maynard consents to inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Directors' report (continued)

ALUMINIUM

ALUMICOR SA PTY LTD (Realm - 74% interest)

Realm's subsidiary, Alumicor SA **("Alumicor"),** treats aluminium dross and returns aluminium to Hulamin Limited **("Hulamin")** on a toll conversion fee basis.

Health and Safety

There was in improvement in safety. The focus on safety training and monitoring continues. The disabling injury frequency rate at the year-end was 0%.

Smelting and recovery performance comparison

Alumicor	Q1 2011	Q2 2011	Q3 2011	Q4 2011	% change Q3 2011
Tons smelted	3,350	4,983	4,925	3,620	-26.5%
Average recovery	53%	58%	62%	48%	-22.6%

Operations

During the year, South Africa (countrywide) experienced problems with LPG and fuel deliveries, resulting in reduced dross deliveries to Alumicor, in the last quarter. These supply issues have since resolved and the Company anticipates a return to normal dross deliveries in 2012.

Despite this decline in throughput volumes operating profit improved slightly and Alumicor remained profitable for 2011.

Realm Resources' subsidiary, Alumicor SA Holdings (Pty) Limited ("Alumicor"), treats aluminium dross and returns aluminium to Hulamin Limited ("Hulamin") on a toll conversion fee basis.

Directors' report (continued)

CORPORATE

Meetings of directors

The numbers of meetings of the company's board of directors and the audit committee during the year ended 31 December 2011, and the numbers of meetings attended by each director, were:

	Board Meetings		Audit Committee Meetings	
	Number of Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended
Grant Button	3	3	2	2
Richard Rossiter	5	5	2	2
Theo Renard	5	5	2	2
Neale Fong	5	5	2	2
Andrew Matheson	3	3	1	1
Michael Davies	2	2	-	-
Andrew Purcell	2	2	-	-

Principal activities

The principal activity of PT Katingan Ria is coal exploration and development. The principal activity of Alumicor is the reprocessing of aluminium waste. The principal activity of Masedi Platinum (Proprietary) Ltd and Nkwe Platinum (Scarlet) (Proprietary) Ltd during the financial year was the holding of platinum resources tenements. Concurrently the Board of Realm Resources continued to move forward with the acquisition, exploration and development of the Katingan Ria coal project, oversee operations at Alumicor SA Holdings (Pty) Ltd and continued to pursue new opportunities in the resource sector with the view of maximising shareholder value.

Financial results

The consolidated net loss for the year ended 31 December 2011 was $5,246,730 (2010: Net loss of $501,653), and the loss attributable to members of Realm Resources Limited was $5,362,371 (2010: loss of $735,195).

Review of operations

A review of the operations of the Group is contained within the "Review of results and operations".

Dividends

No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Directors' report (continued)

Matters subsequent to the end of the financial year

Issue of shares in relation to loan owing

On 28 February 2012, the Company held a general meeting where shareholders approved the following:

(i) conversion of loans owing to Taurus Resources No. 2, L.P. and Taurus Funds Management Pty Limited, as trustee for the Taurus No. 2 Trust, totalling $5,170,000, into 56,813,187 ordinary shares in the Company at a conversation rate of $0.091 per share (note 17);

(ii) issue of 12,087,912 ordinary shares in the Company to Andrew Matheson as payment for the US$1,100,000 owing to Andrew Matheson at year end (note 24);

(iii) the issue of 50,010,000 ordinary shares in the Company to allow the Company to complete the acquisition of Masedi and Nkwe Platinum Scarlet in South Africa (note 13).

Except as discussed above, no other matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly effect:

(a) The group's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The group's state of affairs in future financial years.

Likely developments and expected results

Additional comments on expected results and developments are contained in the "Review of results and operations". Future information on likely developments in the operations of the Group and the expected results of operations have not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is subject to significant environmental regulations in respect of its platinum tenements and Alumicor business in South Africa. The Group is in compliance with the relevant environmental regulations, the environmental report was delivered to the relevant authorities in March 2011 and the most recent report being the waste licence legal evaluation report on 13 December 2011.

Insurance of officers

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of the Group against legal costs incurred in defending proceedings for conduct other than:

a) a wilful breach of duty.
b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $26,605.

Auditor's independence

A copy of the auditors independence declaration as required under section 307 of the Corporations Act is set out on page 24.

Directors' report (continued)

Non – audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amounts paid or payable to the auditor (HLB Mann Judd) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the auditor of the parent entity provided tax compliance services for fees of $8,155. During the year the company used BDO South Africa Incorporated to provide audit services to its subsidiary, Alumicor SA Holdings Proprietary Limited and its controlled entities. RSM Bird Cameron Corporate Pty Ltd, a firm globally associated with RSM AAJ Associates, prepared an independent expert report in relation to the purchase of PT Katingan Ria and other associated transactions and charged a fee of $45,000 for this report. During the year the company used RSM Bird Cameron in Australia to provide tax services of $30,140. During the year the company appointed RSM AAJ Associates in Indonesia to provide audit services to PT Katingan Ria. No non-audit services were provided by RSM AAJ Associates.

Remuneration report (audited)

Introduction

This Remuneration Report outlines the director and executive remuneration arrangements of the Group and in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, and includes executives of the Group.

Details of Key Management Personnel

(i) Directors of Realm Resources Limited during the financial year were:

Grant Button	- chair and non-executive director (resigned 20 October 2011)
Richard Rossiter	- chairman (appointed as chairman 20 October 2011, previously managing director)
Andrew Matheson	- managing director (appointed 6 June 2011)
Theo Renard	- executive director, company secretary
Neale Fong	- non-executive director
Michael Davies	- non-executive director (appointed 20 October 2011)
Andrew Purcell	- non-executive director (appointed 20 October 2011)

Directors' report (continued)

Remuneration report (audited) (continued)

(ii) Other Executives of Realm Resources Limited during the financial year were:

Ryan McConnachie – General Manager, Alumicor SA Holdings (Pty) Limited
Michael Black – Chief Operating Officer, PT Katingan Ria
Eva Armila – General Manager, Legal, PT Katingan Ria

Remuneration Philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Significant portion of executive remuneration "at risk" provided through participation in incentive plans.

Shares and options issued under the incentive plans provide an incentive to stay with the Group. At this time, shares and options issued do not have performance criteria attached.

The Group does not have a policy which precludes directors and executives from entering into contracts to hedge their exposure to options or shares.

The Company also recognises that, at this stage in its development, it is most economic to have only a few employees and to draw, as appropriate, upon a pool of consultants selected by the directors on the basis of their known management, geoscientific, engineering and other professional and technical expertise and experience. The Company will nevertheless seek to apply the principles described above to its directors and executives, whether they are employees of or consultants to the Company.

Remuneration Committee Responsibilities

The remuneration committee is responsible for making recommendations to the board on the remuneration of non – executive directors ("NEDs") and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the remuneration committee also engages external consultants to provide independent advice.

The remuneration committee comprises three independent NEDs.

Remuneration Approval Process

The board approves the remuneration arrangements of the managing director and executives and all awards made under the long term incentive (LTI) plan, following recommendations from the remuneration committee. The board also sets the aggregate remuneration of NEDs which is then subject to shareholder approval.

The remuneration committee approves, having regard to the recommendations made by the managing director, the level of the Group short term incentive ("STI") pool.

Directors' report (continued)

Remuneration report (audited) (continued)

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the non-executive directors as agreed. The current aggregate limit of remuneration for non-executive directors is $300,000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst non-executive directors is reviewed annually. The Board may consider advice from external consultants, as well as the fees paid to non-executive directors of comparable companies, when undertaking the annual review process.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report, which provide incentives where specified criteria are met.

Executive directors and senior management remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

At this time, the cash component of remuneration paid to directors, the Company Secretary and other senior managers is not dependent upon the satisfaction of performance conditions. It is current policy that executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.

Directors' report (continued)

Remuneration report (audited) (continued)

Principles used to determine the nature and amount of remuneration

The key management personnel of the Group are those directors of the Company and those executives that report directly to the managing director. Details of directors and key personnel contracts are as follows:

Name & Designation	Duration of Contract (in years)	Period of Notice to Terminate (in months)	Termination Payments Under Contract
Directors			
R D Rossiter – chairman (previously Managing director)	2	Nil	(i)
T N Renard – executive director	2	Nil	(i)
N Fong – non executive director	N/A	N/A	N/A
A M Matheson – managing director	2	Nil	(i)
M N M Davies – non – executive director	N/A	N/A	N/A
A G Purcell – non- executive director	N/A	N/A	N/A
Key management personnel			
R McConnachie – general manager, Alumicor SA Holdings Proprietary Limited	Indefinite	6	None
M Black – chief operating officer, PT Katingan Ria	Indefinite	2	None
E Armila – general manager, PT Katingan Ria	Indefinite	2	None

(i) Termination without cause by either the Company or the executive giving the other party notice in writing. If notice given by the Company it agrees to pay the greater of the balance of the consultancy fee or twelve months consultancy fee. The consultant may terminate upon giving the company notice in writing for 3 months.

Remuneration

In consideration for the consultancy services, the Company will pay the consultancy fee to the Consultant in monthly instalments in arrears at the end of each month. In addition, the Company may, if the Board (following a recommendation by the Remuneration Committee) so resolves, offer to the Consultant or the nominated executive, securities in accordance with the Company's share or option incentive plan.

Directors' report (continued)

Remuneration report (audited) (continued)

Remuneration of key management personnel of the Company

Table 1: Remuneration for the year ended 31 December 2011

	Short-term Directors fees $	Short-term Salary and Consulting fees $	Long-term Superannuation contribution $	Share based payment Shares and options $	Total $
Non – executive directors					
Grant Button (i)	28,935	-	2,604	20,665	52,204
Neale Fong	74,000	-	6,660	20,665	101,325
Michael Davies (ii)	4,645	-	-	-	4,645
Andrew Purcell (ii)	4,645		418		5,063
Sub–total non–executive directors	112,225	-	9,682	41,330	163,237
Executive directors					
Richard Rossiter	24,000	224,010	2,160	51,662	301,832
Andrew Matheson (iii)	13,600	175,000	15,750	-	204,350
Theo Renard	24,000	250,000	2,160	51,662	327,822
Sub – total executive directors	61,600	649,010	20,070	103,324	834,004
General Management					
Ryan McConnachie	-	202,389	-	41,330	243,719
Michael Black	-	94,817	-	-	94,817
Eva Armila	-	22,839	-	-	22,839
Sub–total General Management	-	320,045	-	41,330	361,375
Totals	173,825	969,055	29,752	185,984	1,358,616

(i) resigned on 20 October 2011
(ii) appointed on 20 October 2011
(iii) appointed on 6 June 2011

Directors' report (continued)

Remuneration report (audited) (continued)

Table 2: Remuneration for the year ended 31 December 2010

	Short-term Directors fees $	Short-term Salary and Consulting fees $	Long-term Superannuation contribution $	Share based payment Shares and options $	Total $
Non – executive directors					
Grant Button	36,000	-	3,240	-	39,240
Neale Fong	74,000	-	6,660	-	80,660
Sub–total non–executive directors	110,000	-	9,900	-	119,900
Executive directors					
Richard Rossiter	24,000	81,125	2,160	-	107,285
Theo Renard	24,000	265,000	2,160	-	291,160
Sub – total executive directors	48,000	346,125	4,320	-	398,445
General Management					
Ryan McConnachie	-	135,899	-	32,684	168,583
Totals	158,000	482,024	14,220	32,684	686,928

No remuneration (including shares or options issued) is performance related, but is structured to increase goal congruence between executives, directors and shareholders.

Table 3: Compensation shares: Granted and vested during the year ended 31 December 2011

	Granted		Terms & Conditions for each Grant					Vested	
31 December 2011	No.	Grant Date	Fair Value per share at grant date $ (note 23)	Exercise price per share $ (note 23)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Directors									
Grant Button	500,000	24 January 2011	0.041	0.15	24 January 2015	24 January 2011	24 January 2015	500,000	100
Richard Rossiter	1,250,000	24 January 2011	0.041	0.15	24 January 2015	24 January 2011	24 January 2015	1,250,000	100
Theo Renard	1,250,000	24 January 2011	0.041	0.15	24 January 2015	24 January 2011	24 January 2015	1,250,000	100
Neale Fong	500,000	24 January 2011	0.041	0.15	24 January 2015	24 January 2011	24 January 2015	500,000	100
Andrew Matheson	-	-	-	-	-	-	-	-	-
Michael Davies	-	-	-	-	-	-	-	-	-
Andrew Purcell	-	-	-	-	-	-	-	-	-
Total	3,500,000							3,500,000	-

Directors' report (continued)

Remuneration report (audited) (continued)

Table 4: Compensation options: Granted and vested during the year ended 31 December 2011

	Granted		Terms & Conditions for each Grant					Vested	
31 December 2011	No.	Grant date	Fair Value per option at grant date $ (note 23)	Exercise price per option $ (note 23)	Expiry date	First exercise date	Last exercise date	No.	%
Management									
Ryan McConnachie	1,000,000	24 January 2011	0.041	0.15	24 January 2015	24 January 2011	24 January 2015	1,000,000	100%
Total	1,000,000							1,000,000	100%

Table 5: Compensation shares: Granted and vested during the year ended 31 December 2010

	Granted		Terms & Conditions for each Grant					Vested	
31 December 2010	No.	Grant Date	Fair Value per share at grant date $ (note 23)	Exercise price per share $ (note 23)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Directors									
Grant Button	-	-	-	-	-	-	-	-	-
Richard Rossiter	-	-	-	-	-	-	-	-	-
Theo Renard									
Neale Fong	-	-	-	-	-	-	-	-	-
Total	-							-	-

Table 6: Compensation options: Granted and vested during the year ended 31 December 2010

	Granted		Terms & Conditions for each Grant					Vested	
31 December 2010	No.	Grant date	Fair Value per option at grant date $ (note 23)	Exercise price per option $ (note 23)	Expiry date	First exercise date	Last exercise date	No.	%
Management									
Ryan McConnachie)	1,000,000	25 May 2010	0.032	0.15	30 June 2012	N/A	30 June 2012	1,000,000	100%
Total	1,000,000							1,000,000	100%

Directors' report (continued)

Remuneration report (audited) (continued)

Table 7: Shares granted as part of remuneration during the year ended 31 December 2011

	No of shares granted during the year	Value of shares granted during the year $	Value of shares lapsed during the year $	Total value of shares granted, exercised and lapsed during the year $	% Remuneration consisting of shares for the year
Grant Button	500,000	20,665	-	20,665	39.68
Richard Rossiter	1,250,000	51,662	-	51,662	17.1
Theo Renard	1,250,000	51,662	-	51,662	15.8
Neale Fong	500,000	20,665	-	20,665	20.4
Andrew Matheson	-	-	-	-	-
Michael Davies	-	-	-	-	-
Andrew Purcell	-	-	-	-	-

Note: Shares issued under employee share plan are treated as in substance options.

Table 8: Shares granted as part of remuneration during the year ended 31 December 2010

	No of shares granted during the year	Value of shares granted during the year $	Value of shares lapsed during the year $	Total value of shares granted, exercised and lapsed during the year $	% Remuneration consisting of shares for the year
Grant Button	-	-	-	-	-
Richard Rossiter	-	-	-	-	-
Theo Renard	-	-	-	-	-
Neale Fong	-	-	-	-	-

Table 9: Options granted as part of remuneration for the year ended 31 December 2011

	No. of options granted during the year $	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Total value of options granted, exercised and lapsed during the year $	% Remuneration consisting of options for the year
Ryan McConnachie	1,000,000	41,330	-	-	41,330	17.8
Michael Black	-	-	-	-	-	-
Eva Armila	-	-	-	-	-	-

Table 10: Options granted as part of remuneration during the year ended 31 December 2010

	No. of options granted during the year $	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Total value of options granted, exercised and lapsed during the year $	% Remuneration consisting of options for the year
Ryan McConnachie	1,000,000	32,684	-	-	32,684	35.8

There were no alterations to the terms and conditions of options and shares granted as remuneration since their grant date. There were no forfeitures during the year.

Signed in accordance with a resolution of the directors.

Richard Rossiter
Chairman
30 March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration to the Realm Resources Limited:

As lead auditor for the audit of Realm Resources Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Realm Resources Limited and the entities it controlled during the year.

A G Smith
Partner

Sydney
29 March 2012

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REALM RESOURCES LIMITED

Corporate governance statement

Realm Resources Limited ("**the Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. During the 2011 financial year ("**Reporting Period**") the Board re-reviewed aspects of its governance practices. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime. Due to the review the Board has undertaken however, some of the "if not, why not" reporting is only applicable for a portion of the Reporting Period.

Further information about the Company's corporate governance practices including the relevant information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website at www.realmresources.com.au.

"If Not, Why Not" Disclosure
During the Company's Reporting Period the Company has followed each of the Principles & Recommendations other than in relation to the matters specified below.

Principle 2

Recommendation 2.1: A majority of the Board should be independent directors

Notification of Departure: The Company does not have a majority of independent directors. Presently the Board is comprised of an equal number of independent and non independent directors

Explanation for Departure: The Board considers that its current composition is appropriate for the Company's size, operations and future direction and includes an appropriate mix of skills and expertise, relevant to the Company's business.

Principle 2

Recommendation 2.4: The Board should establish a Nomination Committee

Notification of Departure: The full Board fulfils the function of a Nomination Committee.

Explanation for Departure: During the Reporting Period, the Board undertook those matters that would usually be the responsibility of a nomination committee. Given the size and composition of the Board, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted a Nomination Committee Charter which it applies, as relevant.

Principle 4

Recommendation 4.1 and 4.2: The Board should establish an Audit Committee and structure it in accordance with the recommendation.

Notification of Departure: The full Board fulfils the function of an Audit Committee.

Corporate governance statement (continued)

Explanation for Departure: During the Reporting Period, the Board undertook those matters that would usually be the responsibility of an audit committee. Further, due to the composition of the Board, it is not possible for the Board to form an audit committee in accordance with the recommended structure. Therefore, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted an Audit Committee Charter which it applies, as relevant.

Principles 8

Recommendation 8.1: A remuneration committee comprising the three non executive directors has been appointed.

NOMINATION COMMITTEE

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter (available on the Company's website).

AUDIT COMMITTEE

The full Board, in its capacity as the Audit Committee, held 2 meetings during the Reporting Period. When the Board meets as the Audit Committee, Grant Button chair's the meeting. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter (available on the Company's website).

Details of each of the director's qualifications are set out in the director's report.

REMUNERATION COMMITTEE

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the directors' report.

The Remuneration Committee, held 1 meeting during the Reporting Period.

OTHER

Skills, experience, expertise and term of office of each director
A profile of each director containing their skills, experience and expertise is set out in the directors' report.

Corporate governance statement (continued)

Assurances to the board
The Board has received assurance from management that the Company's management of its material business risks are effective. Further, the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

Identification of independent directors and the company's materiality thresholds
In considering the independence of directors, the Board refers to its *Policy on Assessing the Independence of Directors* (available on the Company's website).

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's *Board Charter* (available on the Company's website):

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company are Dr. Neale Fong, Michael Davies and Andrew Purcell.

Statement concerning availability of Independent Professional Advice
To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance Evaluation of the Board and its members have taken place and how conducted
During the Reporting Period an evaluation of the performance of the Board, its committees and individual directors was not carried out.

During the Reporting Period a performance evaluation for senior executives was not carried out.

A performance review will be performed during the next Reporting Period.

Existence and terms of any schemes for retirement benefits for non-xxecutive directors
There are no termination or retirement benefits for non-executive directors (other than for superannuation).

REALM RESOURCES LIMITED

Consolidated statement of financial position
As at 31 December 2011

	Notes	2011 $	2010 $
ASSETS			
Current assets			
Cash and cash equivalents	9	3,264,206	5,213,521
Trade and other receivables	10	329,399	521,976
Inventories	11	9,202	13,709
Other assets		20,863	25,117
Total current assets		3,623,670	5,774,323
Non-current assets			
Investments accounted for using the equity method	13	2,206,080	2,206,080
Plant and equipment	14	1,850,664	1,983,870
Deferred tax assets	7c	138,443	169,997
Exploration and evaluation assets	15	12,578,560	-
Total non-current assets		16,773,747	4,359,947
TOTAL ASSETS		20,397,417	10,134,270
LIABILITIES			
Current liabilities			
Trade and other payables	16	1,985,299	393,041
Current tax liabilities	7d	105,710	67,017
Borrowings	17	5,174,746	14,193
Total current liabilities		7,265,755	474,251
Non-current liabilities			
Borrowings	17	-	6,142
Deferred tax liabilities	7c	59,279	107,219
Total non-current liabilities		59,279	113,361
TOTAL LIABILITIES		7,325,034	587,612
NET ASSETS		13,072,383	9,546,658
EQUITY			
Capital and reserves			
Contributed equity	18	30,877,930	20,821,894
Retained earnings	19a	(16,905,091)	(11,542,720)
Reserves	19b	(1,386,470)	87,064
Attributable to owners of Realm Resources Limited		12,586,369	9,366,238
Non-controlling interests		486,014	180,420
TOTAL EQUITY		13,072,383	9,546,658

The above statement of financial position should be read in conjunction with the accompanying notes.

REALM RESOURCES LIMITED

Consolidated statement of comprehensive income
For the year ended 31 December 2011

	Notes	2011 $	2010 $
Revenue from continuing Operations			
Sale of goods		4,427,290	4,964,088
Interest Income		374,185	437,461
Other revenue		43,449	48,936
Revenue		4,844,924	5,450,485
Cost of sales		(2,080,693)	(2,496,269)
Gross profit		2,764,231	2,954,216
Reversal of impairment losses		-	159,004
Impairment loss – exploration assets		(1,204,126)	-
Technical expenses		(104,312)	(397,780)
Share maintenance expenses		(55,185)	(37,275)
Occupancy Expenses		(94,879)	(68,335)
Share based compensation expense		(206,648)	(81,710)
Due Diligence		(2,055,315)	-
Administrative expenses	6a	(3,804,294)	(2,535,438)
Other expenses	6a	(317,361)	(143,357)
Finance costs		(917)	(14,549)
(Loss)/Profit before income tax		(5,078,806)	(165,224)
Income tax benefit/(expense)	7	(167,924)	(336,429)
Net (Loss)/profit for the year		(5,246,730)	(501,653)
Other comprehensive income:			
Exchange differences on translation of foreign operations		(1,514,864)	(71,265)
Total comprehensive income(loss) for the year		(6,761,594)	(572,918)
Total profit (loss) for the year is attributable to:			
Non-controlling interest		115,641	233,542
Owners of Realm Resources Limited		(5,362,371)	(735,195)
		(5,246,730)	(501,653)
Total comprehensive income (loss) for the year is attributable to:			
Non-controlling interest		115,641	233,542
Owners of Realm Resources Limited		(6,877,235)	(806,460)
		(6,761,594)	(572,918)
		Cents	
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:	8		
Basic earnings (loss) per share		(1.91)	(0.46)
Diluted earnings (loss) per share		(2.77)	(0.46)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

REALM RESOURCES LIMITED

Consolidated statement of changes in equity
For the year ended 31 December 2011

	Attributable to members of Realm Resources Limited						
	Ordinary shares $	Employee equity benefits reserve $	Foreign currency translation reserve $	Retained earnings $	Total Equity $	Attributable to non-controlling interest $	Total equity $
Balance as at 1 January 2010	20,821,894	193,439	76,619	(11,054,086)	10,037,866	-	10,037,866
(Loss) for the year	-	-	-	(735,195)	(735,195)	233,542	(501,653)
Other comprehensive income	-	-	(71,265)	-	(71,265)	-	(71,265)
Total comprehensive income for the year	-	-	(71,265)	(735,195)	(806,460)	233,542	(572,918)
Transactions with owners in their capacity as owners:							
Non-controlling interest's share of profits allocated to the parent until non-controlling interest's share of losses previously absorbed by parent have been recovered	-	-	-	53,122	53,122	(53,122)	-
Shares issued during the year		-	-	-		-	
Share-based payment		81,710	-	-	81,710	-	81,710
Transfer of share-based payment	-	(193,439)	-	193,439	-	-	-
Balance as at 31 December 2010	20,821,894	81,710	5,354	(11,542,720)	9,366,238	180,420	9,546,658
(Loss) for the year	-	-	-	(5,362,371)	(5,362,371)	115,641	(5,246,730)
Other comprehensive income	-	-	(1,514,864)	-	(1,514,864)	-	(1,514,864)
Total comprehensive income for the year	-	-	(1,514,864)	(5,362,371)	(6,877,235)	115,641	(6,761,594)
Acquisition of subsidiary	-	-	-	-	-	189,953	189,953
Transactions with owners in their capacity as owners:							
Shares issued during the year, net of transaction costs	9,890,717	-	-	-	9,890,717	-	9,890,717
Share-based payment	165,319	41,330	-	-	206,649	-	206,649
Transfer of share-based payment	-		-	-	-	-	-
Balance as at 31 December 2011	30,877,930	123,040	(1,509,510)	(16,905,091)	(12,586,369)	486,014	13,072,383

The above statement of changes in equity should be read in conjunction with the accompanying notes.

REALM RESOURCES LIMITED

Consolidated statement of cash flows
For the year ended 31 December 2011

	Notes	2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		4,569,648	5,001,338
Payments to suppliers and employees		(7,072,744)	(5,307,079)
Interest received		216,622	283,303
Finance charges		-	(12,012)
Income tax (payments) receipts		(159,468)	(363,558)
Net cash flows (used in)/from operating activities	20	(2,445,942)	(398,008)
Cash flows from investing activities			
Purchase of property, plant and equipment		(634,395)	(670,512)
Acquisition of subsidiary - net cash acquired	24	(11,910,419)	-
Net cash flows used in investing activities		(12,544,814)	(670,512)
Cash flows from financing activities			
Proceeds from issue of shares		8,075,517	
Proceeds from borrowing		5,170,000	-
Payment of finance lease liabilities		(13,059)	(57,390)
Net cash flows (used in)/from financing activities		13,232,458	(57,390)
Net (decrease)/increase in cash and cash equivalents held		(1,758,298)	(1,125,910)
Effects of exchange rate changes on cash and cash equivalents		(191,017)	(14,199)
Cash and cash equivalents at the beginning of year		5,213,521	6,353,630
Cash and cash equivalents at end of year	9	3,264,206	5,213,521

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Corporate information

The financial report of Realm Resources Limited ("Realm" or "the Company") for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 30 March 2012. The company has the power to amend and reissue the financial report.

The Company is limited by shares and incorporated in Australia and its shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in the directors' report.

2. Summary of significant accounting policies

The principal accounting policies in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements of the consolidated entity consisting of Realm Resources Limited and its controlled entities.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) (effective 1 January 2013)

AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. AASB 9 also simplifies requirements for embedded derivatives within financial asset hosts and removes the tainting rules associated with held to maturity assets. For financial instruments carried at amortised cost, there will no longer be a need to separate fair value embedded derivatives. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. Also, if financial assets need to be sold, it no longer harms their classification. In relation to investment in equity instruments, other than those accounted for in accordance with AASB 127 Consolidated and Separate Financial Statements at cost, all investments in equity instruments are to be measured at fair value. AASB 9 also provides an opportunity to fair value those investments to other comprehensive income, with no separate impairment test, whilst taking dividends to income. Entities will be required to reclassify their financial assets when there is a change in the entity's business model, which is expected to occur only rarely. The Group is yet to assess the full impact of AASB 9 and will apply the amended standards from 1 January 2013.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

(ii) AASB 1054 *Australian Additional Disclosures* (effective reporting periods commencing after 1 July 2011)

This standard sets out the Australian specific disclosures that are in addition to International Financial Reporting Standards. It does not impose additional reporting requirements but relocates disclosures from other accounting standards to this standard for: (a) compliance with accounting standards, (b) the statutory basis or reporting framework for the financial statements, (c) whether the financial statements are general purpose or special purposes (d) disclosure of audit fees (e) imputation credit disclosures [from AASB 101 *Presentation of Financial Statements*], and (f) reconciliation of net operating cash flow to profit (loss) [from AASB 107 *Statement of Cash Flows*]. The amendments, which become mandatory for the Group's 31 December 2012 financial statements, do not have a significant impact on the financial statements. The Group will apply the amended standards from 1 January 2012.

(iii) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (effective 1 July 2013)

This standard removes the requirement to report compensation, equity holdings and loans relating to individual key management personnel for disclosing entities, or a group of which a disclosing entity is the parent. These revisions also remove some other minor Australian specific paragraphs and requirements. This standard cannot be early adopted. The amendments, which become mandatory for the groups 31 December 2014 financial statements, will reduce the disclosure requirement in the financial statements. The Group will apply the amended standard from 1 January 2014.

(iv) AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128, AASB 131] (effective reporting periods commencing after 1 July 2011)

Paragraph 10 of AASB 127 provides relief from preparing consolidated financial statements if, and only if, the parent entity satisfies, among other criteria, that the parent entity's ultimate parent or an intermediate parent of the parent entity produced consolidated financial statements that are compliant with International Financial Reporting Standards (IFRS). A similar option is available in paragraph 13(c) of AASB 128 for investors to obtain relief from applying the equity method of accounting when accounting for investments in associates and in paragraph 2(c) of AASB 131 for venturers to obtain relief from the equity method and proportionate consolidation when accounting for interests in joint ventures.

These amendments extends this relief to the parent entity, investor or venturer where the entity is a not-for-profit entity complying with Australian Accounting Standards and the ultimate or intermediate parent is also a not-for-profit entity that prepares consolidated financial statements in accordance with Australian Accounting Standards.

These amendments can be adopted early for periods beginning on or after 1 January 2005. The amendments, which becomes mandatory for the Group's 31 December 2012 financial statements are not expected to have a significant impact on the financial statements. The group will apply the amended standard from 1 January 2012.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

(v) AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements'. AASB 12 'Disclosure of Interests in Other Entities', AASB 127 Separate Financial Statements, AASB 128 'Investments in Associates and Joints Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11,101,107,112,118,121,124,132,133,136,138,139,1023& 1038 and Interpretations 5, 9, 16 &17] (effective 1 January 2013)

These amendments restructure the existing requirements by relocating disclosure requirements into a single Standard (AASB 12) and locating requirements for group accounting (AASB 10) in a Standard that is separate from the Standard addressing parent-only accounting (AASB 127). The Standards make changes that will affect amounts and other information reported in financial statements with respect to consolidated financial statements, joint arrangement and off balance sheet vehicles. The most significant changes under the standards include:

- Redefining and clarifing the notion of control in AASB 10. This may alter which entities should be incorporated on a line-by-line basis into the consolidated financial statements of a group and which entities that are consolidated into a group's financial statements;
- Requiring the financial statements of a party to a joint arrangement to reflect its rights and obligations arising from the arrangement under AASB 11, allowing the economic form, rather than the legal form, of an arrangement to determine its accounting requirements; and
- Enhancing disclosures about consolidated entities and unconsolidated (off balance sheet) structured entities, including the introduction of new disclosures to increase the ability of users to assess the risks to which an entity is exposed from involvement with structured entities under AASB 12.

The amendments, which become mandatory for the Group's 31 December 2013 financial statements, are not expected to have a significant impact on the financial statements. The Group will apply the amended standard from 1 January 2013.

(vi) AASB 13 'Fair Value Measurement' and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 5, 7, 9, 2009-11, 2010-7, 101,102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023, 1038, and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (effective 1 January 2013)

These amendments consolidate all guidance for fair value measurement into AASB 13, providing a clear definition and framework for measuring fair value. Disclosures requirements are also extended, required disclosures about valuation techniques, the inputs used, and any additional information considered necessary for users to evaluate the quantitative information disclosed. The amendments, which become mandatory for the Group's 31 December 2013 financial statements, are not expected to have a significant impact on the financial statements. The group will apply the amended standard from 1 January 2013.

(vii) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 &1049] (effective 1 July 2012)

Notes to the financial statements continued

2. Summary of significant accounting policies continued

These amendments relate to the 'Statement of Profit or Loss and Other Comprehensive Income' and requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequent to period end via reclassification adjustments. The amendments, which become mandatory for the Group's 31 December 2013 financial statements, are not expected to have a significant impact on the financial statements. The group will apply the amended standard from 1 January 2013.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The consolidated financial statements of the Realm Resources Limited group complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Historical Cost Convention

The financial statements have also been prepared on a historical cost basis, as modified by the revaluation of assets and liabilities acquired as part of a business combination.

(d) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements comprise the financial statements of Realm Resources Limited ("Company" or "Parent entity") as at 31 December and the results, assets and liabilities of all subsidiaries. Realm Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The financial statements of all subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting policies.

Intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Realm are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting refer note 24.

(ii) Associates
The Group's investment in its associates is accounted for using the equity method of accounting. Associates are entities over which the Group has significant influence but not control or joint control accompanying a shareholding of between 20% and 50% of the voting rights. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 13).

The Group generally deems it has significant influence if it has have over 20% of the voting rights. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(f) Exploration and evaluation expenditure

Acquisition costs of mining tenements are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the group's rights of tenure to that area of interest are current and the costs are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a state that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is reviewed annually and acquisition costs written off to the extent that they will not be recoverable in the future.

(g) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- nature of the products and services,
- nature of the production processes,
- type or class of customer for the products and services,
- methods used to distribute the products or provide the services, and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(h) Foreign currency translation

(i) Functional and presentation currency
Both the functional and presentation currency of Realm Resources is Australian dollars ($). The South African subsidiaries' functional currency is South African Rand which is translated to presentation currency (see below). The Indonesian subsidiaries' functional currency is Indonesian Rupiah which is translated to presentation currency (see below).

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency
The results and the financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional reporting currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position are translated at exchange rates prevailing at balance date.
- Income and expenses for each statement of comprehensive income are translated at average exchange rates, unless this is not a reasonable assumption of the cumulative effect of the rates prevailing on transaction dates, in which case income and expenses are translated at the dates of the transaction.
- All resulting exchange differences are recognised in profit or loss.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

- On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and are translated at the closing rate.

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(k) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Impairment
The Group asseses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Any impairment loss is recognised as the difference between the assets carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred.

(m) Plant & equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings and less any impairment losses recognised after the date of revaluation.

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Land – not depreciated
- Buildings – over 20 years
- Plant and equipment – over 5 years
- Other plant and equipment – over 6 years
- Motor vehicles – over 5 years
- Computer equipment – over 3 years
- Computer software – over 2 years
- Office furniture and equipment – 6 years

Notes to the financial statements continued

2. Summary of significant accounting policies continued

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased term, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(o) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short term nature and they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(q) Employee leave benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Share-based payment transactions

(i) Equity settled transactions

The Group provides benefits to its employees (including key management personnel and consultants) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Option Plan (OP), which provides benefits to directors, senior executives and consultants; and
- the Share Plan (SP), which provides benefits to directors, senior executives and consultants.

The cost of these equity-settled transactions with persons is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, further details of which are given in note 23.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Realm Resources (market conditions) if applicable. Non-market vesting conditions are included in assumptions about the number of options that are expected to be exercisable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant persons become fully entitled to the award (the vesting date).

Notes to the financial statements continued

2. Summary of significant accounting policies continued

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of:

(i) The grant date fair value of the award
(ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met
(iii) The expired portion of the vesting period

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 8).

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

(ii) Rendering of services

Revenue from the toll treatment of aluminium dross is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or at the time of completion of the contract and billing to the customer.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer. As the contracts are reasonably short, there is only a small amount outstanding at balance date, as such the level of judgment required is minimal.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(u) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities for each jurisdiction based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided in full, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Parent adjusted for:

- costs of servicing equity (other than dividends),
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(x) Going concern basis of preparation

The financial statements are prepared on a going concern basis. For the year ended 31 December 2011, the consolidated entity incurred a loss after tax of $5,246,730.

At balance date, the consolidated entity had an excess of current liabilities over current assets of $3,642,085, and total equity of $13,072,383.

Included in current liabilities at year end are borrowings of $5,170,000 in relation to the convertible equity linked credit facility (note 17(a)).

As disclosed in note 17(a), subsequent to year end, the company held a general meeting where shareholders approved the conversion of the above loans into ordinary shares in the company at a conversion rate of $0.091 per share.

Accordingly, following this conversion of the above shares, the borrowings totalling $5,170,000 were extinguished.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Subsequent to year end, and up to the date the directors approved the directors declaration on page 82 to the financial statements, the consolidated entity has continued as a going concern. The directors have prepared cash flow forecasts which shoes that the consolidated entity is able to continue as a going concern, and pay its debts as and when they become due and payable.

As discussed in note 24, the company has an option to acquire a further 24% of the share capital of PT Katingan Ria ("PTKR") for consideration of US$17,000,000.

The directors have advised that they will ensure the company has sufficient resources to finance this acquisition, either through the realisation of assets, raising of additional equity funding, or through the receipt of debt funding.

If sufficient equity or debt funding cannot be obtained, the group will be unable to progress with the acquisition of the additional 24% interest in PTKR and has an option to sell its interest in PTKR for US$5,000,000 (note 24).

The consolidated entity has prepared cash flow forecasts under the following scenarios:

(i) the acquisition of a further 24% interest in PTKR proceeds, with equity or debt funding raised to finance this acquisition;

(ii) the sale of the 51% interest in PTKR for US$5,000,000.

Under each of the scenarios above, the consolidated entity is expected to continue as a going concern.

Accordingly, the financial statements have been prepared on a going concern basis.

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, finance leases, cash and short – term deposits.

The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the executive directors.

Risk exposures and responses

Interest rate risk
The Group's exposure to market interest relates primarily to the Group's cash and short term deposits.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	2011 $	2010 $
Financial assets		
Cash and cash equivalents	3,264,206	5,213,521
Loan to other party (note 12)	-	-
Total	3,264,206	5,213,521

At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(lower)		Other comprehensive income Higher/(lower)	
	2011 $	2010 $	2011 $	2010 $
Consolidated				
+1% (100 basis points)	9,098	44,775	-	-
-.5% (50 basis points)	(4,413)	(22,387)	-	-

The movements in profit are due to higher/lower interest returns from variable rate cash balances.

The sensitivity increases and decreases in interest rate have been selected as this is considered reasonable given the current level of interest rates and the volatility observed and market expectations for potential future movements.

Foreign currency risk
As a result of significant operations in South Africa and large transactions denominated in South African Rand as well as a loan receivable denominated in South African Rand of ZAR11,405,878 (2010: 10,318,408), the Group's statement of financial position can be affected significantly by movements in the A$/ZAR exchange rates. The exposure in the loan receivable has been mitigated as a full provision for impairment was recognised at 31 December 2011.

In addition the Group has operations in Indonesia. However, income and expenses and assets and liabilities in Indonesian Rupiah are not material to the Group.

Notes to the financial statements continued

3. Financial risk management objectives and policies (continued)

The following sensitivity for the Group is based on the foreign currency risk exposures in existence at the statement of financial position date.

At 31 December 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(lower)		Other comprehensive income Higher/(lower)	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Consolidated				
AUD/ZAR + 20%	9,705	7,822	-	-
AUD/ZAR - 10%	(4,853)	(3,911)	-	-

As discussed in notes 15 and 24, during the year, the Group acquired an interest in exploration and evaluation assets, valued at US$12,800,000. On acquisition, these assets were translated to an Australian Dollar equivalent of $13,468,013. At year end, these assets were translated at an Australian Dollar equivalent of $12,578,560.

At 31 December 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Total assets Higher/(lower)		Other comprehensive income Higher/(lower)	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Consolidated				
AUD/US$ + 10%	(1,143,505)	-	(1,143,505)	-
AUD/US$ - 20%	3,144,640	-	3,144,640	-

The sensitivity increases and decreases in exchange rate have been selected as this is considered reasonable given the current level of exchange rates and the volatility observed and market expectations for potential future movements.

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Liquidity risk
Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Notes to the financial statements continued

3. Financial risk management objectives and policies (continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, finance leases and committed available credit lines. The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 31 December 2011.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2011	**2010**
	$	**$**
6 months or less	7,265,755	460,058
6 – 12 months	-	14,193
1 – 5 years	-	6,142
	7,265,755	480,393

4. Significant accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Notes to the financial statements continued

4. Significant accounting estimates and assumptions (continued)

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant Accounting Judgements

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the future years together with future tax planning strategies.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined, and an impairment loss is recognised if the carrying amount of its asset exceeds the recoverable amount.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact on the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss.

Notes to the financial statements continued

4. Significant accounting estimates and assumptions (continued)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, with the assumptions detailed in note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

5. Segment Information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The executive directors consider the business from both a product and a geographic perspective and have identified four reportable segments: PT Katingan Ria in Indonesia, which plans to commence coal mining in 2012 (this segment was established in October 2011); Alumicor, in South Africa, which toll treats aluminium dross (this segment was established in August 2008); Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited, in South Africa, which hold platinum resource tenements; and head office and administration.

Notes to the financial statements continued

5. Segment Information (continued)

(b) Segment information provided to the executive directors

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2011 is as follows:

	Alumicor SA Holdings (Pty) Ltd $	Head Office & Admin. $	Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited $	PT Katingan Ria $	Total $
Year ending ended 31 December 2011					
Revenue					
Sales to external customers	4,427,290	-	-	-	4,427,290
Other revenue	29,886	386,626	-	1,122	417,634
Total segment revenue	4,457,176	386,626	-	1,122	4,844,924
Result					
Segment results before finance costs, impairment loss exploration assets and income tax	694,739	(4,550,893)	-	(17,609)	(3,873,763)
Finance costs	(917)	-	-	-	(917)
Impairment loss – exploration assets	-	-	-	(1,204,126)	(1,204,126)
Income tax (expense)/benefit	(215,863)	47,939	-	-	(167,924)
Net profit/(loss) after tax for period	477,959	(4,502,954)	-	(1,221,735)	(5,246,730)

Notes to the financial statements continued

5. Segment Information (continued)

(b) Segment information provided to the executive directors (continued)

	Alumicor SA Holdings (Pty) Ltd $	Head Office & Admin. $	Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited $	PT Katingan Ria $	Total $
Assets and liabilities					
Segment assets	3,421,058	8,464,860	2,206,080	12,961,496	27,053,494
Segment liabilities	2,426,424	9,207,174	-	2,264	11,635,862
Depreciation	(374,282)	(4,472)	-	(129)	(378,883)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Alumicor SA Holdings (Pty) Ltd $	Head Office & Admin. $	Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited $	Total $
Year ending ended 31 December 2010				
Revenue				
Sales to external customers	4,964,088	-	-	4,964,088
Other revenue	30,522	455,875	-	486,397
Total segment revenue	4,994,610	455,875	-	5,450,485
Result				
Segment results before finance costs and income tax	1,218,083	(1,368,758)	-	(150,675)
Finance costs	(14,549)	-	-	(14,549)
Income tax (expense)/benefit	(305,297)	(31,132)	-	(336,429)
Net profit/(loss) for period after income tax	898,237	(1,399,890)	-	(501,653)
Assets and liabilities				
Segment assets	3,491,515	8,935,017	2,206,080	14,632,612
Segment liabilities	2,798,265	2,709,151	-	5,507,416
Depreciation	(285,162)	(3,374)	-	(288,536)
Impairment losses	159,004	-	-	159,004

Notes to the financial statements continued

5. Segment Information (continued)

(c) Other segment information

(i) *Segment revenue*

The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the statement of comprehensive income. Revenues from external customers are derived from the toll treating of aluminium dross. A breakdown of revenues and results is provided in the tables above.

Reportable segment revenue reconciles to total revenue from continuing operations as follows:

	2011 $	2010 $
Total segment revenue	4,844,924	5,450,485
Total revenue from continuing operations	4,844,924	5,450,485

In relation to Alumicor SA Holdings (Pty) Limited all external revenue is generated from one customer.

(ii) Segment net loss

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

(ii) Segment net loss (continued)

Reportable segment loss reconciles to loss for year as follows:

	2011 $	2010 $
Segment losses	(5,246,730)	(501,653)
Intersegment eliminations	-	-
Total losses per the financial statements	(5,246,730)	(501,653)

(iii) Segment assets

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	2011 $	2010 $
Segment assets	27,053,494	14,632,612
Inter-segment eliminations	(6,656,077)	(4,498,342)
Total assets per the financial statements	20,397,417	10,134,270

Notes to the financial statements continued

5. Segment Information (continued)

(iv) Segment liabilities

The amounts provided to the executive directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total assets as follows:

	2011 $	2010 $
Segment liabilities	11,635,862	5,507,416
Inter-segment eliminations	(4,310,828)	(4,919,804)
Total liabilities per the financial statements	7,325,034	587,612

6. Expenses

Expenses from Continuing Operations

	2011 $	2010 $
(a) Amounts included in administrative and other expenses		
Impairment provision loan and gain on translation of loan	(155,595)	119,956
Impairment provision loan and gain on translation of creditor	(76,351)	-
Finance charges	4,390	14,449
Depreciation	39,083	11,159
Rental property	44,929	29,197
Rental expense relating to operating leases	7,812	5,576
Employee benefits expense	2,355,551	2,026,948
(b) Amount included in cost of sales		
Depreciation	339,800	277,377

Notes to the financial statements continued

7. Income tax

	2011 $	2010 $
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Adjustment in respect of current income tax of previous years	-	845
Current income tax (benefit)/charge	1,568,308	357,843
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,400,384)	(22,259)
Income tax expense (credit)	**167,924**	**336,429**
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Total accounting (loss)/profit before income tax	(5,078,806)	(165,224)
At the Parent entity's statutory income tax rate of 30% (2010: 30%)	(1,523,642)	(49,567)
Adjustments in respect of current income tax of previous years	-	844
Section 40-880	(45,003)	(23,560)
Share based payments	61,994	24,514
Non deductible impairment	-	-
Non deductible expenses	219,021	307,291
Impairment of loans not recognised as a deferred tax asset	(69,584)	35,987
Tax losses not recognised as a deferred tax asset	1,525,138	40,920
Income tax (benefit)/expense	167,924	336,429

Notes to the financial statements continued

7. Income tax (continued)

	2011 $	2010 $
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 31 December relates to the following:		
Deferred tax asset – the balance contains temporary differences attributable to:		
Employee benefits	7,244	7,259
Property, plant & equipment	124,849	158,207
Other	6,350	4,531
Gross deferred income tax assets	138,443	169,997
Deferred tax liabilities		
Temporary differences - Unrealised exchange gains	(97,975)	(2,765)
Temporary differences – interest receivables	157,254	109,984
Gross deferred income tax liabilities	59,279	107,219

The group has not recognised a Deferred Tax Asset on the statement of financial position for the following items which are available for indefinite offset against future gains subject to continuing to meet relevant statutory tests:

	2011 $	2010 $
Tax losses	1,566,058	307,780
Impairment of loan	(10,692)	72,744
Impairment of fixed assets	-	-

	2011 $	2010 $
(d) Income tax payable		
Income tax payable	105,710	67,017

Notes to the financial statements continued

8. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	2011 $	2010 $
(a) Earnings used in calculating earnings per share		
Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent	(5,362,371)	(735,195)
(b) Weighted average number of ordinary shares		
Weighted average number of ordinary shares for basic earnings per share	281,131,875	161,197,809
Weighted average number of ordinary shares for diluted earnings per share	193,403,650	161,197,809

9. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and in hand	1,046,443	887,420
Short-term deposits	2,217,763	4,326,101
	3,264,206	5,213,521

10. Current assets – trade and other receivables

	2011 $	2010 $
Trade Receivables	329,399	521,976
Allowance for impairment loss	-	-
Carrying amount of trade receivables	329,399	521,976

(a) Allowance for impairment loss

Trade receivables are receivable in South African Rand, are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Balances within trade receivables do not contain impaired assets and are not past due. It is expected that the balances will be received when due.

Notes to the financial statements continued

11. Current assets – inventories

	2011 $	2010 $
Raw materials (at cost)	9,202	13,709

12. Non-current assets - receivables

	2011 $	2010 $
Loan to African Dune (a)	1,376,690	1,532,284
Provision for impairment	(1,376,690)	(1,532,284)
Carrying amount of non-current receivables	-	-

(a) The loan to African Dune is receivable in South African Rand. As the repayment source of the African Dune loan is in doubt, an allowance for full impairment has been raised.

(a) Loan to African Dune

Realm and African Dune have entered into a loan agreement whereby, during the year ended 31 December 2008, Realm has lent African Dune ZAR8,000,000 at 11%. A Deed of Pledge and Cession has been signed as security for the current and future obligations of African Dune under the loan agreement. Under the terms of the Deed of Pledge and Cession, African Dune pledges its shares in Alumicor SA Holdings (Proprietary) Limited.

Movements in the provision for impairment were as follows:

	2011 $	2010 $
At 1 January	1,532,284	1,412,328
Increase in provision for impairment during the year	(155,594)	119,956
At 31 December	1,376,690	1,532,284

(b) Fair values

The directors believe that the fair values of non-current receivables of the Group and Company are consistent with the carrying values.

The fair values are based on cash flows discounted at a rate reflecting the current market rates.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

(d) Credit risk

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables.

Notes to the financial statements continued

13. Non-current assets – investments in associates accounted for using the equity method

(a) Investment details

	2011 $	2010 $
Unlisted		
Masedi Platinum (Proprietary) Limited	1,074,867	1,074,867
Nkwe Platinum (Scarlet) (Proprietary) Limited	1,131,213	1,131,213
Investments in associates	2,206,080	2,206,080

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost, less any allowance for impairment.

At year end, the Group owns 47.5% of Masedi Platinum (Proprietary) Limited ("Masedi") and 49.99% of Nkwe Platinum (Scarlet) (Proprietary) Limited ("NPS"), acquired by issuing 15,214,348 shares in the Company, valued at date of acquisition at $0.145 per share. Stage 2 of the acquisition transaction, which would result in acquisition of further shares in Masedi and NPS, is dependent upon Ministerial Consent from the South African Minister of Minerals and Energy for the acquisition of a controlling interest in terms of Section 11 of the Mining Act (in South Africa) for the transfer of the assets to Realm. Once Ministerial approval is received, Realm will achieve 74% ownership of Masedi and NPS, the balance being held by a local Black Economic Empowerment ("BEE") partner.

Ministerial approval was received on 8 March 2012, and the Company will issue shares (detailed below) in April 2012 to complete the purchase of the additional shares in Masedi and NPS.

(i) an additional 15,220,435 shares in the Company to acquire the controlling interests of Masedi and NPS; and
(ii) an additional 34,789,565 shares in the Company to the vendors of Morning Star Holdings (Australia) Limited.

(b) Movements in the carrying amount of the Group's investment in associates

Nil

(c) Fair values

The fair values of the Group's investment in Masedi Platinum (Proprietary) Limited is $1,074,867 (2010 $1,074,867) and Nkwe Platinum (Scarlet) (Proprietary) Limited is $1,131,213 (2010 $1,131,213).

Notes to the financial statements continued

13. Non-current assets – investments in associates accounted for using the equity method (continued)

(d) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associates:

Extract from the associates' statement of financial position:

	2011 $	2010 $
Current assets	28,734	35,281
Non-current assets	485,198	588,780
	513,932	624,061
Current liabilities	(104,325)	(123,107)
Non-current liabilities	(375,540)	(458,638)
	(479,865)	(581,745)
Net assets	34,067	42,316
Share of associates' net assets	17,030	21,217
Goodwill on acquisition of associates	2,189,050	2,184,863
	2,206,080	2,206,080

For the purpose of impairment testing, the company obtained an independent valuation from Al Maynard & Associates Pty Ltd, Consulting Geologists, dated 22 December 2011, which indicates that the current cash value range for the associates' mineral properties is in excess of the carrying amount of the investment in associates as above.

(e) Contingent liabilities of associates

Nil

Notes to the financial statements continued

14. Non-current assets – property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Land and Buildings $	Plant and equipment $	Motor vehicles $	Computer equipment $	Office furniture and equipment $	Total $
Year ended 31 December 2010						
At 1 January 2010 net of accumulated depreciation	931,238	454,887	57,672	16,403	12,907	1,473,107
Additions	281,710	377,552	-	17,130	12,025	688,417
Impairment (i)	-	129,816	29,188	-	-	159,004
Disposals	-	-	(18,022)	-	-	(18,022)
Exchange differences	(18,480)	(3,326)	(1,019)	(4,725)	(2,550)	(30,100)
Depreciation charge for the year	(60,870)	(196,905)	(19,602)	(7,157)	(4,002)	(288,536)
At 31 December 2010 net of accumulated depreciation- Net carrying amount	1,133,598	762,024	48,217	21,651	18,380	1,983,870
At 31 December 2010						
Cost at fair value	1,148,836	1,676,540	201,810	54,616	47,952	3,129,754
Accumulated depreciation and impairment	(15,238)	(914,516)	(153,593)	(32,965)	(29,572)	(1,145,884)
	1,133,598	762,024	48,217	21,651	18,380	1,983,870

	Land and Buildings $	Plant and equipment $	Motor vehicles $	Computer equipment $	Office furniture and equipment $	Total $
Year ended 31 December 2011						
At 1 January 2011 net of accumulated depreciation	1,133,598	762,024	48,217	21,651	18,380	1,983,870
Additions	277,759	407,190	-	7,646	5,509	698,104
Disposals	-	-	(38,490)	-	(17,563)	(56,053)
Exchange differences	(235,625)	(161,112)	(6,822)	(3,700)	10,885	(396,374)
Depreciation charge for the year	(79,158)	(313,752)	15,968	(11,240)	9,299	(378,883)
At 31 December 2011 net of accumulated depreciation- Net carrying amount	1,096,574	694,350	18,873	14,357	26,510	1,850,664
At 31 December 2011						
Cost at fair value	1,190,970	1,922,618	156,048	58,562	35,898	3,364,096
Accumulated depreciation and impairment	(94,396)	(1,228,268)	(137,175)	(44,205)	(9,388)	(1,513,432)
	1,096,574	694,350	18,873	14,357	26,510	1,850,664

Notes to the financial statements continued

14. Non-current assets – property, plant and equipment (continued)

(b) Impairment of Plant and equipment, Motor vehicles, Computer equipment and office furniture and equipment

Within the Alumicor cash generating unit, recoverable value was estimated for certain items of Plant and equipment, Motor vehicles, Computer equipment and office furniture and equipment. The recoverable amount estimation was based on fair value less costs to sell and was determined at the cash generating level. The fair value was determined by reference to an independent valuation and director's estimates. As a result there was a reversal of impairment of fixed assets at the Alumicor cash generating unit of $nil in 2011 (2010: $159,004).

15. Non-current assets – exploration and evaluation assets

	2011 $	2011 $
Cost on acquisition	13,468,013	-
Foreign exchange movement	(889,453)	-
Carrying amount at year end	12,578,560	-

Exploration and evaluation assets consist of the exploration and evaluation assets acquired as part of the purchase of 51% of the shares in PT Katingan Ria (note 24).

The recoverability of the carrying amount of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

For the period from 5 October 2011 (the date the 51% interest in the exploration and evaluation assets was acquired) to 31 December 2011, the income and expense items arising from the exploration and evaluation of mineral resources are as follows:

	$
Income	17,609
Expenses	18,731

At 31 December 2011, the assets and liabilities arising from the exploration and evaluation of mineral resources are as follows:

	$
Assets	382,936
Liabilities	2,264

Operating and investing cash flows arising from the exploration for and evaluation of mineral resources have not been disclosed as the directors consider that these are not material to the financial statements.

Notes to the financial statements continued

16. Current liabilities – trade and other payables

	2011 $	2010 $
Trade payables	847,368	347,045
Other payables	1,137,931	45,996
Carrying amount of trade and other payables	1,985,299	393,041

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Guarantees

Realm Resources Limited has a subordination agreement with Alumicor SA Holdings Proprietary Limited to guarantee its creditors.

(c) Amounts owing to related parties

Included in other payables is an amount owing to a director, Andrew Matheson of $1,080,970. Further information on this amount is included in notes 21 and 24.

17. Borrowings

(a) Loans

	2011 $	2010 $
Current		
Loans	5,170,000	-
	5,170,000	-

	2011 $	2010 $
Current		
Obligations under, finance leases and hire purchase contracts (note 26)	4,746	14,193
	4,746	14,193
Non - current		
Obligations under finance leases and hire purchase contracts (note 26)	-	6,142
	-	6,142

The finance leases and hire purchase contracts are secured by the equipment financed, interest is charged at variable rates between 10.5% and 15%.

Notes to the financial statements continued

17. Borrowings (continued)

On 28 September 2011, the company entered into a $5,170,000 convertible equity linked credit facility with the following parties:

	$
Taurus Resources No. 2, L.P.	4,879,922
Taurus Funds Management Pty Limited, as trustee of the Taurus Resources No. 2 Trust	290,078
Total	5,170,000

These loans are unsecured and did not attract interest. During the year, the company drew down the full $5,170,000 of the facility. The maturity date of the loan was 12 January 2012, although this was extended to 28 February 2012.

On 28 February 2012, the company held a general meeting where shareholders approved the conversion of the above loans into ordinary shares in the company at a conversion rate of $0.091 per share. The shares issued subsequent to year end are as follows:

	No. of shares issued
Taurus Resources No. 2, L.P.	53,625,518
Taurus Funds Management Pty Limited, as trustee of the Taurus Resources No. 2 Trust	3,187,669
Total	56,813,187

Accordingly, following the issue of the above shares, the loans to the above Taurus entities were extinguished.

(b) Fair values

The carrying amount of the Group's current and non-current borrowings approximates fair value.

(c) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 3.

18. Contributed equity

	2011 $	2010 $
Ordinary shares (a)	30,877,930	20,821,894
	30,877,930	20,821,894

Notes to the financial statements continued

18. Contributed equity (continued)

(a) Ordinary shares

	No.	No.
Issued and fully paid	281,131,875	161,197,809

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

	No.	$
Movement in ordinary shares on issue		
At 1 January 2010	161,197,809	20,821,894
Nil movement	-	-
At 1 January 2011	161,197,809	20,821,894
Share scheme issue (note 23)	4,000,000	165,319
Shares issued for farmin (i)	5,000,000	450,000
Shares issued during the year – placement issue (ii)	95,934,066	8,730,000
Share issue expenses (ii)	-	(654,283)
Shares issued in relation to purchase of subsidiary (iii)	15,000,000	1,365,000
At 31 December 2011	281,131,875	30,877,930

(i) During the year, the company entered into a Farmin and Joint Venture Agreement with Nkwe Platinum (Rooderand) (Pty) Ltd ("Nkwe") whereby Nkwe granted Realm an exclusive right in earn an undivided 51% interest in the prospecting right in respect of platinum group minerals located in the north western rim of Pilanesberg National Park in South Africa ("the tenement").

In order to earn this right, Realm has to within a two year period of the prospecting right being officially renewed in accordance with the requirements of the Mining Act (in South Africa):

(a) incur $2,000,000 of costs in connection with the activities of exploration, development and mining of the area the subject of the tenement; or
(b) pay Nkwe an amount representing the difference between $2,000,000 and the actual expenditure incurred by Realm in connection with the activities of exploration, development and mining of the area the subject of the tenement.

If the company does meet the requirements set out in (a) or (b) above, the Farmin and Joint Venture Agreement is terminated, and will have no further force or effect on the company.

In order to enter into this agreement, the company issued 5,000,000 shares to Nkwe. The company valued these shares at $0.09 per share, representing the share price of the company at the date the shares were issued, with a corresponding expense recorded in profit or loss.

(ii) During the year, the company issued 95,934,066 shares at $0.091 per share, raising $8,730,000. $654,283 of costs were incurred in relation to this issue.

(iii) Refer note 24 for details of performance rights, and subsequent conversion into ordinary shares, issued by the company during the year as part of the purchase consideration of a 100% interest in Kalres Limited and a 51% interest in of PT Katingan Ria (note 24).

Notes to the financial statements continued

18. Contributed equity (continued)

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the equity market is constantly changing, management may issue new shares to provide for future expansion and development activity.

19. Retained earnings and reserves

(a) Movements in retained earnings were as follows:

	2011 $	2010 $
Balance 1 January	(11,542,720)	(11,054,086)
Net (loss)/profit	(5,362,371)	(735,195)
Share based payment reserve transferred to retained income	-	193,439
Non-controlling interest's share of profits allocated to the parent until non-controlling interest's share of losses previously absorbed by parent have been recovered	-	53,122
	(16,905,091)	(11,542,720)

(b) Other reserves

	Equity benefits reserve $	Foreign currency translation $	Total $
At 1 January 2010	193,439	76,619	270,058
Share based payment transferred to retained earnings	(193,439)	-	(193,439)
Employee Option Plan	81,710	-	81,710
Foreign currency translation	-	(71,265)	(71,265)
At 31 December 2010	81,710	5,354	87,064
Share based payment transferred to retained earnings	-	-	-
Employee Option Plan	41,330		41,330
Foreign currency translation	-	(1,514,864)	(1,514,864)
At 31 December 2011	123,040	(1,509,510)	(1,386,470)

Notes to the financial statements continued

19. Retained earnings and reserves (Continued)

(c) Nature and purpose of reserves

Employee equity benefits reserve
The employee equity benefits reserve is used to record the value of share based payments provided to persons, including Key Management Personnel and consultants, as part of their remuneration. Refer to note 22 for further details of these plans.

Foreign currency translation reserve
The foreign exchange currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

20. Statement of cash flow reconciliation

	2011 $	2010 $
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net (loss)/profit	(5,246,730)	(501,653)
Adjustments for:		
Other non-cash income	(3,138)	(19,901)
Depreciation	378,884	288,536
Impairment provision – African Dune loan/Gain on translation of creditor	(231,946)	119,956
Reversal of impairment of fixed assets in subsidiary	-	(159,004)
Impairment exploration assets	1,204,126	
Net (loss)/gain on foreign exchange	313,746	43,305
Option expense	450,000	
Share based payments expense	206,648	81,710
Changes in assets and liabilities		
(increase)/decrease in inventories	2,151	905
(increase)/decrease in trade and other receivables	(54,628)	(165,349)
(increase)/decrease in current tax assets	-	299
(increase)/decrease in deferred tax assets	(300)	(17,640)
(decrease)/increase in deferred tax liabilities	(47,940)	30,287
(decrease)/increase in trade and other payables	526,940	(59,384)
(decrease)/increase in tax provision	56,695	(40,075)
Net cash from (used in) operating activities	(2,445,942)	(398,008)

Notes to the financial statements continued

21. Related party transactions

(a) Ultimate parent

Realm Resources Limited is the ultimate parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24d.

(c) Key management personnel ("KMP")

Details to KMP, including remuneration paid, are included in note 22.

(d) Other transactions with related parties

The following table provides the total amount of other transactions that were entered into with related parties for the relevant financial year:

	2011 $	2010 $
Included in profit or loss		
Rental payment to Marion McConnachie Family Trust	44,929	29,197
Related party transactions are made on an arm's length basis both at normal market prices and on normal commercial terms.		
Included in statement of financial position		
Loans from Taurus Resources No. 2 L.P. and Taurus Funds Management Pty Limited (i)	5,170,000	-
Amount owing to Andrew Matheson (ii)	1,080,970	-

(i) Taurus Funds Management Pty Limited have nominated Michael Davies to represent their interests in the Company. Mr. Davies was appointed as a director of Realm Resources Limited on 20 October 2011. Loans totalling $5,170,000 were entered into on 28 September 2011, prior to Mr. Davies joining the board of Realm Resources Limited (note 17).

(ii) Refer to note 24 for details on amounts owing to a director of the company Andrew Matheson, at year end.

Notes to the financial statements continued

22. Key management personnel

(a) Compensation of key management personnel

	Consolidated	
	2011	2010
	$	$
Short - term employee benefits	1,142,880	640,024
Post – employment benefits	29,752	14,220
Termination benefits	-	-
Share based payment	185,984	32,684
Total compensation	1,358,616	686,928

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 23.

(b) Option holdings of key management personnel (consolidated)

31 December 2011	Balance at beginning of period 1 January 2011	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 31 December 2011	Vested at 31 December 2011		
						Total	Exercisable	Not exercisable
Ryan McConnachie	1,000,000	1,000,000	-	-	2,000,000	2,000,000	2,000,000	-
	1,000,000	1,000,000	-	-	2,000,000	2,000,000	2,000,000	-

31 December 2010	Balance at beginning of period 1January 2010	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 31 December 2010	Vested at 31 December 2010		
						Total	Exercisable	Not exercisable
Ryan McConnachie	1,000,000	1,000,000	-	(1,000,000)	1,000,000	1,000,000	1,000,000	-
	1,000,000	1,000,000	-	(1,000,000)	1,000,000	1,000,000	1,000,000	-

Notes to the financial statements continued

22 Key management personnel (continued)

(c) Shareholdings of key management personnel (consolidated)

Shares held in Realm Resources Limited

31 Dec 2011	Balance at beginning of period 1 Jan 11	Granted as remuneration	On exercise of options	Net change other	Balance at end of period 31 Dec 11
Directors					
Grant Button (i)	1,349,000	500,000	-	700,000	2,549,000
Richard Rossiter	2,500,000	1,250,000	-	-	3,750,000
Theo Renard	1,000,000	1,250,000	-	-	2,250,000
Neale Fong	1,184,696	500,000	-	-	1,684,696
Andrew Matheson (ii)	-	-	-	5,000,000	5,000,000
Andrew Purcell (iii)	-	-	-	5,275,000	5,275,000
	6,033,696	3,500,000	-	10,950,000	20,508,696

31 Dec 2010	Balance at beginning of period 1 Jan 10 ordinary	Granted as remuneration ordinary	On exercise of options ordinary	Net change other	Balance at end of period 31 Dec 10
Directors					
Grant Button	1,349,000	-	-	-	1,349,000
Richard Rossiter	2,500,000	-	-	-	2,500,000
Theo Renard	1,000,000	-	-	-	1,000,000
Neale Fong	1,184,696	-	-	-	1,184,696
	6,033,696	-	-	-	6,033,696

(i) Resigned 20 October 2011
(ii) Appointed 6 June 2011
(iii) Appointed 20 October 2011

All equity transactions with KMP other than those arising from the exercise of remuneration shares and options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Notes to the financial statements continued

22. Key management personnel (continued)

(d) Loans to key management personnel

(i) Details of aggregates of loans to key management personnel for the year ended 31 December 2011 are as follows:

Total	Balance at beginning of period $	Loans granted during period $	Balance at end of period $	Interest not charged $
Grant Button	250,000	75,000	325,000	13,972
Richard Rossiter	500,000	187,500	687,500	28,856
Theo Renard	150,000	187,500	337,500	11,846
Neale Fong	150,000	75,000	225,000	9,112
Ryan McConnachie				
	1,050,000	525,000	1,575,000	63,786

(ii) Details of aggregates of loans to key management personnel for the year ended 31 December 2010 are as follows:

Total	Balance at beginning of period $	Loans granted during period $	Balance at end of period $	Interest not charged $
Grant Button	250,000	-	250,000	16,250
Richard Rossiter	500,000	-	500,000	32,500
Theo Renard	150,000	-	150,000	9,750
Neale Fong	150,000	-	150,000	9,750
Ryan McConnachie	-	-	-	-
	1,050,000	-	1,050,000	68,250

These loans relate to the share plan detailed in note 22 and the carrying value is not reflected in the balance sheet as the loans are non - recourse loans linked to the share plan.

(iii) Terms and conditions of loans to key management personnel
Loans to directors are interest free. The average commercial rate of interest during the year was 4.86% (2010: 6,5%).

23. Equity based benefit plans

(a) Recognised share based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2011 $	2010 $
Expenses arising from equity – settled share – based payment transactions	206,649	81,710
Total expense arising from share-based payment transactions	206,649	81,710

Notes to the financial statements continued

23. Share-based payment plans (continued)

The share – based payment plans are described below. There have been no cancellations or modifications to the share plan during 2011 and 2010. At a general meeting of shareholders on 5 September 2011 shareholders approved the following change to the option plan:

"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."

(b) Types of share-based payment plans

Option Plan (OP)
Share options may be granted to the directors, full time or part-time employees of, and consultants to, the Company. The granting of options is at the discretion of the directors. The options will be issued free of charge and 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.

Share Plan (SP)
Shares in the Company may be issued to directors, full time or part-time employees of, and consultants to, the Company. The issuing of shares is at the discretion of the directors. The issue price is at the discretion of the directors but may not be less than the weighted average price at which the Shares were traded on ASX during the 5 trading day period immediately before the date of issue of the shares. Non-recourse loans will be extended to the participants in the share plan.

The shares issued under the Share Plan may not be transferred or otherwise dealt with, and will not be quoted on ASX, until any loan in respect of the shares has been repaid and a period of 12 months (in relation to one half of the shares offered), 24 months (in relation to the remaining half of the shares offered) has passed from the date of issue.

(c) Summaries of options granted under OP and SP

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, share options during the year:

OP	2011 No.	2011 WAEP $	2010 No.	2010 WAEP $
Outstanding at the beginning of the year	2,500,000	0.15	2,500,000	0.15
Granted during the year	1,000,000	0.15	2,500,000	0.15
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(2,500,000)	(0.15)
Outstanding at the end of the year	3,500,000	0.15	2,500,000	0.15
Exercisable at the end of the year	3,500,000		2,500,000	

Notes to the financial statements continued

23. Share-based payment plans (continued)

SP	2011 No.	2011 WAEP $	2010 No.	2010 WAEP $
Outstanding at the beginning of the year	8,750,000	0.18	8,750,000	0.18
Granted during the year	4,000,000	0.15	-	-
Forfeited during the year	-		-	-
Exercised during the year	-		-	-
Expired during the year	-		-	-
Outstanding at the end of the year	12,750,000	0.17	8,750,000	0.18

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options as at 31 December 2011 is 1.4 years (2010: 1.5 years) and for the shares is 1.88 years (2010: 4 years).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was $0.15 (2010: $0.15). The weighted average fair value of the shares issued during the year was $0.15 (2010: $nil)

(f) Option pricing model: OP and SP

Equity – settled transactions
The fair value of the equity – settled share options granted under OP is estimated as at the date of grant using a Black Scholes option pricing model. Expected volatility is based on the historical share price volatility.

The following tables list the inputs into the models used for the year ended 31 December 2011

OP 2011	Grant date share price $	Exercise price $	Expected volatility %	Option life (years)	Dividend yield %	Risk–free interest rate %	Weighted average share price at measurement date $	Model used
1,000,000	0.091	0.15	89	4	-	5.093	0.041	Black Scholes

The following tables list the inputs into the models used for the years ended 31 December 2010

SP 2011	Grant date share price $	Exercise price $	Expected volatility %	Option life (years)	Dividend yield %	Risk–free interest rate %	Weighted average share price at measurement date $	Model used
4,000,000	0.091	0.15	89	4	-	5.093	0.041	Black - Scholes

Notes to the financial statements continued

23. Share-based payment plans (continued)

OP 2010	Grant date share price $	Exercise price $	Expected volatility %	Option life (years)	Dividend yield %	Risk–free interest rate %	Weighted average share price at measurement date $	Model used
2,500,000	0.10	0.15	90	2	-	4.591	0.032	Black - Scholes

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical sector volatility is indicative of further trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

24. Business combination

(a) Summary of acquisition

On 5 October 2011, Realm Resources Limited ("Realm") acquired:

- 100% of the issued capital of Kalres Limited ("Kalres"), an unlisted company based in the Cayman Islands; and
- 51% of the issued share capital of PT Katingan Ria ("PTKR"), an unlisted company based in Indonesia.

Kalres does not trade, and does not have any assets or liabilities, other than US$100 cash. Through Kalres, Realm acquired 51% of PTKR, a coal exploration project.

As Kalres was purchased to enable Realm to acquire the 51% interest in PTKR, the acquisitions of Kalres and PTKR are considered as one acquisition for accounting purposes. The purchase consideration includes consideration for the purchase of Kalres, PTKR and consideration for the assignment of rights and obligations that Kalres had in order to purchase a controlling interest in PTKR.

Details of the purchase consideration and the net assets acquired are as follows:

Purchase consideration:

	$
Cash paid	12,294,946
Cash payable	1,157,407
Fair value of performance rights in Realm issued	1,365,000
Total purchase consideration	14,817,353
Net identifiable assets acquired	(13,665,699)
Impairment loss recognised on acquisition	1,151,654

All cash payable under the purchase agreements was payable in US$. All amounts were paid on 5 October 2011, resulting in an AUD equivalent of $12,294,946 being paid.

Under the sale and purchase agreement, the performance rights issued converted into fully paid ordinary share capital of Realm on completion of Realm's purchase of Kalres, and Realm acquiring (through Kalres) a 51% interest in PTKR. Accordingly, the performance rights converted into ordinary shares on 5 October 2011, and have been valued as set out below.

Notes to the financial statements continued

24. Business combination (continued)

As discussed at note 18, during the year ended 31 December 2011, Realm announced that it had completed the placement of 95,934,086 fully paid ordinary shares in the capital of Realm at an issue price of $0.091 per share, to raise approximately $8.73m. As this share issue was used to fund the acquisition of Kalres and PTKR, the company has used this issue price to value the performance rights (and subsequent shares) issued in Realm as part of the above acquisition. 15,000,000 performance rights were issued, valued at $0.091 per right, resulting in a fair value of $1,365,000.

Under the Master Agreement in relation to the sale of the shares in PTKR, Realm (through Kalres) has an option to purchase an additional 24% of the issued capital in PTKR for purchase consideration of US$17,000,000, payable in two tranches of US$12,000,000 and US$5,000,000.

The purchase of the remainder of the additional 24% interest in PTKR is dependent on the following conditions

- Completion of a feasibility study confirming to Kalres in its absolute discretion that the Katingan Ria Project is commercially viable;
- PTKR, with the assistance of the vendors, ensuring that all mining licenses comprising the Katingan Ria Project are 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
- Obtaining the Pinjam Pakai Exploration license for approximately 2,680.79 hectares in the south part of the Katingan Ria Project from the Minister of Forestry (in Indonesia) and making all necessary forestry payments and charged under the relevant forestry regulations (in Indonesia).

Should Kalres decide to withdraw its interest in acquiring the remaining 24% of the issued capital of PTKR for a breach of one of the three conditions outlined above, the vendors have agreed to re-acquire the 51% interest in PTKR from Realm for US$10,000,000.

Should Kalres decide to withdraw its interest in acquiring the remaining 24% of the issued capital in PTKR for a reason other than a breach of one of the three conditions outlined above, Kalres has agreed to sell its 51% share of PTKR back to the vendors for US$5,000,000.

The assets and liabilities recognised as a result of the acquisitions are as follows:

	Fair value ($)
Cash and cash equivalents	384,527
Plant & equipment	4,341
Payables	(1,229)
Net identifiable assets acquired	387,639
Less: non-controlling interests	(189,953)
	197,686
Exploration and evaluation assets	13,468,013
Net assets acquired	13,665,699

The directors obtained an independent valuation from Al Maynard & Associates Pty Ltd, Consulting Geologists, which indicated a preferred current cash value for the Katingan Ria Coal Project of US$25.6m (translated to $26,936,026), of which Realm's 51% interest is valued at US$12,800,000 (translated to $13,468,013 at acquisition date).

The excess of the consideration paid over the net assets acquired resulted in an impairment loss of $1,151,654.

Notes to the financial statements continued

24. Business combination (continued)

The acquired businesses contributed revenues of $1,122 and incurred a net loss of $17,609 (excluding the impairment loss of $1,154,654 discussed above) to the group for the period from 5 October 2011 to 31 December 2011. The directors have not disclosed an estimate of the contribution to consolidated revenue and profit for the year ended 31 December 2011, assuming the acquisitions had occurred on 1 January 2011, as they do not consider this material information.

Included as part of the consideration of US$1,350,000 (translated to $1,420,454 at acquisition date), was payable to a director of Realm, Andrew Matheson.

Andrew Matheson agreed that, rather than receiving proceeds of US$1,350,000 in relation to his share of the proceeds received as part of the sale of PTKR to Realm, he would receive US$250,000 (translated to $263,047 at acquisition date, and paid on 5 October 2011), with the balance of US$1,100,000 paid through the issue 12,087,912 ordinary shares in Realm, valued at $0.091 per share. This was approved by shareholders at the General Meeting of Realm, held on 28 February 2011.

As the issue of the 12,087,912 shares was not approved by shareholders until 28 February 2012, a liability of US$1,100,000 is recorded by the group as at 31 December 2011, translated to $1,080,970 using the foreign exchange rate as at 31 December 2011, and has been recorded as part of other payables (note 16).

There were no acquisitions during the year ended 31 December 2010.

(b) Purchase consideration – cash outflow

	2011 $	2010 $
Outflow of cash to acquire subsidiary, net of cash acquired:		
Cash consideration	12,294,946	-
Less: cash acquired	(384,527)	-
Outflow of cash – investing activities	11,910,419	-

Acquisition related expenses

Acquisition related expenses of $2,055,314 are included in due diligence expenses in profit or loss, and in operating cash flows in the statement of cash flows.

(c) Acquisition of Alumicor SA Holdings Proprietary Limited

On 1 August 2008 Realm Resources Limited acquired 74% of the voting shares of Alumicor SA Holdings Proprietary Limited, an unlisted proprietary company based in South Africa specialising in aluminium dross treatment.

The company's 74% owned subsidiary, Alumicor Maritzburg (Pty) Ltd ("Alumicor"),has an agreement where its major customer, Hulamin Ltd ("Hulamin"), has an option to purchase the business of Alumicor for approximately South African Rand 31,000,000 (approximately $3.7m, based on exchange rates as at 31 December 2011).

Notes to the financial statements continued

24. Business combination (continued)

Should Hulamin exercise its option to purchase the business of Alumicor, Realm Resources would sell its aluminium dross treatment process to Hulamin for approximately $3.7m. Results attributable to the Alumicor business, including total assets and liabilities, are disclosed in note 5 to the financial statements.

(d) Significant Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(d):

Name of entity	Equity interest		Investment Equity Holding	
	Country of incorporation	Class of shares	2011 %	2010 %
Alumicor SA Holdings (Pty) Limited	South Africa	Ordinary	74	74
Alumicor Maritzburg (Pty) Ltd	South Africa	Ordinary	74	74
Alumicor Intellectual Property (Pty) Ltd	South Africa	Ordinary	74	74
Nduzi Real Estate Projects (Pty) Ltd	South Africa	Ordinary	74	74
Realm Resources SA Limited	South Africa	Ordinary	74	74
Kalres Limited	Cayman Islands	Ordinary	100	100
PT Katingan Ria	Indonesia	Ordinary	51	51
Morning Star Holdings (Australia) Limited	Australia	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held for each of the subsidiaries listed above.

Notes to the financial statements continued

25. Parent entity disclosures

	2011 $	2010 $
Current assets	1,738,593	4,353,423
Current liabilities	6,759,182	57,727
Total assets	21,411,012	8,882,439
Total liabilities	6,818,461	164,946
Net assets	14,592,552	8,717,493
Contributed Equity	30,877,930	20,821,894
Reserves	123,040	81,710
Accumulated loss	(16,408,418)	(12,186,111)
	14,592,552	8,717,493
Net (loss)	(4,222,307)	(1,130,739)
Other comprehensive income/(loss)		-
Total comprehensive income/(loss)	(4,222,307)	(1,130,739)
Parent Contingent Liabilities	-	-
Parent Contractual Commitments for Acquisition of Property, Plant and Equipment	-	-

26. Commitments

(a) Leasing commitments

Finance lease and hire purchase commitments – Group as lessee
The Group has finance leases for various items of machinery with a carrying amount of $5,149 (2010: $22,460). These lease contracts expire within one year.

	2011 $	2010 $
Within one year	5,548	16,318
After one year but not more than 2 years	-	7,651
Total minimum lease payments	5,548	23,969
Less amounts representing finance charges	(399)	(1,509)
Present value of minimum lease payments	5,149	22,460

(b) Capital expenditure commitments

At 31 December 2011 there are no capital expenditure commitments (2010: Nil).

27. Contingencies

There are no contingent liabilities as at 31 December 2011 (2010: Nil).

Notes to the financial statements continued

28. Events after the balance sheet date

On 28 February 2012, the Company held a general meeting where shareholders approved the following:

(i) conversion of loans owing to Taurus Resources No. 2, L.P. and Taurus Funds Management Pty Limited, as trustee for the Taurus No. 2 Trust, totalling $5,170,000, into 56,813,187 ordinary shares in the Company at a conversation rate of $0.091 per share (note 17);

(ii) issue of 12,087,912 ordinary shares in the Company to Andrew Matheson as payment for the US$1,100,000 owing to Andrew Matheson at year end (note 24);

(iii) the issue of 50,010,000 ordinary shares in the Company to allow the Company to complete the acquisition of Masedi and Nkwe Platinum Scarlet in South Africa (note 13).

Except as discussed above, no other matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly effect:

(a) The group's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The group's state of affairs in future financial years.

29. Auditor's remuneration

The auditor of Realm Resources Limited is HLB Mann Judd.

	2011 $	2010 $
Amounts received or due and receivable by HLB Mann Judd for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated group – current year	98,500	99,500
• Other services in relation to the entity and any other entity in the consolidated group		
○ Tax compliance	8,155	22,400
	106,655	121,900
Amounts received or due and receivable by other firms not affiliated with HLB Mann Judd – BDO South Africa Incorporated for:		
• An audit or review of the financial report by overseas BDO South Africa Incorporated firm	33,812	37,323
• Tax compliance	-	704
	33,812	38,027
Amounts received or due and receivable by other creditors not affiliated with HLB Mann Judd – RSM Bird Cameron Indonesia for::		
• An audit or review of the Indonesian based subsidiary by overseas RSM Bird Camerpon affiliated firm	7,891	-
	7,891	-
	148,358	159,927

REALM RESOURCES LIMITED

Directors' Declaration

In accordance with a resolution of the directors of Realm Resources Limited, I state that:

1. In the opinion of the directors:

   (a) The financial statements, including notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date.

      (ii) Complying with Australian Accounting Standards and *Corporations Regulations 2001;and*

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards

3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2010.

Richard Rossiter
Chairman
Sydney

30 March 2012

On behalf of the board

HLB Mann Judd

Accountants | Business and Financial Advisers

REALM RESOURCES LIMITED
ABN 98 008 124 025

INDEPENDENT AUDITOR'S REPORT

To the members of Realm Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Realm Resources Limited ("the company"), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity, as set out on pages 28 to 82. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2 (b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Realm Resources Limited for the financial year ended 31 December 2011 included on Realm Resources Limited's website. The company's directors are responsible for the integrity of the Realm Resource Limited website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

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HLB Mann Judd

REALM RESOURCES LIMITED
ABN 98 008 124 025

INDEPENDENT AUDITOR'S REPORT (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Realm Resources Limited on 29 March 2012, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Realm Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Realm Resources for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

A Smith

Sydney
30 March 2012

A G Smith
Partner

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at [xx] March 2012.

(a) Distribution of equity securities

(i) Ordinary share capital

- 350,032,974 fully paid ordinary shares are held by 765 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) *Options*

- Nil. Options do not carry a vote.

The number of shareholders, by size of holding are:

	Fully paid ordinary shares
1-1,000	300
1,001-5,000	23
5,001-10,000	62
10,001-100,000	159
100,001 - and over	221
	765

(b) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholder	**Number**	**Percentage**
Taurus Funds Management Pty Ltd	109,890,111	31.4
Mr. Andrew Matheson	17,087,912	4.9
Berpaid Pty Ltd	8,820,000	2.5
McLaren Investments Limited	7,500,000	2.1
Sunshore Holdings Pty Ltd	6,558,250	1.9
Mr. Earl Evans	6,000,000	1.7
Removale Pty Ltd	5,863,000	1.7
J P Morgan Nominees Australia	5,750,000	1.6
Coniston Group Ltd	5,275,000	1.5
Mrs. Amanda Purcell	5,275,000	1.5
Mr Ahmad Ali	4,346,956	1.2
Sorrel Enterprises Limited	4,159,885	1.2
Nefco Nominees Pty Ltd	4,150,000	1.2
Totara Investments Limited	3,869,391	1.1
Mr. Richard Rossiter	3,750,000	1.1
Rotarn Pty Ltd	3,680,769	1.0
Bejjol Pty Ltd	3,477,565	1.0
Payce Industries Pty Ltd	3,296,703	0.9
Mr. Adrian Paul	3,042,869	0.9
Mr. David Yusoff	3,042,869	0.9
Dr Salim Cassim	3,035,000	0.9
	217,871,280	62.2

ASX additional information

(c) Voting Rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.