

## **REALM RESOURCES LTD**

ASX/Media Release

31 January 2013

### **Quarterly report to 31 December 2012**

#### **Key Points:**

- Katingan Ria thermal coal project drilling program completed to improve resource knowledge in the initial proposed mining area;
- Results to date support the original model predictions, with average Main Seam thickness close to predictions;
- Mine planning optimisation work commenced to underpin the Feasibility Study, which is now expected in early 2013;
- Exploration Forestry Permit upgraded to an In-Principle Forestry Operations Permit paving the way for the final Forestry Operations Permit and forecast production in 2013;
- Chrometco approves transaction to establish a 'stand-alone' PGM and chrome mining company with Realm and Nkwe. Realm receives 10 million Chrometco shares;

#### **KATINGAN RIA**

##### **Drilling**

During the quarter, **Realm Resources Ltd. (ASX: RRP) (Realm or the Company)** announced that it had completed work on the phase three technical program at its Katingan Ria Project (**Katingan Ria**).

Katingan Ria (Realm 51% interest, option to increase to 75%), located in Kalimantan, Indonesia, is shaping up as a simple, open-cut operation that will supply low ash and sulphur coal ideally suited for modern Indian and Chinese power generation. To date, a JORC-compliant 102Mt resource has been defined. The recently completed drill program, designed in conjunction with the Company's consultants, Xenith Consulting Pty Ltd, aimed to increase the size of the JORC compliant coal resource and potentially allow for conversion of some of the resource to a JORC compliant reserve estimate along with production of a feasibility study. In addition, Realm is continuing conducting additional engineering studies (mining and logistics) and optimisation work aimed at reducing FOB cash costs and enhancing the project's economics.

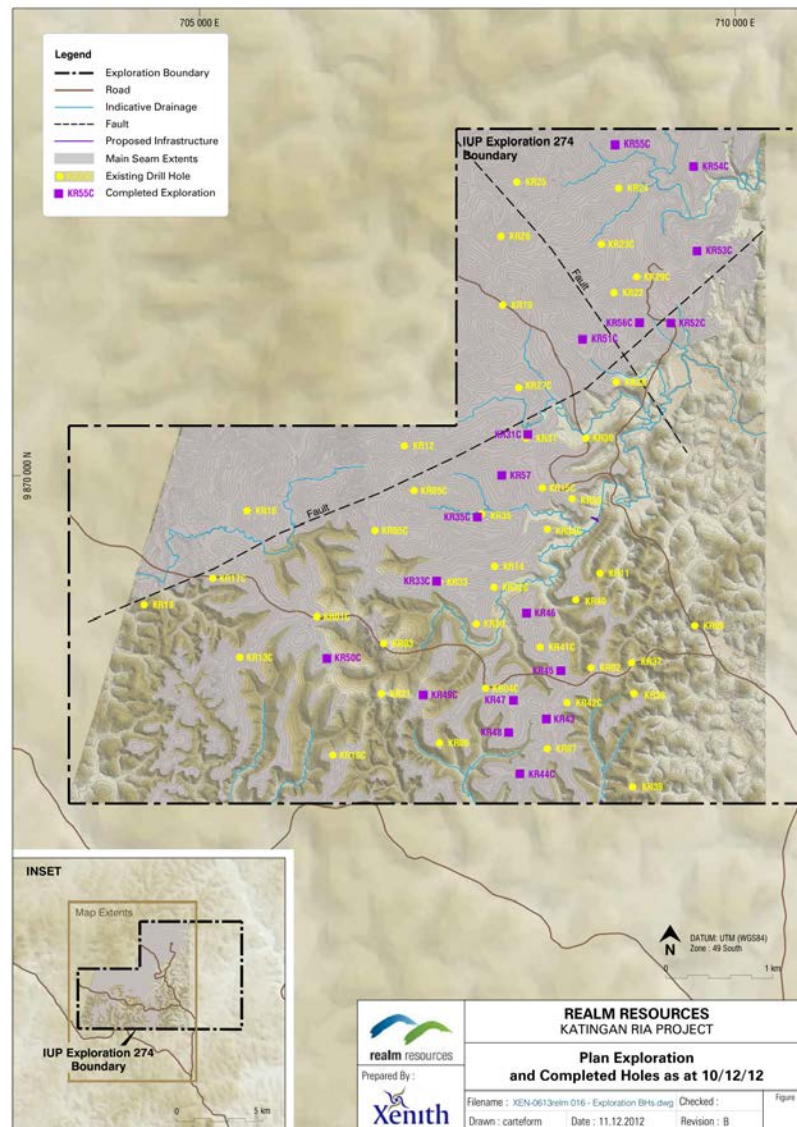


**realm resources**

During the drilling program, a total meterage of 1,370 m was completed, with 1,133 m of chip and 237 m of HQ size core (Figure 1; Table 1).

**Figure 1 – Katingan Ria coal project showing location of completed Phase 3 drill sites.**

**Note: Main seam extents in Figure 1 based on geological data to February 2012**



A total of 18 holes were drilled in the latest programme, consisting of 12 cores and 6 chip holes. All holes were geophysically logged, and core holes were sampled for coal quality testing.

Results to date support the original model predictions with few exceptions. The depths to the Main Seam and thickness of the Main Seam have varied slightly from the predictions, allowing the structural model to be further enhanced moving forward.

One hole in the north east did not intersect coal as predicted, resulting in the re-mapping of the southwest to northeast trending fault; it is now orientated trending slightly further north. Furthermore, the drilling in the northern areas resulted in an improved knowledge of the geology in this area, facilitating the placement of another smaller north south trending fault.

Drilling in the north of the lease also revealed that the Main Seam is shallower than originally predicted, and that some of the holes have upper coal seams (0.5m to 1m), immediately overlying the Main Seam, which were not interpreted in original predictions.

All coal quality samples were forwarded to the accredited laboratory at Banjarmasin for the proposed test work procedure to build on the coal quality database. Preliminary results have been received for the 12 core holes and detailed analysis has been received for 4 core holes, the results of which are consistent with the previous coal quality model.

To date, Realm has undertaken three drilling programmes which have been incorporated into the latest geological model. These programmes were drilled from 15 May 2011 to 14 November 2012. The geological model now contains a total of 60 drill holes comprising a total meterage of 3,069m, of which 1,398m is core and 1,670m is chip.

Progress of the latest field programme was satisfactory. Timing for the completion of the Feasibility Study has been delayed due to turnaround in the sampling results and is expected later in the next quarter.

**Table 1 – Katingan Ria Phase 3 drilling results to 11<sup>th</sup> December 2012**

Borehole	Seam	Hole Type	Actual Thick(m)	Total Depth(m)
KR31C	MAIN	Core	5.44	45.5
KR33C	MAIN	Core	5.08	45.5
KR33CR	MAIN	Core	5.00	45.5
KR35C	MAIN	Core	5.78	44.0
KR43	MAIN	Chip	5.01	57.0
KR44C	MAIN	Core	3.89	42.5
KR45	MAIN	Chip	5.06	48.0
KR46	MAIN	Chip	3.56	48.0
KR47	MAIN	Chip	5.29	45.0
KR48	MAIN	Chip	4.99	36.0
KR49C	MAIN	Core	4.98	32.0
KR50C	MAIN	Core	2.50	32.0
KR51C	MAIN	Core	2.89	27.5
KR52C	MAIN	Core	-	18.0
KR53C	MAIN	Core	4.27	29.0
KR54C	MAIN	Core	3.96	24.5
KR55C	MAIN	Core	4.27	57.5
KR56C	MAIN	Core	3.42	35.1
KR57	MAIN	Chip	4.98	90.0

Total Metres at 11/12/12 inc. pilot holes		
Chip	Core	TOTAL
1,133	238	1,371

## Permitting

As announced on 13 November 2012, the Company's application to upgrade its exploration forestry permit at the Katingan Ria Project to operational status was approved, in principle, by the Indonesian Ministry of Forestry (No. S.515/Menhut-VII/2012 dated 7 November 2012.)

The In-Principle Licence is the last stage prior to the issuance of the "Borrow and Use of Forest Area Permit" or so called *Ijin Pinjam Pakai Kawasan Hutan* ("IPPKH") which allows the Company to start mining.

The Company has expressed its recognition and appreciation of the professionalism and procedural discipline of its Indonesian partners in successfully securing the licence – a milestone that only a handful of mining companies have achieved in the last 12 months in Indonesia.

Following granting of the IPPKH, the Company would be able to commence mining operations within its concession areas as well as to transport the coal and store it.

The In-Principle License was granted over the requested area of 3,058.25 ha, with work having commenced on satisfying the conditions to commence mining operations in the first 1,000 ha of the area. Whilst the Company has two years to satisfy the conditions of the In-Principle License and thus be granted the IPPKH, it is expected that the conditions will be satisfied later in the year.

## **PLATINUM GROUP METALS**

### **Realm Resources (Pty) Ltd** (RRP 74%)

During the quarter, the Company advanced a deal that will position Realm as a major shareholder in a 'stand-alone' company focussed on advancing platinum group metals ("**PGM**") and chrome assets in South Africa.

As announced on 13 August 2012, Realm entered into an agreement (the "**Agreement**") with Chrometco Limited ("**Chrometco**" – JSE: CMO) and Nkwe Platinum Rooderand (Proprietary) Limited ("**Nkwe**") to vend the Rooderand PGM assets into Chrometco in exchange for shares in Chrometco.

Following Chrometco's General Meeting held on 2 November 2012, Chrometco shareholders approved the Agreement.

Nkwe and Realm (the "**Sellers**") agreed to cancel the existing farm-in agreement and sell to Chrometco the platinum group and base metal mineral rights (the "**Prospecting Right**") as well as historical drill core and geological data. Chrometco holds a mining right for chrome on the same Remaining Extent of the Farm Rooderand 46 JQ property (the "**Property**") in South Africa (see Appendix for details).

In terms of the Agreement, Nkwe is in the process of renewing its new order prospecting right for PGM, gold, cobalt, copper and nickel on the Property. Nkwe has agreed to transfer its geological data and the drill core to Chrometco and conditionally abandon its prospecting right subject to the granting of the Section 102 Consent of the Mineral and Petroleum Resources Development Act in favour of Chrometco (the "**Section 102 Application**"). Subject to the fulfilment of the conditions precedent, Chrometco would issue 90 million Chrometco ordinary shares to the Sellers (the "**Consideration**"), 45 million to Realm and 45 million to Nkwe (the "**Transaction**"). Upon completion of the Transaction and assuming no further Chrometco shares being issued, Realm and Nkwe would hold approximately 16% each of Chrometco and would have board representation.

Following Chrometco shareholder approval on 2 November 2012, the first tranche issue of 20 million new ordinary Chrometco shares were allotted to the Sellers (i.e. 10 million to Realm). Furthermore, Richard Rossiter was appointed as a non-executive director of Chrometco.

## **ALUMINIUM**

### **Alumicor SA Holdings (Pty) Ltd** (RRP - 74%)

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

### **Health and Safety**

There were no disabling injuries during the quarter. The focus on safety training and monitoring continues. The disabling injury frequency rate (DIFR) for the December Quarter was 3.5% (3.22% in the prior quarter).

### Smelting and recovery performance comparison

Alumicor	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	% change Q3 2012
<b>Tons smelted</b>	<b>3,620</b>	<b>4,562</b>	<b>3,739</b>	<b>4,527</b>	<b>5,172</b>	<b>14%</b>
<b>Average recovery</b>	<b>48%</b>	<b>57%</b>	<b>56%</b>	<b>60%</b>	<b>63%</b>	<b>5%</b>

### Operations

During the quarter, there was a recovery in dross volumes delivered by Hulamin. Alumicor continues investigating sourcing additional dross and scrap. On 1 November 2012 Alumicor accepted a lease for two furnaces from a plant nearby to Alumicor and commenced trials to determine the viability of processing an additional 400 - 500 tonnes of scrap metal and dross per month. Further details will be released at the conclusion of the trials.

### Financial

Following the improvement in throughput volumes in the quarter, operating profitability was maintained. Management of operating costs continues together with continued efforts to improve processes.

### **CORPORATE**

During the quarter, Taurus elected to receive shares for the previous quarter's interest (see Appendix 3B released on 15 October 2012). On 12 December 2012, the Company announced the resignation of Mr Andrew Purcell as Executive Director of Realm due to his other commitments.

Referring to the attached 5B schedule, net operating cash outflows were AUD\$1,195,000 for the quarter (outflow of AUD\$1,497,000 in the prior quarter).

Group cash position as at 31 December 2012 was AUD\$2.5m.

## About Realm

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

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

*The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves at the “Katingan Ria” Project is based on information compiled by Mr Troy Turner, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Turner is a full-time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Turner consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.*

### *Competent Persons Statement – Kliprivier, Ghost Mountain and Tinderbox projects*

*The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves at the Kliprivier, Ghost Mountain and Tinderbox projects 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 the inclusion in the announcement of the matters based on his information in the form and context in which it appears.*

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

Richard Rossiter (MD) or Theo Renard (FD) on +61 2 8249 4542

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





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## APPENDIX – CHROMETCO, REALM, NKWE TRANSACTION OUTLINE – REMAINDER PORTION OF ROODERAND

### **Rationale for the consolidation of mineral rights on the Remainder Portion of Rooderand**

The consolidation of the mineral rights on the Remainder Portion of Rooderand via the Section 102 process would unlock significant synergies for the benefit of Chrometco, Realm and Nkwe. Geologically, the economic horizons (reefs) all outcrop on surface and occur in close proximity to each other and furthermore some of the PGM bearing horizons contain by-product chromite (“Cr”) and the Cr horizons contain by-product PGMs, making a strong case for combined mining and processing operations. Upon approval of the transfer of the PGM and Base Metal rights, the rights would become part of an existing mining right with a reduced approval timeframe.

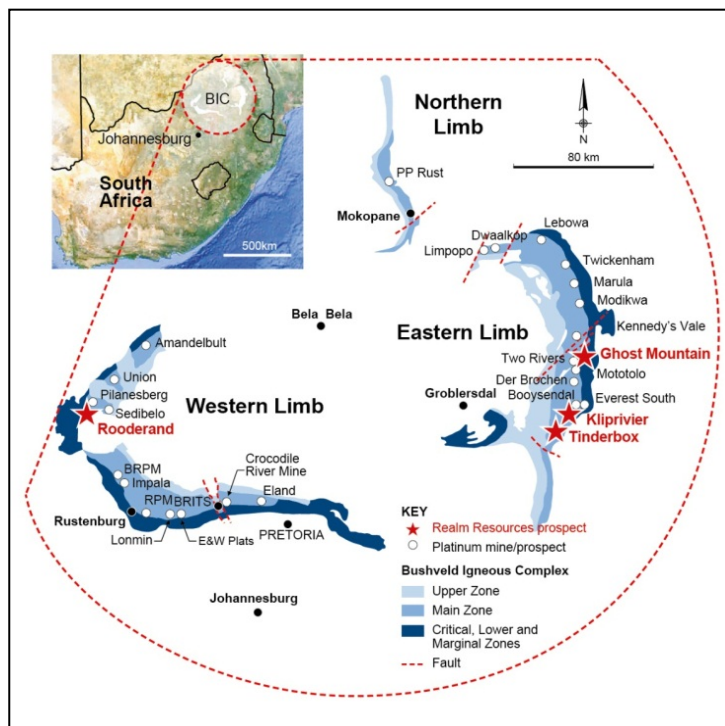
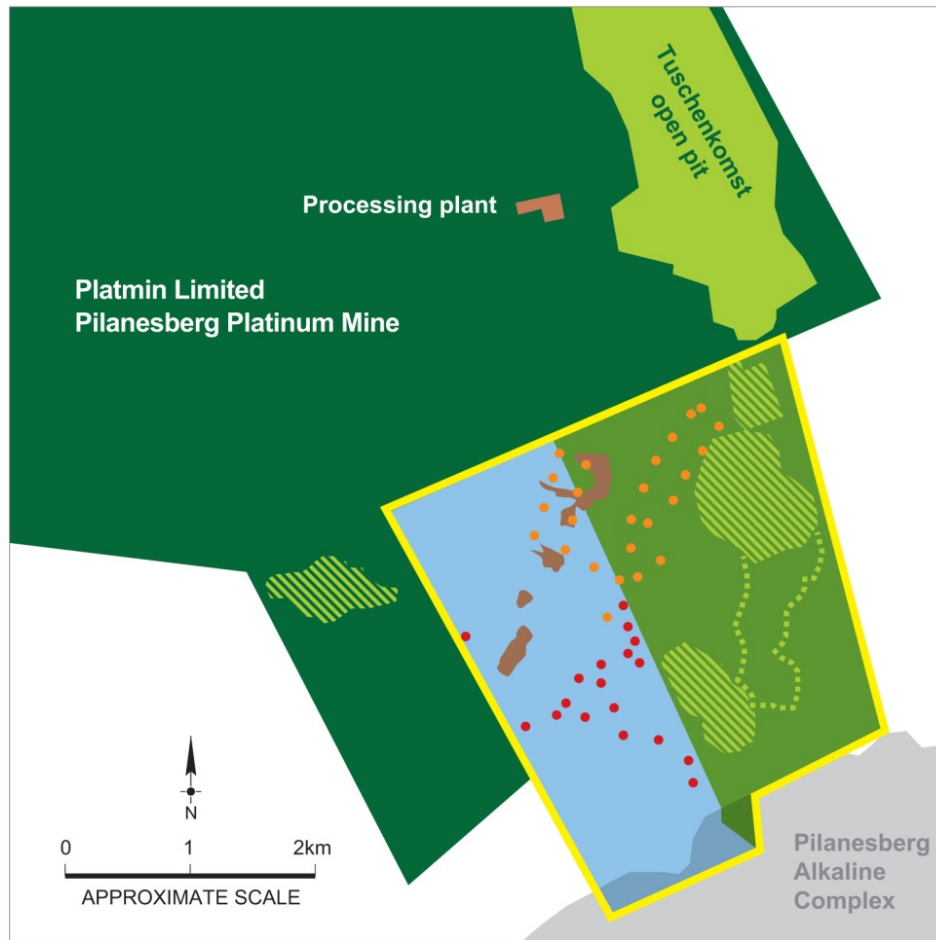


Figure 1 Location of Realm's PGM projects





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## LEGEND

Chrometco – Chrome Mining Right (Rooderand 46JQ Remaining Extent and Portion 2)	PGM Drillholes
Nkwe/Realm Resources (Rooderand 46JQ Remaining Extent)	Chrome Drillholes
Platinum Australia (Rooderand 46JQ – Portion 2)	Chrome Mined-Out Areas
	Proposed PGM Open Pits

Figure 2 Location of Chrometco's chrome and Nkwe/Realm's PGM and base metals rights

Key value drivers are:

- Time to mining significantly reduced via merger of PGM and Base Metals rights into Chrometco's mining right for Cr via the Section 102 process;
- Upgrading resource categorisation via combination of existing geological information and limited additional work;

- Reducing capital and timing to cash flow by accessing nearby underutilised processing infrastructure;
- Developing synergistic Cr from PGM and PGM from Cr operations – i.e. ability to mine all the minerals simultaneously, which would allow for more cost efficient mining;
- Expanding operations into neighbouring and other shallow mining PGM/Cr properties; and
- Improving critical mass and ability to finance development as well as attractiveness to logical PGM/Cr consolidation buyers.

### **Transaction outline**

In terms of the transaction, Chrometco would acquire all the assets of Nkwe and Realm on the remainder portion of Roodeerand for 90 million shares in a two-stage transaction.

The assets are:

- Nkwe prospecting right for PGMs and Base Metals;
- Nkwe drill core at De Wildt;
- Nkwe geological data; and
- Realm farm-in agreement.

Upon signing, Chrometco gets an exclusive option to acquire all the additional metals (PGMs and Base Metals) for inclusion into the existing Chrometco chrome mining right.

The two-stage transaction would be as follows:

#### **Stage One**

The conditions precedent for Stage One (Part A conditions precedent) are, inter alia:

- The approval by Chrometco shareholders for the Transaction by special resolution.

After Chrometco shareholder approval, the following occurs:

- The new three-way agreement becomes active;
- The agreement supersedes the current Nkwe- Realm farm-in agreement;
- Chrometco gets the Nkwe geological data and drill core;
- Chrometco applies for PGMs and Base Metals rights (Section 102 consolidation on mineral rights);
- Nkwe gives up their PGM and Base Metals prospecting right, conditionally;

- Realm/Nkwe get a board seat at Chrometco; and
- In return, Chrometco issues 20 million new shares (First Tranche Shares), 10M to Realm and 10M to Nkwe.

## **Stage Two**

The conditions precedent for Stage Two (Part B conditions precedent) are, inter alia:

- Renewal of the Nkwe Prospecting Right unconditionally by the Minister of Mineral Resources, or renewal on terms and conditions acceptable to Chrometco and the Sellers;
- Section 102 application being unconditionally granted, or on terms and conditions acceptable to Chrometco and the Sellers;
- The execution of the abandonment of the Prospecting Right held by Nkwe;
- Termination of the JV/farm-in agreement between Realm and Nkwe; and
- The successful execution of the amendment of the Chrometco Mining Right by the addition of the Prospecting Right.

The effect is as follows:

- Chrometco would then have the mining right for all minerals on the Remainder portion of Rooderand;
- Mining for chrome and PGMs can then commence; and
- In return, Chrometco issues an additional 70 million new shares (Second Tranche Shares), 35 million to Realm and 35 million to Nkwe.

## **Additional information and background**

Chrometco has a 30 year new order mining right over Portion Two as well as the Remainder Portion of Rooderand for Chromite.

Nkwe applied for a renewal of a Prospecting Right for PGMs and Base Metals over the Remainder Portion of Rooderand.

Realm has a farm-in arrangement to earn 51% of the NKWE Rooderand asset, against an expenditure of US\$2m (refer to RRP ASX announcement 26 May 2011).

Chrometco has 184.9 m shares in issue and would have 275M shares in issue, post deal (assuming no further shares are issued).

There are no related parties in this transaction, Nkwe and Realm act independently.

Realm and Nkwe agree to hold the Consideration for a minimum period.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Realm Resources Limited

ABN

98 008 124 025

Quarter ended ("current quarter")

31 December 2012

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	1,039	3,846
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(463) (609) (1,151)	(1,151) (2,398) (5,184)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	35	74
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	(46)	(274)
1.7	Other (provide details if material)		
	<b>Net Operating Cash Flows</b>	<b>(1,195)</b>	<b>(5,087)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(70)	(376)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	<b>Net investing cash flows</b>	<b>(70)</b>	<b>(376)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,265)</b>	<b>(5,463)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,265)	(5,463)	
	<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.			
1.15	Proceeds from sale of forfeited shares			
1.16	Proceeds from borrowings	76	4,812	
1.17	Repayment of borrowings		(5)	
1.18	Dividends paid			
1.19	Other (provide details if material)			
	<b>Net financing cash flows</b>	76	4,807	
	<b>Net increase (decrease) in cash held</b>	(1,189)	(656)	
1.20	Cash at beginning of quarter/year to date	3,763	3,267	
1.21	Exchange rate adjustments to item 1.20	(74)	(111)	
1.22	<b>Cash at end of quarter</b>	2,500	2,500	

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	566
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

During the 3<sup>rd</sup> quarter, Realm Resources Ltd, drew down the second tranche of the previously announced loan of up to A\$5 million from its major shareholder Taurus Funds Management.

The key terms of the loan are:

- Facility amount of up to A\$5 million;
- The facility is unsecured;
- Interest rate of 8% p.a. payable quarterly in arrears and may, subject to agreement, be paid by way of issue of ordinary shares in Realm at the 5 day VWAP for ordinary shares;
- The facility is repayable on the earlier of the project equity raising or 30 September 2013;
- If Realm is issuing ordinary shares, Taurus may elect to convert their loan into ordinary shares at the same issue price per share as the equity raising;
- The lenders were entitled to a facility fee of 2% of the total facility amount and will be granted options over a total of 100,000,000 shares, exercisable at 5c per share at any time in the next 5 years (subject to the Company obtaining all necessary shareholder approvals under the Corporations Act and ASX Listing Rules); and
- Realm is required to use funds raised on the exercise of the options to repay any outstanding amounts under the facility.

+ See chapter 19 for defined terms.

### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	5,000	5,000
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production *	685
4.4 Administration **	582
<b>Total</b>	<b>1,267</b>

\* Note – production costs absorbed by operations

\*\* Note – portion of Administration costs absorbed by operations

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1	Cash on hand and at bank	74	155
5.2	Deposits at call	1,176	2,410
5.3	Bank overdraft		
5.4	Other (provide details)	1,250	1,198
<b>Total: cash at end of quarter (item 1.22)</b>		<b>2,500</b>	<b>3,763</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

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+ See chapter 19 for defined terms.



### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

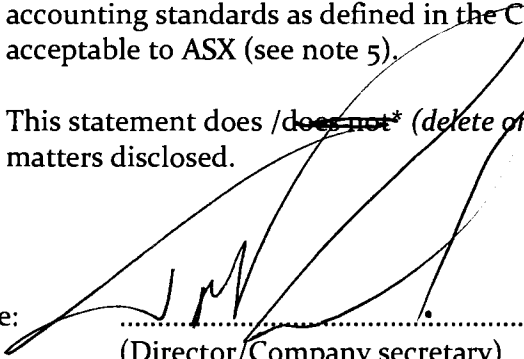
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>	-			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	404,560,478	404,560,478	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,517,504	4,517,504	1.8	1.8
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	Unsecured 8% A\$5,000,000 Convertible Equity Linked Credit Facility, repayable on or before 30 September 2013, either by way of cash or issue of shares.			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	1,000,000	Nil	Exercise price \$0.15	Expiry date 30 January 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>	-			

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~/does not~~ (delete one) give a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2013.  
(Director/Company secretary)

Print name: Theo Renard

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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