realm resources

REALM RESOURCES LIMITED

ABN 98 008 124 025

FINANCIAL REPORT

31 December 2012

REALM RESOURCES LIMITED
ABN 98 008 124 025

Contents to financial report

Corporate information

ABN 98 008 124 025

Directors
Richard Rossiter – executive chairman
Theo Renard – executive director
Neale Fong – non-executive director
Michael Davies – non -executive director

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 Securities 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

Chairman's letter

Dear Shareholders,

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

The Group continues to make good progress in its efforts to progress the Katingan Ria thermal coal project (Realm 51%) in Indonesia, despite delays in the permitting process, which is now in its final phase. The project is shaping up as a simple, open-cut operation that will supply low ash and low sulphur coal ideally suited for modern Indian and Chinese power generation. The key challenge facing the Group is financing the project during a time of declining coal prices and equity market valuations. The Group is therefore progressing with a multi faceted funding strategy that will allow it progress the project and maximise value for Realm shareholders.

Subsequent to 31 December 2012, the Group reported a resource upgrade at the Katingan Ria project and maiden JORC compliant reserves of 29Mt assuming a long term coal price of US$52/ton for the expected Katingan Ria coal quality. In addition, mining and logistics options studies were advanced, paving the way for the completion of the feasibility study for a potential 10+ year, 2.5Mt pa coal operation.

In Platinum, 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. Realm vended the Rooderand PGM assets into Chrometco for shares. Importantly, Chrometco is now advancing the project and approvals process required to initiate mining of the near surface resources.

The aluminium waste toll treatment business was impacted by breakdowns at Hulamin resulting in lower than budgeted volumes being treated. Importantly safety and environmental performance remains a priority. The overall performance resulted in a net profit after tax of A$293,766 (profit of A$477,959 in 2011). Management is focussed on enhancing the aluminium business's contribution to Group cash flow as well as ways to enhance and grow the business.

On behalf of the Company we would like to thank all Shareholders for their ongoing support during a difficult year. We look forward to releasing further news and positive developments in the near future.

Yours faithfully

Richard Rossiter
Executive Chairman

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 2012.

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.*
Executive 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 joined a number of public company Boards including Sylvania Platinum Ltd (AIM: SLP) until his resignation on 14 January 2013 and, more recently, Chrometco Ltd (JSE: CMO). Otherwise he has not been a director of any other listed companies in the past 3 years to 31 December 2012. 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), resigned 23 July 2012*
Managing director (until 23 July 2012)

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 was a non-executive director of Goldminex Resources Limited until his resignation on 22 June 2012 and has not been a director of any other listed companies in the past three years to 31 December 2012.

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 2012.

Dr Neale Fong – *MBBS Dip CS MTS MBA FAICD FACHSM (Hon)*

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.

Directors' report (continued)

Dr Fong is a Fellow of the Australian Institute of Company Directors and is an experienced chairman and director. He is currently Managing Director of Health Solutions (WA) Pty Ltd, Chairman of Bethesda Hospital, a consultant to Curtin University where he directs the project to establish the State's third medical school. He is an Independent Director of Health Solutions (WA) Pty Ltd who manages the Peel Health Campus. He is also a director of Australis Health Advisory Pty Ltd, a boutique health consultancy. He is a consultant of Curtin University. He is also Chairman of Bethesda Hospital Inc and a director of Mining Developments International Ltd, a public unlisted company.

During the past three years, Dr. Fong has served as a director and chairman of the West Australian Football Commission and as a director of Morning Star Holdings (Australia) Ltd (resigned 24th July 2012), a public unlisted company.

Michael Davies - *BA Hons, MBA*
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, resigned 12 December 2012*
Non-executive director (until 12 December 2012)

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.

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-12	Received as Remuneration	On Exercise of Options	Net Change Other	Balance 31-Dec-12
Richard Rossiter	3,750,000	-	-	750,000	4,500,000
Theo Renard	2,250,000	-	-	450,000	2,700,000
Neale Fong	1,684,696	-	-	434,869	2,119,565
Andrew Matheson (i)	5,000,000	-	-	(5,000,000)	-
Michael Davies	-	-	-	-	-
Andrew Purcell (ii)	5,275,000	-	-	(5,275,000)	-
	17,959,696	-	-	(8,640,131)	9,319,565

(i) resigned 23 July 2012
(ii) resigned 12 December 2012

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 101,000,000 unissued ordinary shares under options (1,000,000 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 continuing operations of A$4,299,975 (A$4,844,924 in 2011) and a net loss for the year ended 31 December 2012 of A$9,146,849 of which A$9,036,097 is attributable to owners, versus a loss of A$5,246,730 in 2011, of which A$5,362,371 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$293,766 (A$477,959 in 2011). The Alumicor results were impacted by a tax expense of A$134,659 (tax expense of A$215,863 in 2011).

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 ("Kalres"), 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 are ongoing.

The Katingan Ria Project ("Katingan Ria") 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 (see Figure 1). 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)

The Project is planned as a 2.5Mt per annum open cut mine. The planned operation consists of an open cut haul back mining method using hydraulic loaders and rear dump trucks to dump both inpit and expit. Coal is transported from the pit by 60t road trucks approximately 45kms to a stockpiling and barge loading facility on the Katingan River. Barges will then transport coal 435km from the stockpile area to the river mouth for transshipment into coal ships for delivery to market.

The coal is planned to be sold "unwashed", meaning there is no metallurgical treatment required to achieve a saleable product. The coal is expected to be predominantly sold as a low ash and low sulphur coal ideally suited for modern Indian and Chinese power generation.

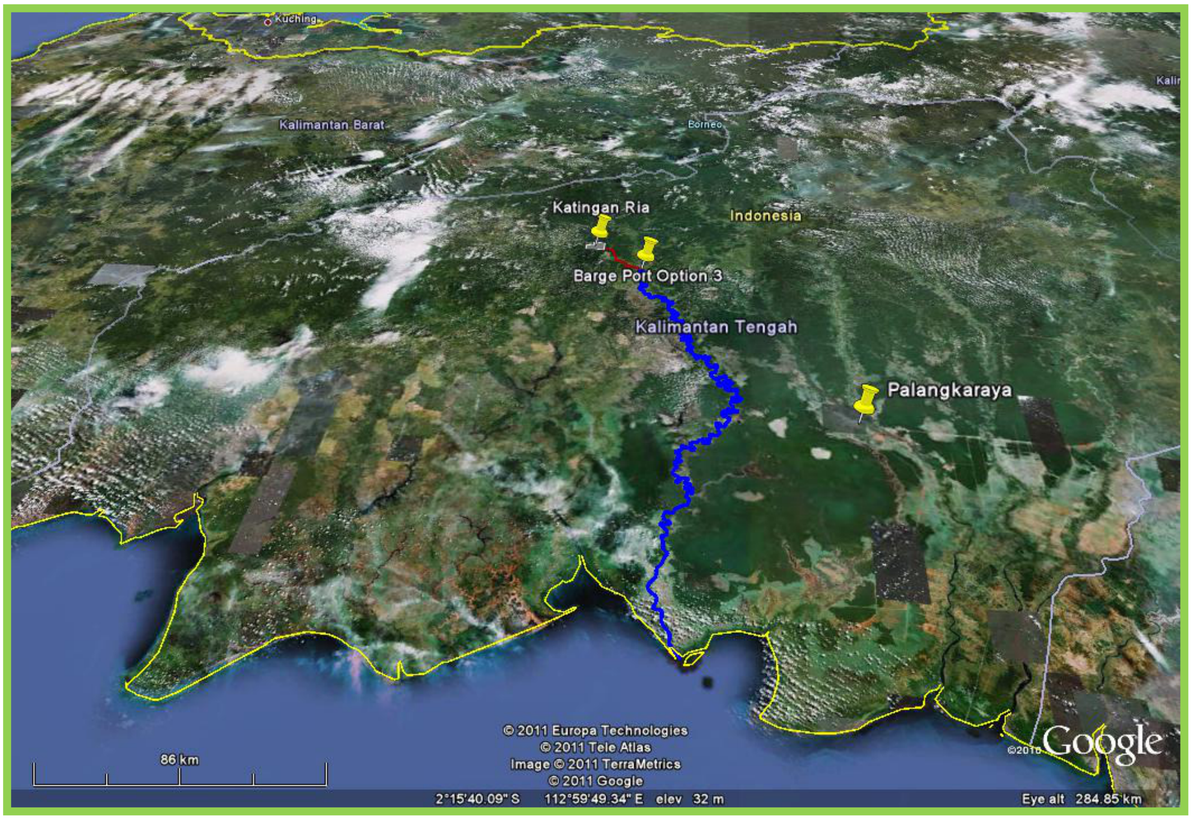

Figure 1: Location of Katingan Ria Project

Drilling

On 14 December 2012 the Company announced that it had completed work on the phase three technical program at its Katingan Ria Project.

Katingan Ria (Realm 51% interest), 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.

Directors' report (continued)

The 2012 exploration programme commenced on the 17th September with 1 medium size track mounted drill rig with HQ size capability mobilised to site by Indonesian drilling firm Arbico Karya Mandiri.

The drilling initially focussed on the south eastern quadrant of the project area, which was identified in the Project Study completed in August 2012 as the best potential mining start-up area given the low strip ratios and favourable coal quality results. Drilling then progressed to the central and northern areas of the lease to aid in the continued development of the geological model in those areas.

During the program, a total meterage of 1,370 m was completed, with 1,133 m of chip and 237 m of HQ size core (see Figure 2; Table 1).

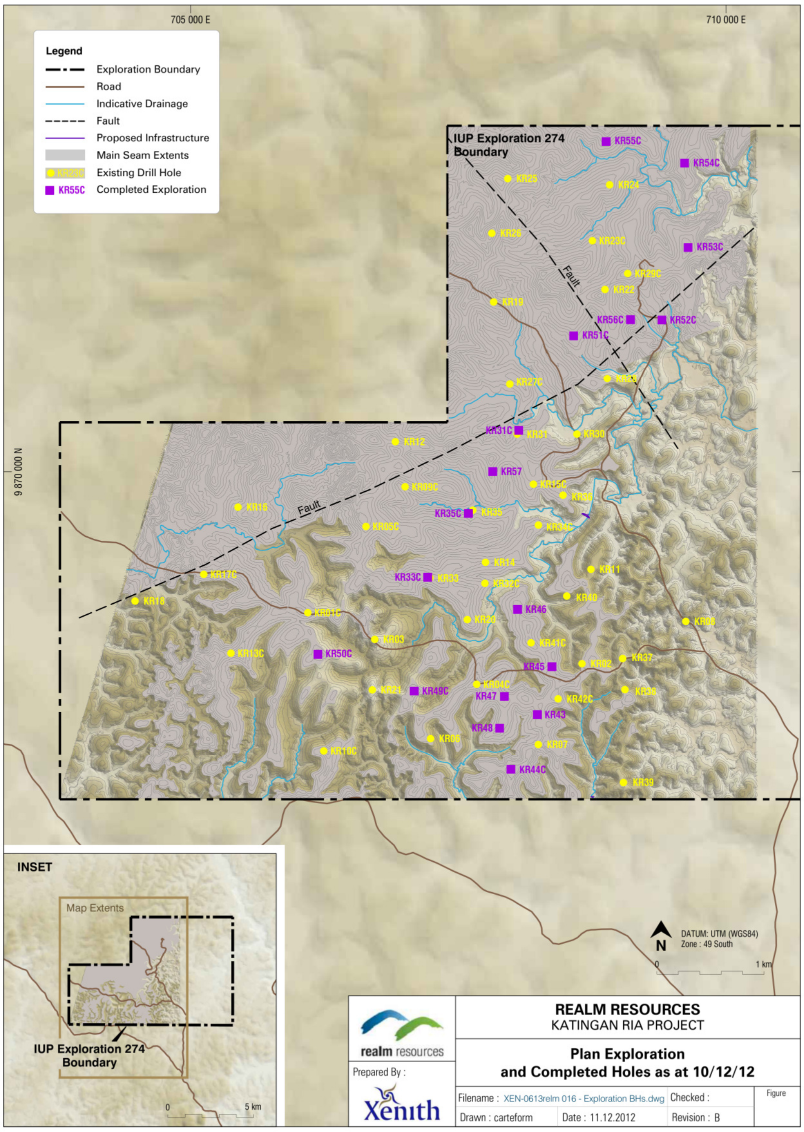

Figure 2 – Katingan Ria coal project showing location of completed Phase 3 drill sites.

Note: Main seam extents in Figure 2 based on geological data to February 2012

Directors' report (continued)

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 movement 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 Banjarmarsin 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.

Table 1 – Katingan Ria Phase 3 drilling results to 11th 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

Directors' report (continued)

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 will 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.

PLATINUM GROUP METALS

Realm Resources (Pty) Ltd
(RRP 74%)

During the year, 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.

Directors' report (continued)

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

The focus on safety training and monitoring continues. The disabling injury frequency rate at the year-end was 3.5%.

Smelting and recovery performance comparison

Alumicor	Q1 2012	Q2 2012	Q3 2012	Q4 2012	% change Q3 2012
Tons smelted	**4,562**	**3,739**	**4,527**	**5,172**	**14%**
Average recovery	**57%**	**56%**	**60%**	**63%**	**3%**

Operations

During the year there were several unplanned shutdowns at the Hulamin plant including the failure of a motor on their Camps Drift hot line. The shutdowns resulted in lower dross volumes being delivered to Alumicor. Management took the opportunity to accelerate planned maintenance on two of the furnaces during those shutdowns.

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.

Subsequent to the reporting period

Coal Reserve Estimation

On 14 February 2013, the Company published a resource upgrade following completion of the Phase 3 exploration drill programme. A JORC compliant coal resource of 89Mt was defined, of which 6Mt were classified as Measured, 44 Mt were classified as Indicated with an additional 39Mt of the deposit being classified as Inferred (see Table 2 and Figure 3). The coal reserves were estimated using the same geological model as used in the February 2013 resource statement and was undertaken in compliance with the requirements of the reporting guidelines of the 2004 Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia ("JORC Code").

Directors' report (continued)

Coal reserves were estimated by applying realistic mining, metallurgical, economic, marketing, legal, environmental, social and government factors to the coal resources. The mining factors (such as recovery and dilution) were defined from the proposed open cut mining method. The Pit Optimisation study, which delineated the Katingan Ria life of mine ("LOM") pit (used in this Reserves Statement), was based on the area of the deposit that was economical to mine at a reasonably low product coal sales price (see Figures 4, 5 & 6). No metallurgical factors were applicable as the ROM coal is intended to be sold as a raw coal without processing.

In addition, due to the seasonality of the Katingan River, coal mining and barging was limited to approximately 9 months in the year with campaign-style barging planned to take advantage of the periods when river depths are fully navigable.

All the coal reserves were classified based on the level of detail completed in the mine planning and also the level of confidence in the resources. Coal resources were reported inclusive of coal reserves (that is, coal reserves were not additional to coal resources).

The coal reserves were based on a long-term coal price of $52/t for Katingan Ria coal (note: based on an internal Market Study by Salva Resources Pty Ltd in November 2012, this equates to a long-term Hunter Valley coal price of approximately $104/t). Based on a the current spot price (US$41.50/t FOB Kalimantan 4,200 kcal/kg GAR coal, 5th March 2013), the Project is considered marginal with operating profits only occurring in the initial low strip ratio years and as such economic reserves do not exist. Coal price is therefore a major risk to the Project.

At Katingan Ria, all coal reserves have been classified as probable due to the coal price and barging risks. The following tables show the total estimated open cut coal reserves and the reserves by seam for open cut reserves.

Table 2: Total Open Cut Coal Reserve Quantities (February 2013) (Mt) (gar @ 30% moisture)

Area	B Seam Probable (Mt)	Main Seam Probable (Mt)	Total Reserves Probable (Mt)
North of Fault	1.7	6.8	**8.5**
South of Fault - Permit Zone*	0.8	18.0	**18.8**
South of Fault - Other	0.2	1.6	**1.8**
Total	**2.7**	**26.4**	**29.1**

* Note: Permit zone = current phase 1 permit for the initial mining area in the southern part of the lease

Table 3: Total Open Cut Coal Reserve Qualities (February 2013) (Mt) (gar @ 30% moisture)

	B Seam Ash	B Seam CV	Main Seam Ash	Main Seam CV	Avg. Ash	Avg. CV
North of Fault	12.61	4,059	10.47	4,324	**10.91**	**4,270**
South of Fault - Permit Zone	15.27	4,245	8.27	4,248	**8.58**	**4,248**
South of Fault - Other	9.98	4,249	9.91	4,275		**4,272**
Total	**13.25**	**4,127**	**8.94**	**4,269**	**9.34**	**4,256**

Directors' report (continued)

The total coal reserve at Katingan Ria is estimated as 29Mt of probable reserve of which 26.4Mt is attributed to the Main Seam. The weighted average Main Seam calorific value and ash is 4,269 kcal/kg (GAR) and 8.9% (GAR) respectively. The B Seam has slightly lower quality coal with 13.3% (GAR) ash and 4,127 kcal/kg (GAR) energy.

Major risks to the coal reserve estimate are a reduction in the thermal coal price and challenges associated with transporting the coal to market, namely barging on the Katingan River.

Table 4: Coal Resources Summary

BLOCK NAME	SEAM	TOTAL VOLUME	PLAN AREA	MASS	TRUE VERT THK	RD (adb)	PRD	TM (%)	IM (%adb)	ASH (%adb)	VM (%adb)	FC (%adb)	TS (%adb)	CV (kcal/kg adb)
SOUTH														
Measured	MAIN	4,432,798	97	5,704,925	4.58	1.38	1.29	32	17	9.0	37.7	36.4	0.20	5105
Indicated	B	1,187,782	103	1,553,286	1.15	1.41	1.31	32	17	15.2	39.9	34.7	0.25	5144
Indicated	MAIN	14,582,725	339	18,632,573	4.30	1.37	1.28	32	17	9.7	40.6	33.0	0.21	5056
Inferred	C	1,304,474	72	1,739,533	1.82	1.45	1.33	32	17	24.6	33.1	30.3	0.21	4091
Inferred	B	112,619	17	147,492	0.67	1.41	1.31	32	17	16.2	39.4	33.6	0.24	5041
Inferred	MAIN	6,208,389	223	8,096,233	2.78	1.40	1.30	32	17	10.2	38.8	35.2	0.19	5038
Inferred	2	1,838,380	395	2,357,366	0.46	1.38	1.28	32	17	13.6	44.4	24.9	0.21	4993
Inferred	3	1,793,146	496	2,311,673	0.36	1.40	1.29	32	17	10.5	36.9	35.6	0.29	5054
NORTH														
Indicated	B	4,191,124	298	5,415,794	1.40	1.40	1.29	32	17	14.3	37.2	33.0	0.23	4837
Indicated	MAIN	14,446,981	379	18,443,029	3.82	1.37	1.28	32	17	11.9	40.2	33.6	0.21	5120
Inferred	C	5,093,573	305	6,870,969	1.67	1.48	1.35	32	17	22.6	33.1	30.3	0.21	4091
Inferred	B	2,730,083	218	3,534,324	1.25	1.40	1.29	32	17	14.5	37.7	33.1	0.24	4899
Inferred	A2	870,063	202	1,120,158	0.43	1.38	1.29	32	17	16.6	41.7	29.6	0.37	4985
Inferred	A1	347,258	144	433,338	0.24	1.32	1.25	32	17	9.3	39.9	37.0	0.28	5422
Inferred	MAIN	9,667,136	261	12,394,227	3.70	1.38	1.28	32	17	11.2	40.3	33.4	0.21	5084
Grand Total		**68,806,531**		**88,754,920**										

Directors' report (continued)

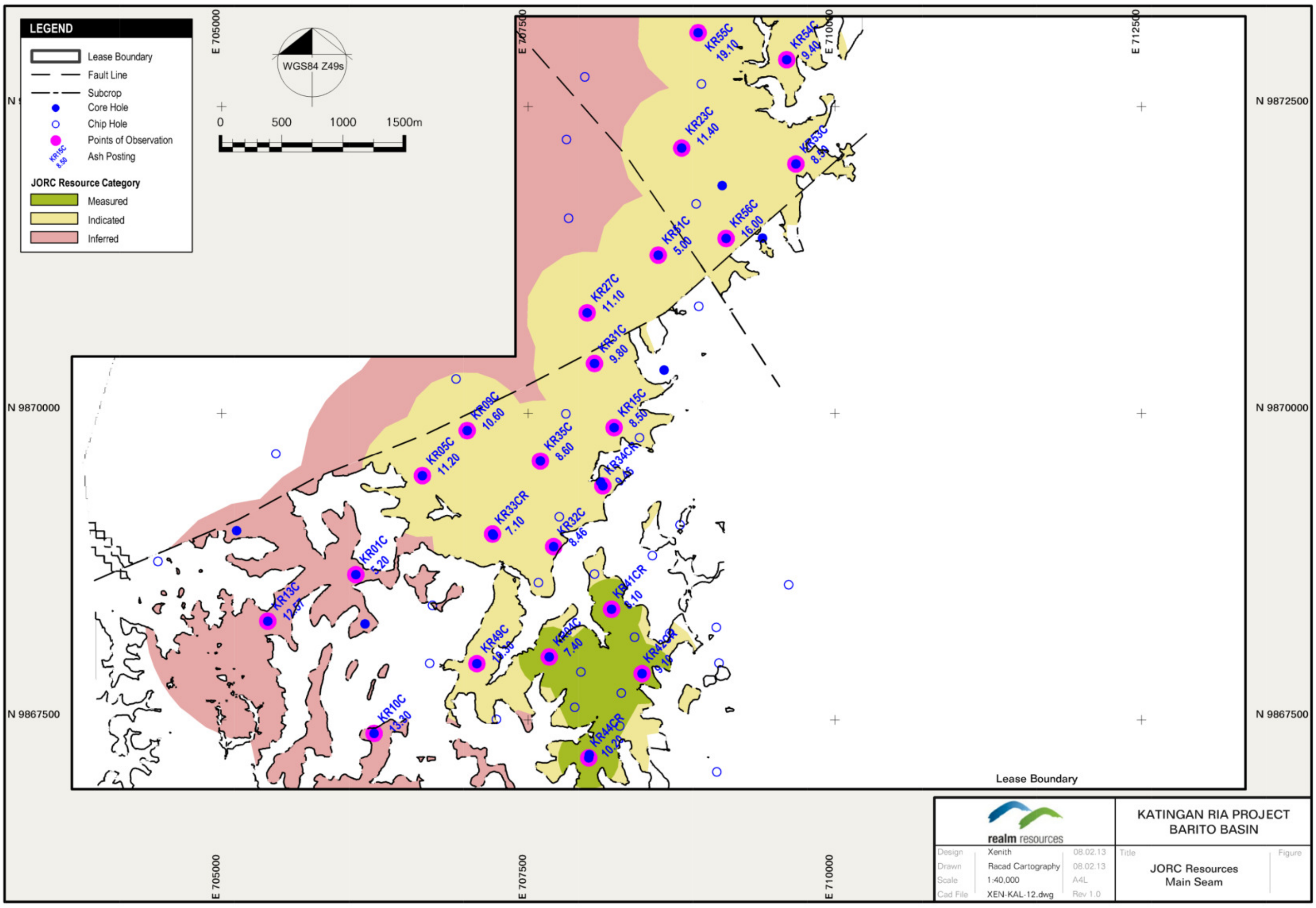

Figure 3: JORC Resource Polygon – Main Seam

Directors' report (continued)

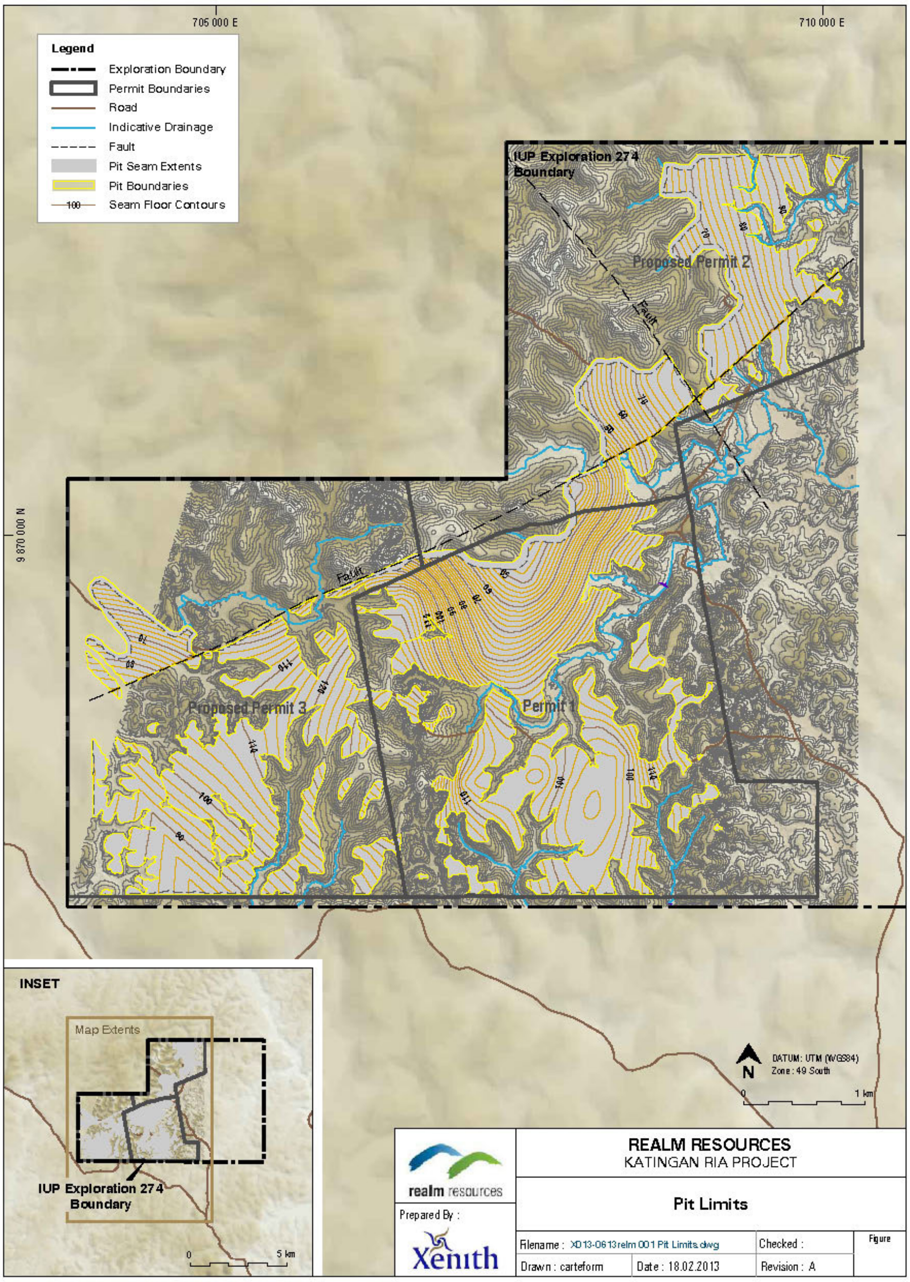

Figure 4: Open pit limits

Directors' report (continued)

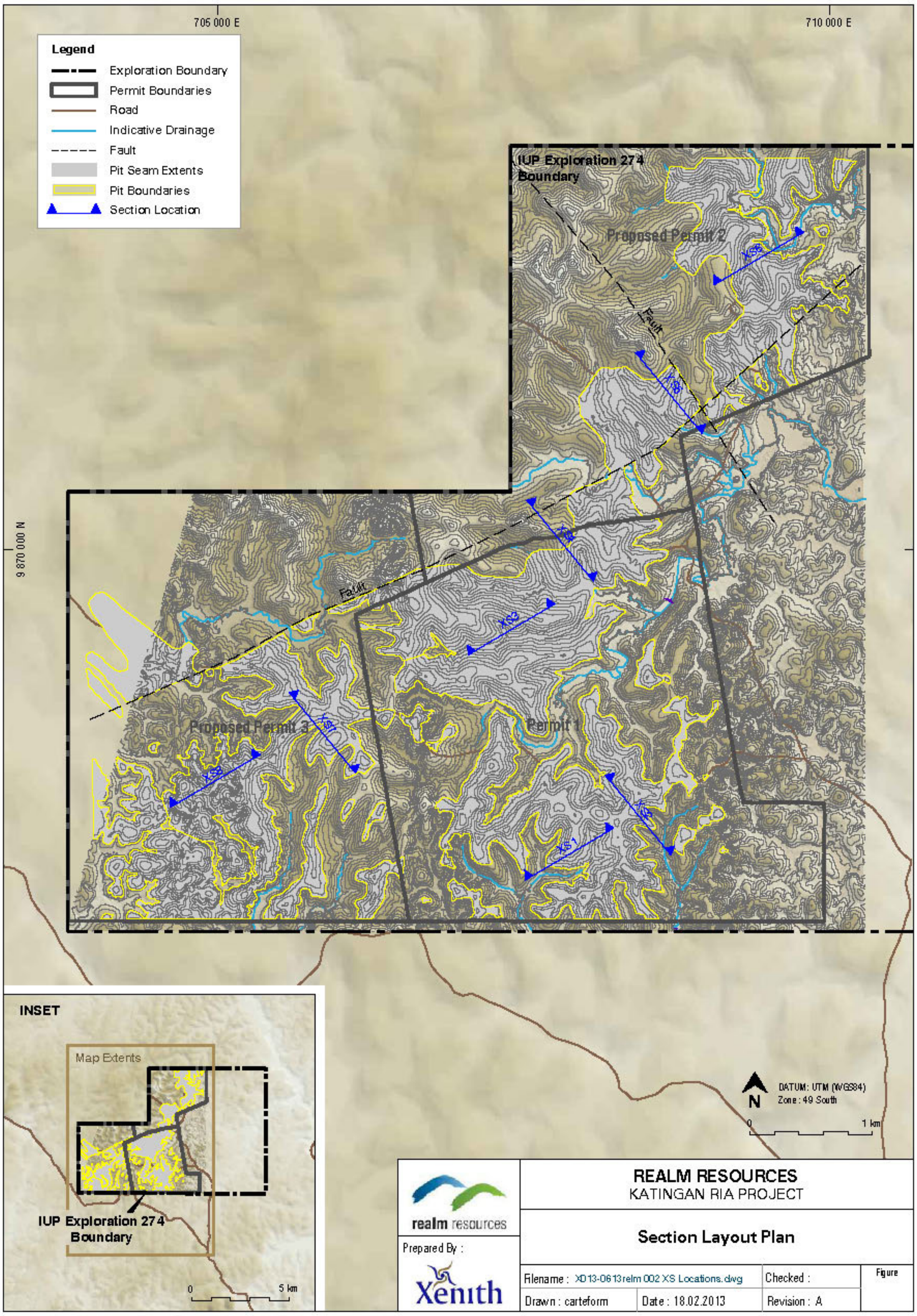

Figure 5: Position of cross sections

Directors' report (continued)

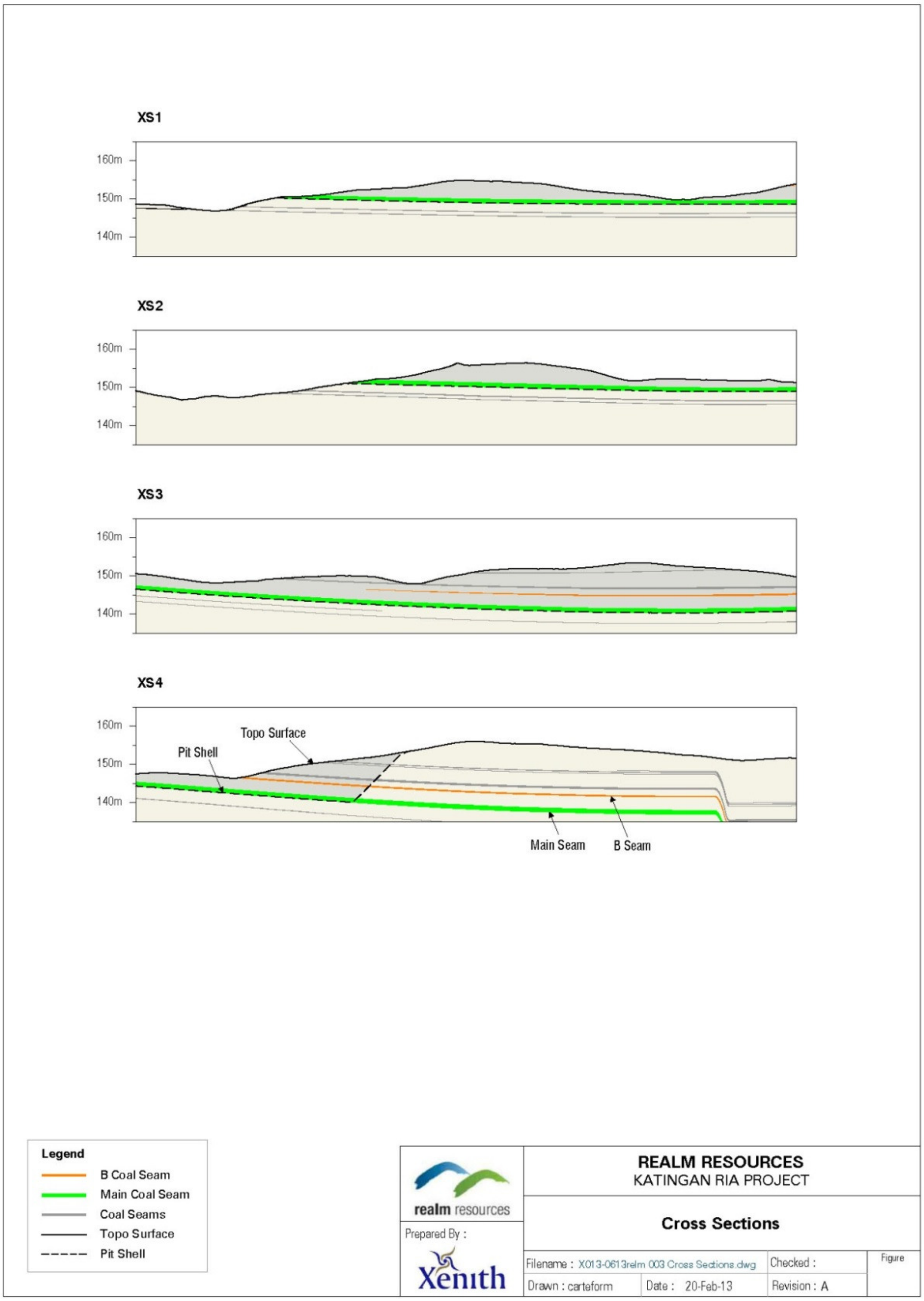

Figure 6: Cross Sections

Directors' report (continued)

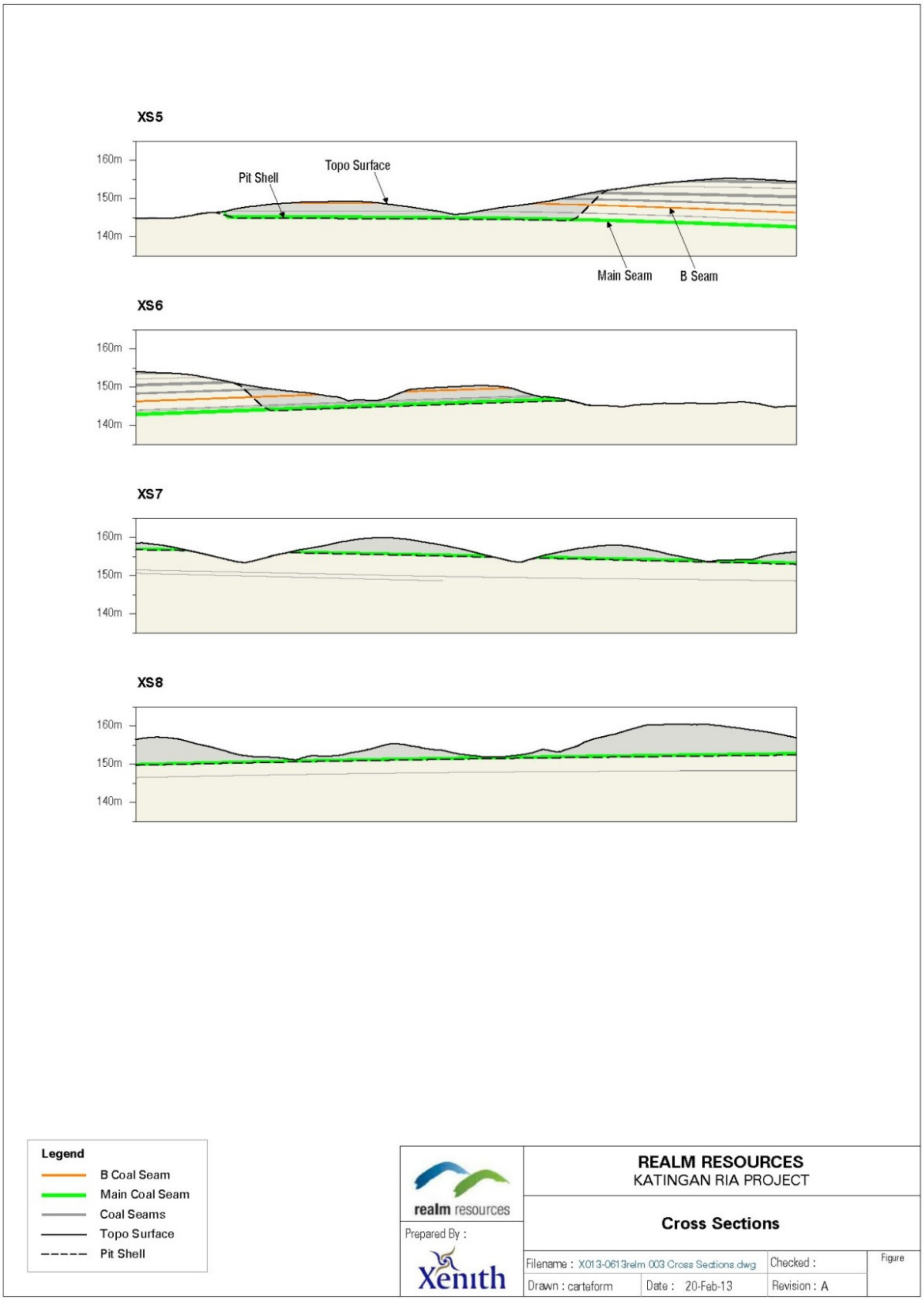

Figure 7: Cross Sections (continued)

Directors' report (continued)

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.

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 2012, and the numbers of meetings attended by each director, were:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number of Meetings Eligible to Attend	**Number of Meetings Eligible to Attend**	**Number of Meetings Eligible to Attend**	**Number of Meetings Eligible to Attend**	**Number of Meetings Eligible to Attend**	**Number of Meetings Eligible to Attend**
Richard Rossiter	11	11	2	2	NA	NA
Theo Renard	11	11	2	2	NA	NA
Neale Fong	11	11	2	2	2	2
Andrew Matheson (i)	6	6	1	1	NA	NA
Michael Davies	11	11	2	2	2	2
Andrew Purcell (ii)	10	10	2	2	2	1

(i) resigned 23 July 2012
(ii) resigned 12 December 2012

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 2012 was $9,146,849 (2011: Net loss of $5,246,730), and the loss attributable to members of Realm Resources Limited was $9,036,097 (2011: loss of $5,362,371).

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

On 12 February 2013, the Company held a general meeting where shareholders approved the following:

(i) The issue of options to JP Morgan Nominees Australia Limited as nominee of JP Morgan Chase Bank N.A. (Sydney Branch) acting as custodian for Taurus Funds Management Pty Limited for and on behalf of Taurus Resources Fund No.2 L.P, the issue of options to JP Morgan Nominees Australia Limited as nominee of JP Morgan Chase Bank N.A. (Sydney Branch) acting as custodian for Taurus Funds Management Pty Limited as trustee for Taurus Resources No. 2 Trust, totalling 100 million options.
(ii) The issue of 5,540,335 shares to the above Taurus entities to repay interest owing at year end $99,726.

Except as discussed above, no other matter or circumstance has arisen since 31 December 2012 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 legal compliance report was delivered to the relevant authorities in December 2012.

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 $43,453.

Auditor's independence

A copy of the auditors independence declaration as required under section 307 of the Corporations Act is set out on page 29.

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 $3,195. During the year the company used BDO South Africa Incorporated to provide audit services to its subsidiaries, Alumicor SA Holdings Proprietary Limited and its controlled entities, and Realm Resources (Pty) Limited and its controlled entities. No non-audit services were provided by BDO South Africa Incorporated. RSM Bird Cameron Corporate Pty Ltd, a firm globally associated with RSM AAJ Associates, prepared an independent expert report in relation to the issue of the Taurus Options and charged a fee of $38,000. During the year the company used RSM AAJ Associates in Indonesia to provide audit services to PT Katingan Ria. No non-audit services were provided by RSM AAJ Associates. During the year the company appointed GS Tan & Co. in Singapore to provide audit services to Realm Resources Pte. Ltd and Kalres Pte. Ltd. No non-audit services were provided by GS Tan & Co.

Details of auditors' remuneration is included in note 30 to the financial statements.

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:

Richard Rossiter	- executive chairman
Andrew Matheson	- managing director (resigned 23 July 2012)
Theo Renard	- executive director, company secretary
Neale Fong	- non-executive director
Michael Davies	- non-executive director
Andrew Purcell	- non-executive director (resigned 12 December 2012)

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 two independent NEDs.

Remuneration Approval Process

The board approves the remuneration arrangements of the executive chairman 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 executive chairman, 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 executive chairman. 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	Base Salary including Superannuation $
Directors				
R D Rossiter – chairman (previously Managing director)	2, commencing 1 July 2011 (ii)	Nil	(i)	366,894(iv)
T N Renard – executive director	2, commencing 23 December 2008 (ii)	Nil	(i)	250,000 (iv)
N Fong – non executive director	N/A	N/A	N/A	
A M Matheson – managing director (resigned 23 July 2012)	2, commencing 21 November 2011	Nil	(i)	381,500
M N M Davies – non-executive director	N/A	N/A	N/A	
A G Purcell – non-executive director (resigned 12 December 2012)	N/A	N/A	N/A	
Key management personnel				
R McConnachie – general manager, Alumicor SA Holdings Proprietary Limited	Indefinite	6	None	ZAR1,584,000
M Black – chief operating officer, PT Katingan Ria	Indefinite	2	None	US210,000
E Armila – general manager, PT Katingan Ria	Indefinite	2	None	US90,000

(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.

(ii) Following completion of the contract, if the parties agree, the terms of the contract are extended for 2 year rolling periods, pursuant to the terms of the respective agreement.

(iii) In addition to the above, all directors of the company receive fees of $26,160 per annum including superannuation (being $2,000). From 1 July 2012 onwards, fees payable to Richard Rossiter increased to $5,450 per month. Fees payable to Theo Renard increased to $3,633.33 per month, fees payable to Michael Davies increased to $3,333.33 per month and fees payable to Neale Fong increased to $6,721.67 per month.

(iv) Effective 1 July 2012, salary and consulting fees payable to Richard Rossiter and Theo Renard reduced to $17,500 per month (equivalent to $210,000 per annum).

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 2012

	Short-term		Long-term	Share based payment	
	Directors fees $	Salary and Consulting fees $	Superannuation contribution $	Shares and options $	Total $
Non – executive directors					
Neale Fong	75,734	-	6,816	-	82,550
Michael Davies	30,667	-	1,500	-	32,167
Andrew Purcell (i)	28,023	173,844	2,522	-	204,389
Sub–total non–executive directors	134,424	173,844	10,838	-	319,106
Executive directors					
Richard Rossiter	39,000	301,522	3,510	-	344,032
Andrew Matheson (ii)	14,170	192,260	18,579	-	225,009
Theo Renard	30,667	233,331	2,280	-	266,278
Sub – total executive directors	83,837	727,113	24,369	-	835,319
General Management					
Ryan McConnachie	-	198,672	-	-	198,672
Michael Black	-	202,818	-	-	202,818
Eva Armila	-	86,922	-	-	86,922
Sub–total General Management	-	488,412	-	-	488,412
Totals	218,261	1,389,379	35,207	-	1,642,837

(i) resigned on 12 December 2012
(ii) resigned on 23 July 2012

Directors' report (continued)

Remuneration report (audited) (continued)

Table 2: Remuneration for the year ended 31 December 2011

	Short-term		Long-term	Share based payment	
	Directors fees $	Salary and Consulting fees $	Superannuation contribution $	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

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 2012

	Granted	Terms & Conditions for each Grant						Vested	
31 December 2012	No.	Grant Date	Fair Value per share at grant date $ (note 24)	Exercise price per share $ (note 24)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Key Management Personnel	-	-	-	-	-	-	-	-	-

Directors' report (continued)

Remuneration report (audited) (continued)

Table 4: Compensation options: Granted and vested during the year ended 31 December 2012

	Granted	Terms & Conditions for each Grant						Vested	
31 December 2012	No.	Grant date	Fair Value per option at grant date $ (note 24)	Exercise price per option $ (note 24)	Expiry date	First exercise date	Last exercise date	No.	%
Key Management Personnel	-	-	-	-	-	-	-	-	-
Total	-							-	-

Table 5: 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 24)	Exercise price per share $ (note 24)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Key Management Personnel									
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
Total	3,500,000							3,500,000	-

Table 6: 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 24)	Exercise price per option $ (note 24)	Expiry date	First exercise date	Last exercise date	No.	%
Key Management Personnel									
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 7: Shares granted as part of remuneration during the year ended 31 December 2012

	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
Key Management Personnel	-	-	-	-	-

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

Directors' report (continued)

Remuneration report (audited) (continued)

Table 8: 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
Key Management Personnel					
Grant Button	500,000	20,665	-	20,665	39.7
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
	3,500,000	144,654	-	144,654	-

Table 9: Options granted as part of remuneration for the year ended 31 December 2012

	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
Key Management Personnel	-	-	-	-	-	-

Table 10: Options granted as part of remuneration during 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
Key Management Personnel						
Ryan McConnachie	1,000,000	41,330	-	-	41,330	17.0

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
28 March 2013

Auditor's Independence Declaration

To the directors of Realm Resources Limited:

As lead auditor for the audit of Realm Resources Limited for the year ended 31 December 2012, 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
28 March 2013

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289
Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190
Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

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 2012 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.

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 independent directors of the Board during the reporting period were Dr Neale Fong, Mr Michael Davies and Mr Andrew Purcell (until his resignation). 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 2.2 & 2.3: The chair should be an independent director and the roles of chair and chief executive officer should not be exercised by the same individual.

Notification of Departure: The role of chairman of the Company during the reporting period was held by Mr Richard Rossiter, an independent director until his appointment as executive chairman on 23 July 2012. The role of managing director of the Company was held by Mr Andrew Matheson until his resignation on 23 July 2012.

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.

Corporate governance statement (continued)

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 3

Recommendation 3.3: Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Notification of Departure: The Company has not yet established objectives for achieving gender diversity.

Explanation for Departure: The Company operates with a very small team of professionals, whose services are provided on the basis of their experience and professional qualifications. Establishing such measureable objectives will be addressed by the Board when the Company's operations require the expansion of its personnel numbers.

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.

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 two 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).

Corporate governance statement (continued)

AUDIT COMMITTEE

The full Board, in its capacity as the Audit Committee, held 2meetings during the Reporting Period. When the Board meets as the Audit Committee, Neale Fong 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 directors' qualifications are set out in the directors' 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 full Board, in its capacity as the Remuneration Committee, held 2 meetings during the reporting period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter (available on the Company's website).

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.

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 and Michael Davies.

Corporate governance statement (continued)

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-executive directors
There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Consolidated statement of financial position
As at 31 December 2012

	Notes	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	9	2,492,636	3,264,206
Trade and other receivables	10	478,136	329,399
Inventories	11	11,604	9,202
Other assets		81,097	20,863
Total current assets		3,063,473	3,623,670
Non-current assets			
Trade and other receivables	12	27,077	-
Investments accounted for using the equity method	13	-	2,206,080
Available for sale financial assets	14	227,200	-
Property, plant and equipment	15	1,804,057	1,850,664
Deferred tax assets	7(c)	170,969	138,443
Exploration and evaluation assets	16	15,115,523	12,578,560
Total non-current assets		17,344,826	16,773,747
TOTAL ASSETS		20,408,299	20,397,417
LIABILITIES			
Current liabilities			
Trade and other payables	17	771,530	1,985,299
Current tax liabilities	7(d)	3,704	105,710
Borrowings	18	6,386,812	5,174,746
Total current liabilities		7,162,046	7,265,755
Non-current liabilities			
Deferred tax liabilities	7(c)	90,268	59,279
Total non-current liabilities		90,268	59,279
TOTAL LIABILITIES		7,252,314	7,325,034
NET ASSETS		13,155,985	13,072,383
EQUITY			
Capital and reserves			
Contributed equity	19	40,392,135	30,877,930
Retained earnings (accumulated losses)	20(a)	(25,859,478)	(16,905,091)
Reserves	20(b)	(1,731,585)	(1,386,470)
Attributable to owners of Realm Resources Limited		12,801,072	12,586,369
Non-controlling interests		354,913	486,014
TOTAL EQUITY		13,155,985	13,072,383

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

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	2012 $	2011 $
Revenue from continuing Operations			
Sale of goods		3,951,603	4,427,290
Interest Income		311,625	374,185
Other revenue		36,747	43,449
Revenue		4,299,975	4,844,924
Cost of sales		(2,148,671)	(2,080,693)
Gross profit		2,151,304	2,764,231
Other income	14	285,850	-
Impairment loss – exploration assets		(2,988,400)	(1,204,126)
Revaluation loss – available for sale financial assets		(58,850)	-
Technical expenses		(1,167,554)	(104,312)
Share maintenance expenses		(68,142)	(55,185)
Occupancy Expenses		(118,837)	(94,879)
Share based compensation expense		-	(206,648)
Due Diligence		-	(2,055,315)
Audit fees		(187,309)	(170,779)
Directors' fees		(557,220)	(445,117)
Consultancy fees		(1,418,094)	(1,077,988)
Administrative expenses	6(a)	(4,727,686)	(2,110,410)
Other expenses	6(a)	(132,528)	(317,361)
Finance costs		(389)	(917)
(Loss)/Profit before income tax		(8,987,855)	(5,078,806)
Income tax benefit/(expense)	7	(158,994)	(167,924)
Net (Loss)/profit for the year		(9,146,849)	(5,246,730)
Other comprehensive income:			
Exchange differences on translation of foreign operations		(263,405)	(1,514,864)
Total comprehensive income(loss) for the year		(9,410,254)	(6,761,594)
Total profit (loss) for the year is attributable to:			
Non-controlling interest		(110,752)	115,641
Owners of Realm Resources Limited		(9,036,097)	(5,362,371)
		(9,146,849)	(5,246,730)
Total comprehensive income (loss) for the year is attributable to:			
Non-controlling interest		(110,752)	115,641
Owners of Realm Resources Limited		(9,299,502)	(6,877,235)
		(9,410,254)	(6,761,594)
			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		(2.43)	(1.91)
Diluted earnings (loss) per share		(2.42)	(2.77)

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

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Attributable to members of Realm Resources Limited						
	Ordinary shares $	Employee equity benefits reserve $	Foreign currency translation reserve $	Accumulated losses $	Total Equity $	Attributable to non-controlling interest $	Total equity $
Balance as at 1 January 2011	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	9,890,717	-	-	-	9,890,717	-	9,890,717
Share-based payment	165,319	41,330	-	-	206,649	-	206,649
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
(Loss) for the year	-	-	-	(9,036,097)	(9,036,097)	(110,752)	(9,146,849)
Other comprehensive income	-	-	(263,405)	-	(263,405)	-	(263,405)
Total comprehensive income for the year	-	-	(263,405)	(9,036,097)	(9,299,502)	(110,752)	(9,410,254)
Acquisition of subsidiary	-	-	-	-	-	(20,349)	(20,349)
Transactions with owners in their capacity as owners:							
Shares issued during the year, net of transaction costs	9,514,205	-	-	-	9,514,205	-	9,514,205
Transfer of share-based payment	-	(81,710)	-	81,710	-	-	-
Balance as at 31 December 2012	40,392,135	41,330	(1,772,915)	(25,859,478)	12,801,072	354,913	13,155,985

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

Consolidated statement of cash flows
For the year ended 31 December 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		3,877,567	4,569,648
Payments to suppliers and employees		(8,950,898)	(7,072,744)
Interest received		73,784	216,622
Finance charges		-	-
Income tax (payments) receipts		(303,189)	(159,468)
Net cash flows (used in)/from operating activities	21	(5,302,736)	(2,445,942)
Cash flows from investing activities			
Purchase of property, plant and equipment		(397,488)	(634,395)
Acquisition of subsidiaries - net of cash acquired		-	(11,910,419)
Net cash flows used in investing activities		(397,488)	(12,544,814)
Cash flows from financing activities			
Proceeds from issue of shares		-	8,075,517
Loan made		(92,623)	-
Proceeds from borrowings		4,952,339	5,170,000
Payment of finance lease liabilities		(4,627)	(13,059)
Net cash flows (used in)/from financing activities		4,855,089	13,232,458
Net (decrease)/increase in cash and cash equivalents held		(845,135)	(1,758,298)
Effects of exchange rate changes on cash and cash equivalents		73,565	(191,017)
Cash and cash equivalents at the beginning of year		3,264,206	5,213,521
Cash and cash equivalents at end of year	9	2,492,636	3,264,206

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 2012 was authorised for issue in accordance with a resolution of the directors on 28 March 2013. 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 Securities 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 2012 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 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standardsarising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising fromAASB 9 (December 2010)* (effective from 1 January 2013*)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(a) New accounting standards and interpretations (continued)

(ii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities, revised* AASB 127 *Separate Financial Statements and* AASB 128 *Investments in Associates and Joint Ventures and* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 December 2013.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(a) New accounting standards and interpretations (continued)

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 December 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.

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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(d) Principles of consolidation (continued)

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 25.

(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.

The Group generally deems it has significant influence if it has 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.

(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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(e) Business combinations (continued)

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 capitalised costs are written off to the extent that they will not be recoverable in the future or where activities in the area have not yet reached a state that permits reasonable assessment of the existence of economically recoverable reserves..

(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.

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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(g) Operating segments (continued)

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). The Singapore subsidiary's financial currency is United States dollars, 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.
- 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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(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.

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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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.

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the report period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Impairment
The Group assesses at the end of each report period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(j).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(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

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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(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.

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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(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 24.

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).

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(r) Share-based payment transactions (continued)

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.

(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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(t) Revenue recognition (continued)

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.
- 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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(u) Income tax and other taxes (continued)

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.

(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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(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 2012, the consolidated entity incurred a loss after income tax of $9,146,849.

At balance date, the consolidated entity had an excess of current liabilities over current assets of $4,098,573, and total equity of $13,155,985.

Included in current liabilities at year end are borrowings of $5,099,726 which are due for repayment on 30 September 2013.

Management have prepared cash flow forecasts covering the period to 31 March 2014. Based on these cash flow forecasts, the ability of the consolidated entity to continue as a going concern depends upon the generation of future cash inflows, through one or more of the following avenues:

- (i) The receipt of additional debt or equity funds;
- (ii) The sale of one or more of the consolidated entity's assets.

The directors consider that they will be successful in generating sufficient future cash inflows through one or more of the above avenues.

However, should the consolidated entity not be successful in generating future cash inflows, the consolidated entity may not be able to continue as a going concern.

Accordingly, there is a material uncertainty that may cast doubt on the consolidated entity's ability to continue as a going concern.

No adjustments have been made in relation to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, available-for-sale financial assets, 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.

Notes to the financial statements (continued)

3. Financial risk management objectives and policies (continued)

Risk exposures and responses

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

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:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	2,492,636	3,264,206
Loan to other parties (note 12)	-	-
Total	2,492,636	3,264,206
Financial liabilities		
Borrowings	5,000,000	5,170,000
Total	5,000,000	5,170,000

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:

	Interest Rate Risk Impact on Post Tax Profit/Equity	
	+1% (100 basis points)	-.5% (50 basis points)
31-Dec-12	(22,066)	11,033
31-Dec-11	16,539	(8,269)

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

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 loans receivable (including unpaid interest) denominated in South African Rand of ZAR23,921,601 (2011: ZAR11,405,878), the Group's statement of financial position can be affected significantly by movements in the A$/ZAR exchange rates. The amounts translated into Australian Dollars are set out in note 12. The exposure in the loan receivable has been mitigated as a full provision for impairment was recognised at 31 December 2012.

In addition the Group has operations in Indonesia and a subsidiary in Singapore (the financial currency for the Singapore subsidiary is United States Dollars). 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 Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australia dollars, is as follows:

	31 December 2012			31 December 2011		
	US$	South African Rand	Indonesian Rupee	US$	South African Rand	Indonesian Rupee
Trade and other receivables	-	509,454	21,856	-	345,857	-
Available-for-sale financial assets	-	227,200	-	-	-	-
Exploration and evaluation assets	15,115,523	-	-	12,578,560	-	-
Trade and other payables	-	536,825	281	-	361,766	2,264
Borrowings	-	1,211,050	-	-	-	-

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 2012, 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:

	Foreign exchange risk Impact on Post Tax Profit/Equity					
	+10% USD	-20% USD	+20% ZAR	-10% ZAR	+20% IDR	-10% IDR
31-Dec-12	1,511,552	(3,023,105)	(202,244)	101,122	4,315	(2,158)
31-Dec-11	1,257,856	(2,515,712)	(3,182)	1,591	(453)	226

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.

Notes to the financial statements (continued)

3. Financial risk management objectives and policies (continued)

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.

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 2012.

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

	Consolidated	
	2012	**2011**
	$	**$**
6 months or less	-	7,265,755
6 – 12 months	5,950,996	-
1 – 5 years	1,211,050	-
	7,162,046	7,265,755

Price risk
The group is exposed to equity securities price risk. This arises from an investment held by the group and classified in the statement of financial position as available-for-sale. Price risk is monitored by the Finance Director on an ongoing basis. The group has one investment classed as available-for-sale and it is listed on the Johannesburg Stock Exchange.

At 31 December 2012, had the price of equity securities increased/decreased by 10%, with all other receivables remaining constant. Post tax profit and equity would have been impacted as follows:

	Post tax profit higher (lower)		Total equity higher (lower)	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Increase 10%	22,720	-	22,720	-
Decrease 10%	(22,720)	-	(22,720)	-

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 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
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 the 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 cannot 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 profit or loss.

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 24. 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.

Exploration and evaluation assets
Please refer note 16 for details of assumptions regarding exploration and evaluation assets.

Notes to the financial statements (continued)

4. Significant accounting estimates and assumptions

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 2013 (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.

(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 2012 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 2012					
Revenue					
Sales to external customers	3,951,603	-	-	-	3,951,603
Other revenue	22,766	316,771	-	8,835	348,372
Total segment revenue	3,974,369	316,771	-	8,835	4,299,975
Result					
Segment results before finance costs, impairment loss exploration assets and income tax	428,814	(6,094,248)	-	(333,632)	(5,999,066)
Finance costs	(389)	-	-	-	(389)
Impairment loss – exploration assets	-	-	-	(2,988,400)	(2,988,400)
Income tax (expense)/benefit	(134,659)	(20,004)	-	(4,331)	(158,994)
Net profit/(loss) after tax for period	293,766	(6,114,252)	-	(3,326,363)	(9,146,849)
Assets and liabilities					
Segment assets	3,489,660	14,005,497	5,764,720	9,350,803	32,610,680
Segment liabilities	2,270,000	11,660,742	-	-	13,930,742
Depreciation	(350,501)	(5,956)	-	(2,311)	(358,768)

Notes to the financial statements (continued)

5. Segment Information (continued)

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

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)
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)

(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:

	2012 $	2011 $
Total segment revenue	4,299,975	4,844,924
Total revenue from continuing operations	4,299,975	4,844,924

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

Notes to the financial statements (continued)

5. Segment Information (continued)

(c) Other segment information (continued)

(i) 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.

Reportable segment loss reconciles to loss for year as follows:

	2012 $	2011 $
Segment losses	(9,146,849)	(5,246,730)
Intersegment eliminations	-	-
Total losses per the financial statements	(9,146,849)	(5,246,730)

(ii) 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:

	2012 $	2011 $
Segment assets	32,610,680	27,053,494
Inter-segment eliminations	(12,202,381)	(6,656,077)
Total assets per the financial statements	20,408,299	20,397,417

(iii) 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:

	2012 $	2011 $
Segment liabilities	13,930,742	11,635,862
Inter-segment eliminations	(6,678,428)	(4,310,828)
Total liabilities per the financial statements	7,252,314	7,325,034

Notes to the financial statements (continued)

6. Expenses

Expenses from Continuing Operations

	2012 $	2011 $
(a) Amounts included in administrative and other expenses		
Impairment provision loan and gain on translation of loan	1,389,750	(155,595)
Impairment provision loan and (loss)/gain on translation of creditor	132,528	(76,351)
Finance charges	389	4,390
Depreciation	116,181	39,083
Rental property	49,908	44,929
Rental expense relating to operating leases	7,112	7,812
Employee benefits expense	3,011,111	2,355,551
(b) Amount included in cost of sales		
Depreciation	242,588	339,800

7. Income tax

(a) Income tax expense

	2012	2011
The major components of income tax expense are:		
Current income tax		
Current income tax (benefit)/charge	1,570,551	1,568,308
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,411,557)	(1,400,384)
Income tax expense (credit)	**158,994**	**167,924**

(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:

	2012	2011
Total accounting (loss)/profit before income tax	(8,987,855)	(5,078,806)
At the Parent entity's statutory income tax rate of 30% (2011: 30%)	(2,696,357)	(1,523,642)
Section 40-880	(40,441)	(45,003)
Share based payments	-	61,994
Non deductible expenses	2,355	219,021
Impairment of loans not recognised as a deferred tax asset	429,657	(69,584)
Tax losses not recognised as a deferred tax asset	2,463,780	1,525,138
Income tax (benefit)/expense	158,994	167,924

Notes to the financial statements (continued)

7. Income tax (continued)

(c) Recognised deferred tax assets and liabilities

	2012 $	2011 $
Deferred income tax at 31 December relates to the following:		
Deferred tax asset – the balance contains temporary differences attributable to:		
Employee benefits	-	7,244
Property, plant & equipment	-	124,849
Other	170,969	6,350
Gross deferred income tax assets	170,969	138,443
Deferred tax liabilities		
Temporary differences - Unrealised exchange gains	(138,274)	(97,975)
Temporary differences – interest receivables	228,542	157,254
Gross deferred income tax liabilities	90,268	59,279

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:

	2012 $	2011 $
Tax losses	3,988,918	1,566,058
Impairment of loan	360,073	(10,692)

(d) Income tax payable

	2012 $	2011 $
Income tax payable	3,704	105,710

8. Earnings per share

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

	2012 $	2011 $
(a) Earnings used in calculating earnings per share		
Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent	(9,036,097)	(5,362,371)
(b) Weighted average number of ordinary shares		
Weighted average number of ordinary shares for basic earnings per share	372,241,621	281,131,875
Weighted average number of ordinary shares for diluted earnings per share	374,491,621	193,403,650

Notes to the financial statements (continued)

	2012 $	2011 $
9. Cash and cash equivalents		
Cash at bank and in hand	1,227,447	1,046,443
Short-term deposits	1,265,189	2,217,763
	2,492,636	3,264,206
10. Current assets – trade and other receivables		
Trade Receivables	478,136	329,399
Allowance for impairment loss	-	-
Carrying amount of trade receivables	478,136	329,399

(a) Allowance for impairment loss

The majority of 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.

	2012 $	2011 $
11. Current assets – inventories		
Raw materials (at cost)	11,604	9,202
12. Non-current assets - receivables		
Loan to African Dune (a)	1,432,264	1,376,690
Provision for impairment	(1,432,264)	(1,376,690)
Loan to Tiespro (b)	1,334,176	-
Provision for impairment	(1,334,176)	-
Other assets	27,077	-
Carrying amount of non-current receivables	27,077	-

(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.
(b) The loan to Tiespro 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.

Notes to the financial statements (continued)

12. Non-current assets – receivables (continued)

(b) Loan to Tiespro

Realm and Tiespro have entered into a loan agreement whereby, during the year ended 31 December 2012, Realm has lent Tiespro ZAR10,660,653 at 9%. 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 Realm Resources (Proprietary) Limited.

Movements in the provision for impairment were as follows:

	2012 $	2011 $
At 1 January	1,376,690	1,532,284
Increase in provision for impairment during the year	1,389,750	(155,594)
At 31 December	2,766,440	1,376,690

(c) 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.

(d) Foreign exchange and interest rate risk

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

(e) 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.

13. Investments accounted for using the equity method

	2012 $	2011 $
Unlisted		
Masedi Platinum (Proprietary Limited	-	1,074,867
Nkwe Platinum (Scarlet) (Proprietary) Limited	-	1,131,213
	-	2,206,080

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

Notes to the financial statements (continued)

13. Investments accounted for using the equity method (continued)

At 31 December 2011, the Group owned 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 resulted in the acquisition of further shares in Masedi and NPS, was 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. Ministerial approval was received during the year ended 31 December 2012. Subsequent to Realm receiving Ministerial approval, Masedi and NPS are subsidiaries of Realm. More information on the acquisition is set out in note 25. Realm currently has 70.3% ownership of Masedi and 74% ownership of NPS, the balance being held by a local Black Economic Empowerment (“BEE”) partner in South Africa.

14. Available-for-sale financial assets

Available-for-sale financial assets include the following classes of financial assets:

	2012 $	2011 $
Listed equity securities	227,200	-

During the year ended 31 December 2012, the company announced that it had entered into an agreement with Chrometco Limited (“Chrometco”) and Nkwe Platinum Rooderand (Proprietary) Limited (”Nkwe”) that may lead to the establishment of a ‘stand-alone’ company focussed on advancing PGM and chrome assets in South Africa.

In August 2012, Nkwe and the Company agreed, subject to certain conditions being achieved, to cancel the existing farm-in agreement and sell the platinum group and base metal mineral rights, as well as historical drill core and geological data, to Chrometco.

Nkwe is in the process of renewing its new order prospecting right for platinum group metals and gold and cobalt, copper and nickel. Subject to certain conditions which must be fulfilled (including the granting of Section 102 Consent of the Mineral and Petroleum Resources Devlopment Act in South Africa), Nkwe has agreed to transfer its geological data and the drill core to Chrometco and conditionally abandon its prospecting right. Subject to the fulfilment of certain conditions , Chrometco would issue 45,000,000 Chrometco ordinary shares to Realm and 45,000,000 to Nkwe, leading to Realm and Nkwe holding approximately 16% each of Chrometco.

On 2 November 2012, Chrometco shareholders approved the deal and the first tranche of 10 million shares in Chrometco has been issued to the company. The shares were acquired for $nil consideration and had a fair value of ZAR0.25 per share at acquisition date, resulting in total shares of ZAR2,500,000 (approximately AU$285,850) being acquired. As the shares were acquired at $nil value, the fair value of $285,850 has been included in other income for the year.

At 31 December 2012, the fair value of the shares fell to ZAR0.20 per share, resulting in the fair value of the Group’s investment in Chrometco being recorded at ZAR2,000,000 (approximately AU$227,200).

An impairment loss of $58,850 has been recorded in relation to this.

All available-for-sale financial assets are denominated in South African Rand. Refer to note 3 for an analysis of the sensitivity of available-for-sale financial assets to price and foreign exchange risk.

Notes to the financial statements (continued)

15. 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 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	1,337,020	1,799,130	238,579	32,340	40,160	3,447,229
Accumulated depreciation and impairment	(240,446)	(1,104,780)	(219,706)	(17,983)	(13,650)	(1,596,565)
	1,096,574	694,350	18,873	14,357	26,510	1,850,664

	Land and Buildings $	Plant and equipment $	Motor vehicles $	Computer equipment $	Office furniture and equipment $	Total $
Year ended 31 December 2012						
At 1 January 2012 net of accumulated depreciation	1,096,574	694,350	18,873	14,357	26,510	1,850,664
Additions	14,201	283,572	88,058	279	14,165	400,275
Disposals	-	-	-	-	3,541	3,541
Exchange differences	(62,239)	(41,992)	(4,164)	(544)	(988)	(109,927)
Depreciation charge for the year	(79,206)	(246,092)	(383)	(8,908)	(5,907)	(340,496)
At 31 December 2012 net of accumulated depreciation- Net carrying amount	969,330	689,838	102,384	5,184	37,321	1,804,057
At 31 December 2012						
Cost at fair value	1,272,078	1,967,151	309,536	30,706	56,500	3,635,971
Accumulated depreciation and impairment	(302,748)	(1,277,313)	(207,152)	(25,522)	(19,179)	(1,831,914)
	969,330	689,838	102,384	5,184	37,321	1,804,057

Notes to the financial statements (continued)

15. 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

16. Non-current assets – exploration and evaluation assets

	2012 $	2011 $
Cost on acquisition	19,232,733	13,468,013
Foreign exchange movement	(1,128,810)	(889,453)
Impairment loss	(2,988,400)	-
Carrying amount at year end	15,115,523	12,578,560

Movement in the carrying amount during the year ended 31 December 2012 is as follows:

	2012 $
Carrying amount at the beginning of the year	12,578,560
Additions during the year (note 25)	5,764,720
Foreign exchange movement during the year	(239,357)
Impairment losses recognised during the year	(2,988,400)
Carrying amount at the end of the year	15,115,523

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, 74% of the shares in Nkwe Platinum (Scarlet) Proprietary Limited and 70.3% of the shares in Masedi Platinum (Proprietary) Limited (note 25).

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

The income and expense items arising excluding any impairment losses recognised, from the exploration and evaluation of these assets, are as follows:

	2012 $	2011 $
Income	8,835	17,609
Expenses	337,963	18,731

Notes to the financial statements (continued)

16. Non-current assets – exploration and evaluation assets (continued)

At year end the assets and liabilities arising from the exploration and evaluation of mineral resources, excluding the exploration evaluation assets, are as follows:

	2012 $	2011 $
Assets	221,516	382,936
Liabilities	291,517	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.

17. Current liabilities – trade and other payables

	2012 $	2011 $
Trade payables	693,818	847,368
Other payables	77,712	1,137,931
Carrying amount of trade and other payables	771,530	1,985,299

(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. At balance date Alumicor SA Holdings Proprietary Limited's creditors totalled $2,270,000. No liability is needed to be recognised by Realm Resources Limited at balance date in relation to this.

(c) Amounts owing to related parties

Nil.

18. Borrowings

(a) Loans

	2012 $	2011 $
Current		
Convertible equity linked credit facilities	5,099,726	5,170,000
Other borrowings	1,287,086	-
	6,386,812	5,170,000
Current		
Obligations under, finance leases and hire purchase contracts (note 27)	-	4,746
	-	4,746

Notes to the financial statements (continued)

18. Borrowings (continued)

(a) Loans (continued)

	2012 $	2011 $
Non - current		
Obligations under finance leases and hire purchase contracts (note 27)	-	-
	-	-
Total current borrowings	6,386,812	5,174,746
Total non-current borrowings	-	-

Since 30 June 2011, two separate convertible equity credit facilities have been entered into, as follows:

Facility No 1:
On 28 September 2011, the company entered into a $5,170,000 convertible equity linked credit facility with the following parties:

	$
Taurus Funds Management Pty Ltd, as trustee of 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 were unsecured and did not attract interest. During the year ended 31 December 2011, the company drew down the full $5,170,000 of the facility. The maturity date of the loans was12 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 were as follows:

	No. of shares issued
Taurus Funds Management Pty Ltd, as trustee of 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.

Facility No 2:
On 28 June 2012, the company entered into a $5,000,000 convertible equity linked credit facility with the following parties:

	$
Taurus Funds Management Pty Limited, on behalf of Taurus Resources No. 2, L.P.	4,901,845
Taurus Funds Management Pty Limited, as trustee of the Taurus Resources No. 2 Trust	98,155
Total	5,000,000

Notes to the financial statements (continued)

18. Borrowings (continued)

(a) Loans (continued)

At 31 December 2012, the company had drawn $5,000,000 of the facility.

Interest owing of $99,726 has been included in the borrowings figure of $5,099,726 at year end. During the year, the Company agreed to issue 4,517,504 in total to the above entities to repay interest owing of $81,315. Subsequent to year end, the Company issued 5,540,335 shares to the two entities to repay the interest owing at year end of $99,726.

The facility is unsecured with an interest rate of 8% p.a. payable quarterly in arrears and may, at the discretion of the lender and subject to agreement, be converted into ordinary shares of the company.

The company has agreed to repay the loan in full on the earlier of:

(a) the company completing an equity raising for an amount of $5,000,000 or more (unless the parties agree otherwise in writing);
(b) the first drawdown under any arrangements for financial accommodation that the company enters into; or
(c) the maturity date, being 30 September 2013.

In addition to an establishment fee of 2% which was paid after drawdown, the facility agreement states that the company will issue 100,000,000 five year call options with an exercise price of $0.05, subject to shareholder approval.

Shareholder approval was received for the issue of the options, subsequent to year end.

Given that shareholder approval was not received prior to year end, an expense to reflect the value of the options has not been recorded in the financial statements of the company for the year ended 31 December 2012.

If the options were valued using the share price of the company as at 12 February 2013, being the date shareholder approval was received, management have calculated that this would result in a value of $365,650. An expense of $365,650 will be recorded by the company during the year ending 31 December 2013. The company is required to use funds raised on the exercise of the options to repay any outstanding amounts under the facility.

The following table lists the inputs into the Black-Scholes model used by management in estimating the fair value of the options (assuming the share price of the company is 1.3 cents per share, being the share price at 12 February 2013):

	Grant date share price $	Exercise price $	Expected volatility %	Option life (years)	Dividend yield %	Risk–free interest rate %
100,000,000	0.013	-	75	-	-	2.85

Other borrowings

Included in other borrowings are amounts due to Tiespro 176 (Proprietary) Limited, a company incorporated in South Africa, of $1,211,050. The loan is unsecured and is interest free.

Notes to the financial statements (continued)

18. Borrowings (continued)

(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.

19. Contributed equity

	2012 $	2011 $
Ordinary shares (a)	40,392,135	30,877,930
	40,392,135	30,877,930

(a) Ordinary shares

	No.	No.
Issued and fully paid	404,560,478	281,131,875

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 2011	161,197,809	20,821,894
Share scheme issue	4,000,000	165,319
Shares issued for farmin	5,000,000	450,000
Shares issued during the year – placement issue	95,934,066	8,730,000
Share issue expenses	-	(654,283)
Shares issued in relation to purchase of subsidiary	15,000,000	1,365,000
At 31 December 2011	281,131,875	30,877,930
At 1 January 2012	281,131,875	30,877,930
Share issue for Taurus loan repayment (note 18)	56,813,187	5,170,000
- Share issue expenses	-	(258,500)
Shares issued to A Matheson – loan repayment (note 25)	12,087,912	1,020,690
Shares issued on acquisition of Masedi and NPS (note 25)	15,220,435	1,065,430
Shares issued on acquisition of Morning Star Holdings (Australia) Limited (note 25)	34,789,565	2,435,270
Shares issued to repay interest attributable to Convertible Equity Linked Facility (note 18)	4,517,504	81,315
At 31 December 2012	404,560,478	40,392,135

Notes to the financial statements (continued)

19. 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.

20. Retained earnings and reserves

(a) Movements in retained earnings (accumulated losses) were as follows:

	2012 $	2011 $
Balance 1 January	(16,905,091)	(11,542,720)
Net (loss)/profit attributable to owners of Realm Resources Limited	(9,036,097)	(5,362,371)
Share based payment reserve transferred to retained income	-	-
Transferred from equity benefits reserve	81,710	-
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	-	-
	(25,859,478)	(16,905,091)

(b) Other reserves

	Equity benefits reserve $	Foreign currency translation $	Total $
At 1 January 2011	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)
Share based payment transferred to accumulated losses	(81,710)	-	(81,710)
Exchange difference on translation of foreign operations	-	(263,405)	(263,405)
At 31 December 2012	41,330	(1,772,915)	(1,731,585)

(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 24 for further details of these plans.

Notes to the financial statements (continued)

20. Retained earnings and reserves (continued)

(c) Nature and purpose of reserves (continued)

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.

21. Statement of cash flow reconciliation

	2012 $	2011 $
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net (loss)/profit	(9,146,849)	(5,246,730)
Adjustments for:		
Other non-cash income	(285,434)	(3,138)
Depreciation	358,769	378,884
Impairment provision – African Dune and Tiespro loan/Gain on translation of creditor	1,389,751	(231,946)
Impairment exploration assets	2,988,400	1,204,126
Revaluation loss – available for sale financial assets	58,850	-
Net (loss)/gain on foreign exchange	132,528	313,746
Option expense	-	450,000
Share based payments expense	-	206,648
Changes in assets and liabilities		
(increase)/decrease in inventories	(3,049)	2,151
(increase)/decrease in trade and other receivables	(420,555)	(54,628)
(increase)/decrease in current tax assets	-	-
(increase)/decrease in deferred tax assets	(69,270)	(300)
(decrease)/increase in deferred tax liabilities	30,990	(47,940)
(decrease)/increase in trade and other payables	(226,621)	526,490
(decrease)/increase in tax provision	(110,246)	56,695
Net cash from (used in) operating activities	(5,302,736)	(2,445,942)

22. Related party transactions

(a) Ultimate parent

Realm Resources Limited is the ultimate parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25(d).

Notes to the financial statements (continued)

22. Related party transactions (continued)

(c) Key management personnel ("KMP")

Details of KMP, including remuneration paid, are included in note 23.

(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:

	2012 $	2011 $
Included in profit or loss		
Rental payment to Marion McConnachie Family Trust	49,908	44,929
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)	5,099,726	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 $5,000,000 were entered into on 28 June 2012. Refer note 18 for further details regarding this, and the other transactions entered into with the Taurus entities during the year.

(ii) Refer to note 25(a) for details regarding transactions entered into with Andrew Matheson, a director of the company until his resignation as 23 July 2012, during the year.

23. Key management personnel

(a) Compensation of key management personnel

	Consolidated 2012 $	Consolidated 2011 $
Short - term employee benefits	1,607,630	1,142,880
Post – employment benefits	35,207	29,752
Termination benefits	-	-
Share based payment	-	185,984
Total compensation	1,642,837	1,358,616

Detailed remuneration disclosures are provided in the remuneration report on pages 21 to 28.

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

31 December 2012	Balance at beginning of period 1 January 2012	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 31 December 2012	Vested at 31 December 2012 Total	Vested at 31 December 2012 Exercisable	Vested at 31 December 2012 Not exercisable
Ryan McConnachie	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	1,000,000	-
	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	1,000,000	-

Notes to the financial statements (continued)

23. Key management personnel (continued)

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

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	-

(c) Shareholdings of key management personnel (consolidated)

Shares held in Realm Resources Limited

31 Dec 2012	Balance at beginning of period 1 Jan 12	Granted as remuneration	On exercise of options	Net change other	Balance at end of period 31 Dec 12
Directors					
Richard Rossiter	3,750,000	-	-	750,000	4,500,000
Theo Renard	2,250,000	-	-	450,000	2,700,000
Neale Fong	1,684,696	-	-	434,869	2,119,565
Andrew Matheson (i)	5,000,000	-	-	(5,000,000)	-
Michael Davies (ii)	-	-	-	-	-
Andrew Purcell (iii)	5,275,000	-	-	(5,275,000)	-
	17,959,696	-	-	(8,640,131)	9,319,565

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 (iv)	1,349,000	500,000	-	(1,849,000)	-
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	-	-	-	8,426,000	5,275,000
	6,033,696	3,500,000	-	8,426,000	17,959,696

(i) Apppointed 6 June 2011, resigned 23 July 2012
(ii) Appointed 20 October 2011
(iii) Appointed 20 October 2011, resigned 12 December 2012
(iv) Resigned 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)

23. 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 2012 are as follows:

Total	Balance at beginning of period $	Loans granted during period $	Balance at end of period $	Interest not charged $
Richard Rossiter	687,500	-	687,500	23,238
Theo Renard	337,500	-	337,500	11,408
Neale Fong	225,000	-	225,000	7,605
	1,250,000	-	1,250,000	42,251

(ii) 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
	1,050,000	525,000	1,575,000	63,786

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 3.38% (2011: 4.86%).

24. 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 2012 $	Consolidated 2011 $
Expenses arising from equity – settled share – based payment transactions	-	206,649
Total expense arising from share-based payment transactions	-	206,649

The share – based payment plans are described below. There have been no cancellations or modifications to the share plan during 2012. 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."

Notes to the financial statements (continued)

24. Equity based benefit plans (continued)

(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	2012 No.	2012 WAEP $	2011 No.	2011 WAEP $
Outstanding at the beginning of the year	3,500,000	0.15	2,500,000	0.15
Granted during the year		-	1,000,000	0.15
Forfeited during the year		-	-	-
Exercised during the year		-	-	-
Expired during the year	(2,500,000)	-	-	-
Outstanding at the end of the year	1,000,000	0.15	3,500,000	0.15
Exercisable at the end of the year	1,000,000	0.15	3,500,000	0.15

SP	2012 No.	2012 WAEP $	2011 No.	2011 WAEP $
Outstanding at the beginning of the year	12,750,000	0.17	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	12,750,000	0.17

Notes to the financial statements (continued)

24. Equity based benefit plans (continued)

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options as at 31 December 2012 is 1 year (2011: 1.4 years) and for the shares is 1.26 years (2011: 1.88 years).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was $Nil (2011: $0.15). The weighted average fair value of the shares issued during the year was $Nil (2011: $0.15)

(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 2012

OP 2012	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
-	-	-	-	-	-	-	-	Black Scholes

The following tables list the inputs into the models used for the years 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 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.

25. Business combinations

(a) Acquisition during the year ended 31 December 2011

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.

Notes to the financial statements (continued)

25. Business combinations (continued)

(a) Acquisition during the year ended 31 December 2011 (continued)

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.

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).

Notes to the financial statements (continued)

25. Business combination (continued)

(a) Acquisition during the year ended 31 December 2011 (continued)

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.

Kalres is obliged to notify the vendors of its decision as to whether purchase the remainder of the additional 24% interest in PTKR by 31 March 2013.

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 during the year ended 31 December 2011.

For the year ending 31 December 2012, 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$19m (translated to $18,316,000), of which Realm's 51% interest is valued at US$9,700,000 (translated to $9,350,800 at 31 December 2012).

The excess of the carrying amount over the value per independent valuation of $9,350,800 resulted in an impairment loss of $2,988,400 during the year ended 31 December 2012.

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

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.

Notes to the financial statements (continued)

25. Business combinations (continued)

(a) Acquisition during the year ended 31 December 2011 (continued)

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 was 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 at 31 December 2011.

Purchase consideration – cash outflow

	2011 $
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 for the year ended 31 December 2011 are included in due diligence expenses in profit or loss, and in operating cash flows in the statement of cash flows.

(b) Acquisition – Nkwe Platinum (Scarlet) Proprietary Limited and Masedi Platinum (Proprietary) Limited – during the year ended 31 December 2012

On 3 May 2012, the consolidated entity acquired:

- 74% of the issued capital of Nkwe Platinum (Scarlet) Proprietary Limited ("NPS"), an unlisted company based in South Africa; and
- 70.3% of the issued share capital of Masedi Platinum (Proprietary) Limited ("Masedi"), an unlisted company based in South Africa.

Neither NPS or Masedi trade and both are holders of platinum resource exploration and evaluation assets in South Africa.

As reported in note 13, at 31 December 2011, the consolidated entity owned 49.99% of NPS and 47.5% of Masedi. These investments were treated as investments in associates as at 31 December 2011.

Following receipt of Ministerial Consent from the South African Minister of Minerals and Energy of a controlling interest in terms of Section 11 of the Mining Act (in South Africa) during the year ended 31 December 2012, Realm Resources Limited issued the following shares to purchase an additional 24.01% and 22.8% of NPS and Masedi respectively:

(i) an additional 15,220,435 shares in the company shareholders of Masedi and NPS; and
(ii) an additional 34,789,565 shares in the company to the previous shareholders of Morning Star Holdings (Australia) Limited.

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

	$
Fair value of shares issued (consideration - 2012 year)	3,500,700
Fair value of shares issued (consideration - prior years)	2,206,080
Total consideration	5,706,780
Net identifiable tangible assets (liabilities) acquired	(57,940)
Exploration and evaluation assets acquired	5,764,720

Notes to the financial statements (continued)

25. Business combination (continued)

(b) Acquisition – Nkwe Platinum (Scarlet) Proprietary Limited and Masedi Platinum (Proprietary) Limited – during the year ended 31 December 2012 (continued)

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

	Fair value $
Cash and cash equivalents	-
Receivables	29,831
Payables	(108,128)
Net identifiable tangible assets (liabilities)acquired	(78,297)
Less: non-controlling interests	20,357
	(57,940)
Exploration and evaluation assets	5,764,720
Net assets acquired	5,706,780

The directors obtained an independent valuation from Al Maynard & Associates Pty Ltd, Consulting Geologists, which indicated a preferred current cash value for Realm's South African Platinum Projects between the range of $16.5m to $27.8m. Management have elected to value the exploration and evaluation assets acquired at the difference between the consideration and the net identifiable tangible liabilities acquired. The directors consider that the exploration and evaluation assets are not impaired as at 31 December 2012.

Purchase consideration – cash outflow

No cash was paid during the year in relation to the acquisitions.

The acquired businesses did not contribute any revenue or any profit/loss to the group.

(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 $3.5m, based on exchange rates as at 31 December 2012).

Should Hulamin exercise its option to purchase the business of Alumicor, Realm Resources would sell its aluminium dross treatment process to Hulamin for approximately $3.5m. Results attributable to the Alumicor business, including total assets and liabilities, are disclosed in note 5 to the financial statements.

Notes to the financial statements (continued)

25. Business combinations (continued)

(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):

	Equity interest		Investment Equity Holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2012 %**	**2011 %**
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 (Pty) 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
Nkwe Platinum (Scarlet) Proprietary Limited	South Africa	Ordinary	74	49.99
Masedi Platinum (Proprietary) Limited	South Africa	Ordinary	70.3	47.5
Realm Resources Pte Ltd	Singapore	Ordinary	100	-
Kalres Pte Ltd	Singapore	Ordinary	100	-

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

26. Parent entity disclosures

	2012 $	2011 $
Current assets	1,256,107	1,738,593
Current liabilities	5,327,248	6,759,182
Total assets	23,676,197	21,411,013
Total liabilities	5,417,516	6,818,461
Net assets	18,258,681	14,592,552
Contributed Equity	40,392,135	30,877,930
Reserves	41,330	123,040
Accumulated loss	(22,174,784)	(16,408,418)
	18,258,681	14,592,552
Net (loss)	(5,848,076)	(4,222,307)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	(5,848,076)	(4,222,307)
Parent Contingent Liabilities	-	-
Parent Contractual Commitments for Acquisition of Property, Plant and Equipment	-	-

Notes to the financial statements (continued)

27. 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 $Nil (2011: $5,149). These lease contracts expire within one year.

	2012 $	2011 $
Within one year	-	5,548
After one year but not more than 2 years	-	-
Total minimum lease payments	-	5,548
Less amounts representing finance charges	-	(399)
Present value of minimum lease payments	-	5,149

(b) Capital expenditure commitments

At 31 December 2012 there are nil capital expenditure commitments (2011: Nil).

28. Contingencies

There are nil contingent liabilities as at 31 December 2012 (2011: Nil).

29. Events after the balance sheet date

On 12 February 2013, the Company held a general meeting where shareholders approved the following:

(iii) The issue of options to JP Morgan Nominees Australia Limited as nominee of JP Morgan Chase Bank N.A. (Sydney Branch) acting as custodian for Taurus Funds Management Pty Limited for and on behalf of Taurus Resources Fund No.2 L.P, the issue of options to JP Morgan Nominees Australia Limited as nominee of JP Morgan Chase Bank N.A. (Sydney Branch) acting as custodian for Taurus Funds Management Pty Limited as trustee for Taurus Resources No. 2 Trust, totalling 100 million options.
(iv) The issue of 5,540,335 shares to the above Taurus entities to repay interest owing at year end $99,726.

Except as discussed above, no other matter or circumstance has arisen since 31 December 2012 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.

Notes to the financial statements (continued)

30. Auditor's remuneration

The auditor of Realm Resources Limited is HLB Mann Judd.

	2012 $	2011 $
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	134,498	98,500
• Other services in relation to the entity and any other entity in the consolidated group		
o Tax compliance	3,195	8,155
	137,693	106,655
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	48,783	33,812
• Tax compliance	-	-
	48,783	33,812
Amounts received or due and receivable by other creditors not affiliated with HLB Mann Judd – RSM AAJ Associates, Indonesia for:		
• An audit or review of the Indonesian based subsidiary by RSM AAJ Associates, Indonesia	8,209	7,891
	8,209	7,891
	194,689	148,358

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 2012 and of its performance for the year ended on that date.

      (ii) Complying with Australian Accounting Standards and the *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, as outlined in note 1(x).

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 ended 31 December 2012.

Richard Rossiter
Chairman
Sydney

28 March 2013

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 2012, 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 34 to 85. 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 entity'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.
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 28 March 2013 would be in the same terms if provided to the directors as at the time of this auditor's report.

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289
Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190
Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

REALM RESOURCES LIMITED
ABN 98 008 124 025

INDEPENDENT AUDITOR'S REPORT (continued)

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 2012 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).

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(x) to the financial report, which indicates that the consolidated entity incurred a loss after income tax of $9,146,849 for the year ended 31 December 2012 and, as of that date, the consolidated entity had an excess of current liabilities over current assets of $4,098,573 and total equity of $13,155,985. These conditions, along with other matters as set out in note 2(x) to the financial report, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 28 of the directors' report for the year ended 31 December 2012. 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.

In our opinion, the Remuneration Report of Realm Resources Limited for the year ended 31 December 2012 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Realm Resources Limited for the financial year ended 31 December 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's 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 and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report and remuneration report.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

A Smith

Sydney
28 March 2013

A G Smith
Partner

ASX additional information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 March 2013.

(a) Distribution of equity securities

(i) *Ordinary share capital*

- 410,100,813 fully paid ordinary shares are held by 752 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) *Options*

- 1,000,000 exercisable at $0.15, expiring 31 January 2015.
- 100,000,000 exercisable at $0.05, expiring 12 February 2018. Options do not carry a vote.

The number of shareholders, by size of holding are:

	Fully paid ordinary shares
1-1,000	301
1,001-5,000	21
5,001-10,000	58
10,001-100,000	143
100,001 - and over	229
	752

(b) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholder	**Number**	**Percentage**
Taurus Funds Management Pty Ltd	119,947,950	29.25
Mr Andrew Martin Matheson	12,197,912	2.97
Mining Investments Limited	9,000,000	2.19
Berpaid Pty Ltd	8,820,000	2.15
Mr Ahmad Fuad Ali	8,695,652	2.12
Mclaren Investments Limited	7,500,000	1.83
Bejjol Pty Ltd	7,173,870	1.75
Sunshore Holdings Pty Ltd	6,558,250	1.60
Nefco Nominees Pty Ltd	6,150,000	1.50
Mr Adrian Stephen Paul	6,086,956	1.48
Mr David Nasir Yusoff	6,086,956	1.48
Mr Earl Evans &	6,000,000	1.46
Ice Cold Investments Pty Ltd	6,000,000	1.46
Removale Pty Ltd	5,863,000	1.43
Coniston Group Ltd	5,275,000	1.29
Mrs Amanda Jane Purcell	5,275,000	1.29
Blayney Investments Pty Ltd	5,000,000	1.22
Vail Capital Pty Ltd	4,691,783	1.14
Jessel Limited	4,348,696	1.06
Sorrel Enterprises Limited	4,159,885	1.01
	244,830,910	59.70

ASX additional information (continued)

(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.