

Realm Resources Limited

Committed to Katingan Ria thermal coal project

- RRP has maintained their commitment to see the development of the Katingan Ria coal project in central Kalimantan, Indonesia.
- Delay's receiving the final forestry production permits has obstructed the release of a feasibility. Also for debt funding to be confirmed RRP will need to complete infill drilling to increase at least 50% of the resource into a measured and indicated category (currently 10%). On this basis RRP currently estimate production commencing in mid-2013 (initially mid-2012) ramping up to 3.0mtpa over a 3 year period (initial VSL estimate 5.0mtpa) for an initial 15 year mine life from the 102.2mt JORC resource.
- Operating costs have been maintained below US\$40/t with a raw 4,200kcal/kg GAR low sulphur coal loaded onto the mother vessel (FOB) to feed the growing Asian and Indian markets.
- The recently released Katingan Ria project study, which is close to a final feasibility study level, highlights a low start-up capital of US\$23.0m providing a very low capital intensity of US\$10/t.

Funding required, value assessment, cash

- RRP are to make a final payment of \$17.0m to take up 75% (from 51%) of Katingan Ria and require start-up capital of US\$23.0m for project development. Funding may come from equity, debt or an offtake pre-payment. Alternatively an entire sale of 100% of the project is feasible.
- The project delay combined with a downturn in the Indonesian 4,200 GAR thermal coal price has led to a value revision to an EV/t methodology (from DCF methodology). Our revised price target of \$0.10 per share includes a nominal value for RRP's PGM and Aluminium assets where RRP has instigated value adding.
- In PGM, RRP has combined its rights with Chrometco and Nkwe to accelerate the development of surface outcropping chrome and PGM ore. In Aluminium, RRP is progressing plans to enhance volumes and cash flow from its waste retreatment business.
- RRP has secured a \$5.0m convertible note facility from Taurus Funds. Cash now stands at ~\$6.0m. We anticipate these available funds will take RRP to a decision to mine.

Recommendation

- Contingent upon the potential monetisation or move to development for the Katingan Ria project we see RRP as a Speculative BUY (previously BUY) and place a revised price target of \$0.10 per share (previously \$0.22ps).
- A key to the success of the project will be obtaining the final forestry permit (due in January 2013) to commence production. The project itself is low risk, however as a project that is sensitive to thermal coal pricing, an improvement in the price is paramount to a successful operation commencing in mid-2013.

RRP.ASX

Spec. BUY

11 September 2012

Price	A\$	0.02
Price Target	A\$	0.10
Valuation	A\$	na
Valuation Method		EV/t
GICS sector		Metals & Mining
Market Cap	A\$m	7
Shares on Issue	m	400.0
EV	A\$m	6
Previous rating		BUY

Board

Executive Chairman	Richard Rossiter
Executive Director	Theo Renard
Executive Director	Andrew Purcell
Non-Ex. Director	Michael Davies
Non-Ex. Director	Neale Fong

Major Shareholders

Taurus Fund	27.5%
A Matheson & Related	4.3%
Nkwe Platinum	3.8%
Berpaid	2.2%

RRP Vs ASX Small Ordinaries (XSO)



Source: IRESS

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RATING

BUY – anticipated stock return is greater than 10%
 SELL – anticipated stock return is less than -10%
 HOLD – anticipated stock return is between -10% and +10%
 SPECULATIVE – High risk with stock price likely to fluctuate by 50% or more

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