

REALM RESOURCES LIMITED

ASX/Media Release

31 October 2013

Quarterly Report to 30 September 2013

Key Points:

- **Strategic partner/investor discussions underway for Indonesian coal project**
- **Business development activities focussed on enhancing and/or realising the value of Realm's coal, and South African aluminium and platinum assets**
- **Funding strategy implemented to repay the \$5m Taurus Funds Management equity linked convertible note due on 31 October 2013, and bolster the company's working capital capacity.**

During the Quarter, your directors focussed on:-

- efforts to maximise the value of Realm Resources Limited's (Realm) development ready Indonesian thermal coal project via the introduction of a strategic investor / off take partner, progression of final permitting and development activities, and investigating a possible Singapore listing;
- accelerating business development activities aimed at enhancing and/or realising the value of Realm's coal, and South African aluminium and platinum assets as well as seeking new resource sector investment opportunities; and
- progressing a \$7m entitlement offer to repay the \$5m Taurus Funds Management equity linked convertible note due on 31 October 2013, and bolster the company's working capital capacity.

The Board is mindful that recent share prices have not reflected the value of RRP's assets, particularly given the advanced nature of the Katingan Ria thermal coal project. A combination of tight capital markets, low coal prices and weak market sentiment has contributed to low levels of market interest in the entire coal sector, from which RRP has not been immune.

RRP has continued to focus on matters it can control. We have significantly progressed Katingan Ria, finalising the feasibility study, clarifying the commercial arrangements with our partners and progressing the permitting to near completion. More recently, the focus has shifted to the process of selecting a preferred strategic partner/investor to fund the development of the project. Management is encouraged by the level of interest

shown by a number of strategic investors as well as the potential to supply coal to a proposed power station development in the vicinity of the project.

While coal prices have unfortunately declined since early 2011, demand, particularly from India which is seen as a key market, is continuing to rise rapidly. The Board believes that this, alongside growing southeast Asian markets, is leading to rising demand for RRP's specific 4,200GAR Kcal/kg low sulphur coal type, and bodes well for the future.

In South Africa, Realm's platinum transaction with Chrometco is proceeding, and our aluminium waste retreatment business may be expanded to cater for increased volumes from Hulammin and other third party suppliers.

Whilst these efforts have been undertaken during a particularly difficult time for the resources sector, management has focussed its efforts on advancing Katingan Ria in conjunction with cost curtailment in anticipation of improved market conditions.

COAL

PT Katingan Ria (RRP 51%)

A comprehensive data room has been opened to interested parties. Discussions and site visits are underway with several parties expressing interest in:

- Investing in the project through the Singaporean Holding Company;
- Offering pre-payment finance;
- Long term off-take arrangements;
- Providing logistics solutions; or
- Acquiring the project.

Interested parties include, international and Indonesian vertically integrated power companies seeking to secure coal supply for power stations, international logistics companies seeking to secure coal for their barges, vessels and blending facilities, and coal production majors looking to expand their Indonesian foot print.

The potential to supply the domestic power station development is particularly encouraging given the strategic location of Realm's Katingan Ria project (Figure 1). PLN (Indonesian State owned Electricity Corporation) has issued a RFP for the construction and operation of two 100 Mw power stations downstream from the Project's proposed Upper Stockpile and close to the town of Kasongan. A number of local and international consortia are active with bids due 30 Dec 2013, and coal supply of around 1.2mtpa from 2016/7. Importantly, the bidders are required to secure coal for the power stations. Katingan Ria coal specifications are ideally suited for the proposed power station development. In addition, the project is the most developed in the vicinity from a technical (i.e. JORC reserves) and permitting point of view, thereby enhancing its attraction as a preferred source of supply.

Figure 1: Location of PT Katingan Ria project and proposed 200Mw power station development near Kasongan



In addition, discussions with Singaporean advisers with a view to the possible listing of Realm's wholly owned Singaporean subsidiary on the Catalyst Exchange in Singapore, have been initiated. (These discussions are still at a preliminary stage and any listing would be subject to a number of regulatory requirements.)

PLATINUM GROUP METALS

Realm Resources (Pty) Ltd (RRP 74%)

During the quarter, Chrometco advanced the deal with Realm/Nkwe that will create a 'stand-alone' company focussed on advancing platinum group metals ("**PGM**") and chrome assets in South Africa. Activity focussed on obtaining the Section 102 Consent which is essentially required to combine the chrome and PGM resources into one mining right. Once this is completed, Realm will receive the balance of the share consideration (i.e. 35m Chrometco shares) taking the total share ownership to 45m or around 16% of Chrometco.

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

Your directors continue to seek ways to maximise the value of the PGM portfolio, in what continues to be a challenging market and operating environment.

ALUMINIUM

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

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

Health and Safety

There were no disabling injuries during the quarter. The focus on safety training and monitoring continues. The disabling injury frequency rate (DIFR) for the September quarter was 0.0% (1.8% in the prior quarter).

Smelting and recovery performance comparison

Alumicor	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	% change Q2 2013
Tonnes smelted	4,562	3,739	4,527	5,172	4,505	4,411	4,528	2.6%
Average recovery	57%	56%	60%	63%	62%	64%	65%	1.6%

Operations

During the quarter, there was a marginal increase in gross volumes delivered by Hualamin. Discussions are underway with Hualamin to improve the tolling arrangement/fee and increase throughput. Both these initiatives, if successful, will improve profitability and cash flow generation at Alumicor. Additional growth projects under review are focussed on the aluminium recycling space as well as seeking alternative sources of aluminium waste feedstock.

Financial

Profitability improved with the increased volumes and continued cost containment. Management of operating costs continues together with continued efforts to improve process efficiency.

CORPORATE

Funding

Realm has announced a \$7 Million partially underwritten pro-rata non-renounceable entitlement offer to repay debts and raise sufficient working capital to ensure that the Company can continue with its efforts to realise value for shareholders. The refinancing was aimed at simplifying Realm's capital structure and thereby, discussions with potential investors and funders.

The net proceeds of the Entitlement Offer will be used to:

- repay the \$5m Taurus Funds Management equity linked convertible note;
- progress efforts to maximise the value of Realm's development ready Indonesian thermal coal project via the selection of a strategic investor / off-take partner, progression of final permitting and development activities, and possible Singapore listing;
- accelerate business development activities aimed at enhancing and/or realising the value of RRP's coal, and South African aluminium and platinum assets as well as seeking new resource sector investment opportunities; and
- cover general corporate costs.

Realm announced that it is undertaking a partially underwritten pro-rata non-renounceable entitlement offer of 39 new shares for every 7 existing ordinary shares in the issued capital of Realm held as at 7.00pm (AEST) on 3 October 2013 ("Record Date") at an issue price of \$0.004 per Share ("Entitlement Offer"). The Entitlement Offer opened at 10:00am (AEST) on 26 September 2013 and closes at 5:00pm (AEST) on 30 October 2013.

The Issue Price of \$0.004 per Share represents a discount of:



realm resources

- 20% to the closing price of Shares on 19 August 2013 (being the last day before the Company initially announced its intention to conduct an entitlement offer); or
- 4.7% to the theoretical ex-rights price ("TERP").

Eligible shareholders will be entitled to subscribe for 39 new Shares for every 7 existing Share ("Entitlement") held as at 7.00pm (AEST) on the Record Date. New Shares issued under the Entitlement Offer will be fully paid, and will rank equally in all respects with existing Shares on issue.

The Entitlement Offer is non-renounceable.

Eligible shareholders may also apply for Shares in excess of their Entitlement which are not taken up under the Entitlement Offer (**Additional Shares**). Realm will issue Additional Shares to those eligible shareholders who apply for Additional Shares on a pro-rata basis. The directors reserve the right to place any Additional Shares which are not subscribed for by eligible shareholders at their discretion within three months of the closing date of the Entitlement Offer.

Any residual Shares will be issued to Veritas Securities Limited (the "Underwriter") to the extent of 1,500,000,000 Shares or A\$6 million under the terms of an underwriting agreement entered into between RRP and the Underwriter. Taurus Funds Management Pty Limited ("TFM") will sub-underwrite the Entitlement Offer to the same extent pursuant to a sub-underwriting agreement with the Underwriter. TFM currently holds 31.86% of Shares in Realm, and may hold as many as 84.9% of Shares at the completion of the Entitlement Offer if it is not fully subscribed.

The TFM sub-underwrite was approved by shareholders at a meeting on 24 October 2013.

For further details please refer to the Offer Booklet, despatched on 8 October 2013.

Key dates of Entitlement Offer

Entitlement Offer	Date
Shares are quoted on an ex basis	27 September 2013
Record Date for eligibility to participate in the Entitlement Offer	3 October 2013
Offer Booklet despatched	8 October 2013
Company holds general meeting seeking shareholder approval for the sub-underwriting and ratio of the rights issue	24 October 2013
Acceptances close	30 October 2013
ASX notified of under subscriptions and eligible shareholders may apply for any Additional Shares	1 November 2013
Issue date	6 November 2013



Financial results

Referring to the attached 5B schedule, net operating cash outflows were AUD\$264,000 for the quarter (outflow of AUD\$621,000 in the prior quarter).

Group cash position as at 30 September 2013 was AUD\$626,000.

Director changes

Neale Fong resigned as a director on 16 September 2013.

About Realm

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

For further information please contact:

Richard Rossiter (MD) or Theo Renard (FD) on +61 2 9252 2186

Or visit the company's website www.realmresources.com.au

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Realm Resources Limited

ABN

98 008 124 025

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	959	2,794
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	- (576) (651)	(137) (1,598) (2,700)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	35
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	-	(101)
1.7	Other (provide details if material)		
Net Operating Cash Flows		(264)	(1,707)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(71)	(162)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	-	49
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(71)	(113)
1.13	Total operating and investing cash flows (carried forward)	(335)	(1,820)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(335)	(1,820)	
	Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.			
1.15	Proceeds from sale of forfeited shares			
1.16	Proceeds from borrowings	-	16	
1.17	Repayment of borrowings	(8)	(8)	
1.18	Dividends paid			
1.19	Other (provide details if material)			
	Net financing cash flows	(8)	8	
	Net increase (decrease) in cash held	(343)	(1,812)	
1.20	Cash at beginning of quarter/year to date	994	2,500	
1.21	Exchange rate adjustments to item 1.20	(25)	(62)	
1.22	Cash at end of quarter	626	626	

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	367
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

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

N/A

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production (<u>Note – production costs absorbed by operations</u>)	580
4.4 Administration (<u>Note – portion of Administration costs absorbed by operations</u>)	690
Total	1,270

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9	4
5.2 Deposits at call	60	448
5.3 Bank overdraft		
5.4 Other (provide details)	557	542
Total: cash at end of quarter (item 1.22)	626	994

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	425,808,576	425,808,576	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities (description)	Unsecured 8% A\$5,000,000 Convertible Equity Linked Credit Facility, repayable on or before 31 October 2013, either by way of cash or issue of shares		

+ See chapter 19 for defined terms.

Appendix 5B

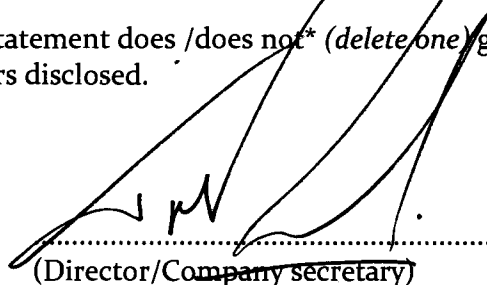
Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,000,000 100,000,000	Nil Nil	Exercise price \$0.15 \$0.05	Expiry date 30 January 2015 12 February 2018
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

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

Sign here:



(Director/Company secretary)

Date: 31 October 2013

Print name: T N Renard

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

+ See chapter 19 for defined terms.

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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