

Company Announcements
ASX Limited
By Electronic Lodgement

30 January 2017

Update on suspension of trading in Realm shares

Quotation of the ordinary shares in Realm Resources Limited (ASX : RRP) (**Realm** or the **Company**) was suspended on 13 September 2016 pending a determination on the application of Listing Rules 11.1.2 or 11.1.3 in connection with the Company's acquisition of the 70% interest in the Foxleigh Coal Mine (**Foxleigh**) and the 100% interest in EPC's 855 and 1669, as announced by the Company on 30 August 2016 (the **Foxleigh Transaction**). The Company completed the Foxleigh Transaction without having any preliminary discussions with, or seeking in-principle advice from, the ASX.

As disclosed on 6 October 2016, the ASX advised the Company (see Attachment 1) that:

1. it considered that the Foxleigh Transaction constituted a back-door listing as a result of a significant change in the scale of the activities of the Company, and exercised its discretion under Listing Rules 11.1.2 and 11.1.3 to require the Company to comply with Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list (**Re-compliance**);
2. the Company's securities would remain suspended until the Company has Re-complied; and
3. the Company is required to obtain shareholder approval for the Foxleigh Transaction at an extraordinary general meeting (**EGM**).

In respect of Item 1, the Company disagrees that the Foxleigh Transaction constituted a back-door listing. Despite numerous appeals and requests (in writing and in person) to the ASX for a reversal of the determination by the Company, the ASX has maintained its position and continues to insist that the Company seek shareholder approval and undertake a Re-compliance.

Following ASX's determination, the Company applied for a waiver of the '20 cent rule' (Condition 2 of Listing Rule 2.1) and a reversal of the '20% minimum free float' requirement applied under ASX policy through ASX discretionary rights under Listing Rule 1.19.

The '20 cent rule'

This rule requires that the issue price or sale price of all securities for which an entity is seeking quotation upon admission to the official list is at least \$0.20 in cash. The ASX advised the Company on 14 November 2016 that it would grant a waiver of this requirement.

The '20% minimum free float' requirement

The 20% free float requirement is a recent requirement which was originally proposed in an ASX Consultation Paper dated 12 May 2016 (and applied within its discretion by the ASX since 12 May 2016) as a potential adoption of a free float rule, with existing ASX policy at that time requiring a free float of only 10%. The matter only became an actual rules-based condition to admission on 19 December 2016. The ASX's view of what constitutes free float are contained in paragraph 15 of the ASX determination set out in Attachment 1.

The ASX advised the Company on 14 November 2016 that the application for this waiver would not be granted. The ASX did note, however, that "ASX would be happy to consider any proposal the Company may care to put forward in this regard."

Pursuant to the invitation by the ASX, the Company provided a proposal on 11 January 2017 that the majority shareholder would, subject to requisite shareholder approval, convert a portion of its shares into Preference Shares so, for the purpose of the Listing Rules, the existing 'free float' shares would constitute at least 20% of the ordinary shares of the Company. The ASX advised on 16 January 2017 that it would not approve the proposal, stating *"ASX's view is that the proposal is an artificial means of achieving the 20% Free Float Condition, and is contrary to the spirit and intention of the rule. The proposal is therefore unacceptable. In our view, RRP will either need to conduct a sell down or raise further capital to satisfy the 20% Free Float Condition."*

Following receipt of this advice, the majority shareholder advised that it is unwilling to sell any of its shareholding, so the only option to satisfy the 20% free float condition that is acceptable to the ASX is for the company to conduct a capital raise by issuing at least 231 million new shares to investors other than the majority shareholder or any of its affiliates. The Company has advised the ASX that the Company does not need additional funds at this point and that the only reason for the Company to raise new capital is to satisfy the conditions for Re-compliance. The ASX has noted this advice.

The Company met with the ASX on 25 January 2017 to explain that in its view, the undertaking of a capital raise at this time presents practical difficulties and uncertainties for the Company, especially in relation to the pricing of new shares while the Company's shares are suspended pending both the results of an EGM and Re-compliance. The Company asked the ASX for a period of grace to allow the Company's shares to trade after the EGM so that a reasonable market valuation could be established prior to undertaking the capital raising required by ASX. The ASX has declined to offer any periods of grace. The ASX has advised it has not provided grace periods for previous requests of this nature.

The Company also notes that there is another policy of the ASX (adopted November 2016) which could allow trading to resume and continue up until the date of the EGM. To allow such trading, the Company has to disclose all of the information referred to in Annexure A to *ASX Listing Rule Guidance Note 12 Significant Changes to Activities* so that trading takes place on a reasonably informed basis. Most of this information will be included in the Notice of Meeting for the EGM, but because the Company has been unable to agree an arrangement to satisfy the 20% free float condition with the ASX, which is a key matter in Annexure A, this policy cannot be used in this instance.

With respect to any capital raising, the ASX has determined and advised the Company (see paragraph 18 of the ASX determination set out in Attachment 1) that such a raising would have to be via a "full form" prospectus complying with section 710 of the Corporations Act. A transaction specific prospectus under 713 is not acceptable.

Summary

The Company's shares will not trade on the ASX until the Company:

- holds an EGM which approves the Foxleigh Transaction;
- successfully complies with Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list; and
- issues at least 231million more shares via a "full form" prospectus.

Potential Timetable

Before confirming the date for the EGM, the Company is required to provide a draft Notice of Meeting (**NoM**) to the ASX and have it approved before it is provided to Shareholders. The ASX has advised the Company that it will require at least 15 business days to review the draft NoM. After approval, the Company is required to provide at least 28 days' notice to shareholders before a meeting could be held. The draft NoM is expected to be submitted to the ASX this week, which would put an (earliest case) EGM date at approximately late-March 2017.

The Company intends to submit its application for admission to the official list as soon as possible after the NoM is approved. The ASX's advice is that it takes 4-6 weeks to process an Application,

which means that the earliest the that ASX could provide conditional approval for Re-compliance would be by mid-April 2017.

Preparation of a “full form” prospectus for a capital raising and its approval by relevant authorities is expected to take at least 3 months from the date of this announcement, so a prospectus document could be available by the end of April 2017. Assuming that the Company is successful in selling the required number of new shares after that date, the Company expects that the earliest it could satisfy conditions for Re-compliance is around May 2017.

Accordingly the Company's current advice is that resumption of trading of the Company's shares on the ASX will not occur until May 2017.

About Realm

Information on Realm Resources Limited is available on the Company's website at www.realmresources.com.au. For further information, please contact Mr Richard Rossiter (Executive Director) by email at richard.rossiter@realmresources.com.au.

Attachment 1 – ASX Determination



4 October 2016

Mr Theo Renard
Company Secretary
Realm Resources Limited
Suite 4010, Level 41
1 Macquarie Place
Sydney NSW 2000

By email

Dear Theo,

REALM RESOURCES LIMITED (COMPANY)

ASX refers to the following:

- the Company's announcement entitled *Foxleigh Transaction* announced by the Company on 30 August 2016 ("Foxleigh Transaction");
- the Company's request for voluntary suspension in its securities released on 13 September 2016 pending ASX's review of the application of Listing Rules 11.1.2 and 11.1.3 to the Foxleigh Transaction;
- your letter dated 15 September 2016 seeking clarification from ASX regarding the application of Listing Rules 11.1.2 and 11.1.3 to the Foxleigh Transaction; and
- your emails of 27 and 28 September 2016, which included a revised pro-forma statement of financial position and transaction based analysis table following completion of the Foxleigh Transaction.

ASX advises the Company that it considers that the Foxleigh Transaction constitutes a significant change in the nature or scale of the activities of the Company and that it has exercised its discretion under Listing Rules 11.1.2 and 11.1.3 to require the Company to comply with chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list ("Re-compliance").

The Company should promptly make an announcement to the market under Listing Rules 3.1 and 11.1 that ASX has determined that Listing Rules 11.1.2 and 11.1.3 apply to the Foxleigh Transaction, including detailed information about the process and timetable for seeking shareholder approval and Re-compliance. Please provide a draft announcement for ASX to review, prior to its release to the market.

We also refer you to Guidance Note 12 on Changes of Activities for information on the process for a change of activities and various Listing Rule issues that you may need to consider. We would also like to take this opportunity to draw your attention to the following matters, which are issues that we have found that entities commonly encounter as they go through the change of activities process. This letter is not intended to set out an exhaustive list of things that the Company will need to do in order achieve reinstatement of its





securities to quotation in connection with carrying out the change of activities transaction, and it does not derogate from the obligation of the Company to comply with chapters 1 and 2 of the Listing Rules.

Suspension

1. The Company's securities will remain suspended from quotation until the Company has Re-complied.

Timetable generally

2. If the Company needs to undertake a reconstruction of its existing share capital as part of the transaction, it will have to comply with the relevant rules in chapters 6 and 7 of the Listing Rules. This includes following the relevant timetable for reconstruction of capital (see paragraph 5 or 6 of Appendix 7A). A reconstruction of share capital may be needed in order for the Company to be able to satisfy the 20 cent value test under Listing Rule 2.1 condition 2, unless the Company is likely to have a share price greater than 2 cents on its last trading day prior to Suspension and intends to seek a waiver of the 20 cent rule in accordance with paragraphs 4 to 7 below.
3. If the Company is raising capital by issuing shares or other securities under a prospectus, the Company should have regard to the time limit in sections 723(3) and 724(1)(b), of the Corporations Act in respect of the application for quotation of securities issued under its prospectus, and for obtaining quotation of those securities. The application should take the form of Appendix 3B (or Appendix 1A where applicable) of the Listing Rules. Quotation of the securities offered under the prospectus will not be granted until the Company has Re-complied, and satisfied any other outstanding requirements for reinstatement of its securities generally to quotation.

Proposed Issue Price

4. ASX recognises that where an entity's main class of securities have been trading on ASX at materially less than 20 cents each, having to undertake a consolidation or other restructure to facilitate compliance with the 20 cent rule prior to, or in conjunction with, a capital raising can impose structural, timing and other impediments to the completion of a transaction that might otherwise be in the interests of an entity and its security holders. In such a case, ASX will consider a request from an entity not to apply the 20 cent rule provided:
 - 4.1. the issue price or sale price for any securities being issued or sold as part of, or in conjunction with, the transaction:
 - 4.1.1. is not less than two cents each; and
 - 4.1.2. is specifically approved by security holders as part of the approval(s) obtained under Listing Rule 11.1.2; and
 - 4.2. ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity) (20 Cent Rule Waiver).
5. ASX would encourage an entity that is proposing to issue securities as part of, or in conjunction with, a transaction to which Listing Rule 11.1.3 has been or may be applied, to consult with ASX at the earliest opportunity in relation to potential application of the 20 cent rule.



6. Closely related to the 20 cent rule is the requirement in Listing Rule 1.1 condition 11 for any options on issue to be exercisable for at least 20 cents in cash (the Minimum Option Exercise Price Rule).
7. The Minimum Option Exercise Price Rule only applies at the time of listing and therefore it is possible for an entity that is required under Listing Rule 11.1.3 to re-comply with the admission requirements to have existing options on issue with an exercise price of less than 20 cents. Where that is the case, we would encourage you to speak with your adviser, as generally ASX will not apply Listing Rule 1.1 condition 11 so as to require an entity to restructure those existing options to increase their exercise price to at least 20 cents.
8. Please note that in the event that the proposed capital structure of the Company changes at any time after the grant of a 20 Cent Rule Waiver, the Company should immediately consult with ASX. For example, in the event that the number of securities an entity proposes to issue exceeds the number of securities specified in the 20 Cent Rule Waiver and subsequent notice of meeting, it is likely that the entity will be required to apply for a new waiver and seek a fresh shareholder approval. This also applies to any waiver granted in respect of the Minimum Option Exercise Price Rule.

Notice of Meeting

9. Under Listing Rule 11.1.2, the Company must have the transaction approved by shareholders. Approvals under other Listing Rules may be necessary. Please lodge a copy of the draft notice of meeting with ASX for review before sending it to shareholders. Given the complexity of these documents, ASX requires at least 15 business days to review, and may require a longer time. Refer to section 6 of Guidance Note 12 for further information on the requirements for notices of meeting.
10. ASX charges a fee of \$10,000 (plus GST) for reviewing a draft notice of meeting proposing a resolution of security holders approving a transaction under Listing Rule 11.1.2 where the transaction is one where ASX will also require the entity to re-comply with ASX's admission and quotation requirements under Listing Rule 11.1.3. Payment must be made at the time of lodging the notice with ASX for review. ASX will not commence its review of the draft notice until the fee has been paid. If the Company is successful in Re-complying, the fee will be off-set against the Company's initial listing fee.

Shareholder spread

11. One of the tests in chapter 1 which the Company is required to comply with is the shareholder spread test in Listing Rule 1.1 condition 7. This will be assessed on a post-transaction basis. You should investigate now how the Company intends to satisfy this rule, and whether the Company will require new shareholders in order to meet this test. If the Company does not need to raise funds to meet any of the financial tests in chapter 1 of the Listing Rules, it may still need to raise funds in order to obtain a wider spread of shareholders to meet the test in Listing Rule 1.1 condition 7. In that case the Company will be required to issue those shares under a prospectus, and may not rely on an information memorandum for the purpose of Listing Rule 1.1 condition 3.
12. A matter to which you must also give consideration when looking at satisfying the spread test is the 20 cent value test in Listing Rule 2.1 condition 2. The Company's shares must have a value of at least 20 cents (or a value of greater than 2 cents in accordance with a 20 Cent Rule Waiver). This is usually satisfied by the prospectus fundraising being made at an issue price of at least 20 cents. This requires a bona fide fundraising of a substantial amount of money. ASX reserves the right to look at other measures of the Company's shares' value if the fundraising is not satisfactory.



13. If the Company does not need to raise any funds, and will rely on an information memorandum under Listing Rule 1.1 condition 3, then it will have to satisfy the requirements of Listing Rule 1.4. ASX must agree to the use by the Company of an information memorandum.
14. Artificial means of obtaining shareholder spread are not permitted under Listing Rule 1.1 condition 7. It is also not acceptable for the Company's main fundraising to take place separately from the prospectus fundraising.

Free Float

15. ASX is exercising its discretion under Listing Rule 1.19 to require that the Company must have a free float at the time of Re-compliance of not less than 20%. "Free float" means the percentage of the Company's main class of securities that:
 - are not "restricted securities" or subject to voluntary escrow; and
 - are held by non-affiliated security holders.
16. "Non-affiliated security holders" means security holders who are not (a) a related party of the entity; (b) an associate of a related party of the entity; or (c) a person whose relationship to the entity or to a person referred to in (a) or (b) above is such that, in ASX's opinion, they should be treated as affiliated with the entity.
17. Securities held by or for an employee incentive plan are not regarded by ASX as forming a part of an entity's free float.

Prospectus

18. If the Company needs to raise funds either to meet the financial test in Listing Rule 1.3 or to obtain new shareholders to meet the spread test in Listing Rule 1.1 condition 7, it must do so by raising funds under a prospectus or product disclosure statement. This must be a 'full form' prospectus complying with section 710 of the Corporations Act. A transaction specific prospectus under section 713 is not acceptable. Refer to section 3.5 of Guidance Note 12.

Financial Tests

19. The Company will have to comply with either the profit test under Listing Rule 1.2 or the assets test under Listing Rule 1.3 in order to Re-comply. The Company's compliance with either test is assessed on a post-transaction basis. If the Company intends to comply with the profit test, the entity/business that it is acquiring must have achieved profits over the previous 3 full years, and continue to make profits, sufficient to meet the minimum profitability requirements; and its accounts must have been audited, without there having been any qualifications as to the entity's profitability. These audited accounts will be released to the market.
20. If the Company intends to comply with the assets test, it must have sufficient net assets (\$3 million) (or market capitalisation, \$10 million), and working capital (\$1.5 million), to meet the minimum thresholds on a post-transaction basis including the effects of any fundraising. If more than half of the Company's total tangible assets will be composed of cash after the acquisition and the associated



fundraising, then it must have valid commitments for expenditure of half of its cash under Listing Rule 1.3.2(b). The Company's compliance with these tests is assessed on the basis of the disclosures in the Company's prospectus or information memorandum, including the reviewed pro forma balance sheet required by Listing Rule 1.3.5(c).

Escrow

21. If the transaction involves the Company acquiring classified assets, or a business which relies principally upon the exploitation of classified assets, the securities issued to the vendors will be classified as restricted securities, and subject to restrictions under Appendix 9B of the Listing Rules on the same basis as if the Company were applying for admission to the official list for the first time.
22. Any shares or securities issued by the Company after the time of the announcement of the transaction for cash are liable to be treated as 'seed capital' for the purposes of the escrow regime, and made subject in part to restrictions under Appendix 9B, paragraphs 1 or 2 (as applicable), upon the reinstatement of the Company's securities. That is, if the Company intends to issue securities under its prospectus offering at 20 cents per share, any shares that it issues between the announcement of the transaction and the prospectus offer at a price of less than 20 cents may be subject in part to escrow. Similarly, if the Company intends to issue securities under its prospectus offering at 2 cents or greater per share in accordance with a 20 Cent Rule Waiver, any shares that it issues between the announcement of the transaction and the prospectus offer at a price of less than the proposed issue price may be subject in part to escrow. ASX may withhold granting quotation to some of these securities during the period before the Company complies with chapters 1 and 2 and is finally reinstated to quotation.
23. Other securities issued by the Company other than to vendors or for cash may also be subject to escrow. ASX encourages the Company to consult with ASX concerning escrow issues about any of the securities to be issued under or in connection with the transaction.
24. If there are restricted securities on issue, as a condition of final reinstatement to quotation, the Company will be required to give ASX copies of dated and correctly executed Restriction Agreements, and provide confirmation that either the certificates for the restricted securities have been deposited with a bank or recognised trustee or that a holding lock has been placed on the restricted securities by the Company's share registry.

Periodic reports

25. The Company must continue to comply with its periodic reporting requirements under chapter 4, and chapter 5, of the Listing Rules. If a periodic report which has fallen due has not been lodged before the time that the Company wishes to be reinstated to official quotation, lodgement of that report will be a condition of the Company's reinstatement. Please consult with ASX if you wish to discuss seeking relief from any of the periodic reporting requirements. Such relief will usually not be granted.

Directors' good fame and character rule

26. Listing Rule 1.1 condition 17 requires that an entity seeking admission to the official list satisfy ASX that the entity's directors and proposed directors are of good fame and character. The documents that must be provided in respect of each affected director are set out at items 12 – 16 of the Information Form and Checklist (which accompanies Appendix 1A to the Listing Rules). The Company will be required to comply with this rule in relation to every director who has been appointed in the



previous 12 months (other than one who has been elected or re-elected at a security holders' meeting held during that period), and to every director who it is proposed will be appointed in connection with the transaction. See section 3.11 of Guidance Note 12 for further details.

CHESS approval and other administrative matters

27. If the Company has previously been suspended for a long time, ASX Settlement Pty Ltd, a subsidiary of ASX which operates the Clearing House Electronic Sub-register System ("CHESS") may have suspended or revoked CHESS approval for the Company's securities. If this is the case, the Company must re-apply for CHESS approval of its securities. You may wish to consult your share registry about this.
28. If the Company is changing its name as part of the transaction, it may need to obtain a new ASX code. The implementation of a name and/or code change may also have an impact on the timetable for effecting a capital reconstruction, if one is planned.
29. The Company's reporting classification may change as a result of the transaction. Please discuss this matter with your Listings Adviser.
30. If the Company proposes to adopt a new constitution, or a new dividend reinvestment plan or employee share option plan, in conjunction with the transaction, please submit a draft copy of such documents to ASX for review before finalising the notice of meeting.

Waivers

31. If the Company is requesting any waivers from the Listing Rules, or if waivers become necessary, details of any waivers granted will appear in ASX's waiver register which is available for public inspection. The waivers register is published twice a month.

Timing

32. The processing time for Re-compliance is the same as it is for an initial public offering. Typically an application for listing will take ASX four to six weeks to process, from the time a completed application for listing (and all required attachments) are lodged with ASX. If a waiver or confirmation application is submitted during this period, this is likely to lengthen the processing time.

Pre-emptive capital raisings

33. ASX acknowledges that a listed entity that is short of working capital may need to issue securities to raise cash to cover the costs of getting a transaction to the stage of security holder approval under Listing Rule 11.1.2 or achieving re-compliance with the admission requirements under Listing Rule 11.1.3. ASX has no objection to such issues, provided the capital raised is not substantially more than is reasonably needed for these purposes and the issue otherwise complies with the Listing Rules.
34. Where such an issue occurs by way of a pro rata offer, ASX is unlikely to classify the securities concerned as restricted securities. However, if the issue occurs by way of a placement, ASX will examine it carefully and, if ASX forms the view that the cash raised is in the nature of seed capital for, or the securities have been issued to a promoter of, the transaction, ASX is likely to classify the securities as restricted securities, making them subject to the escrow requirements in Chapter 9 and Appendices 9A and 9B.



35. Beyond this, however, it would plainly be inconsistent with the spirit and intent of the Listing Rules for a listed entity to raise substantial amounts of capital to spend on a transaction or activity that requires security holder approval under Listing Rule 11.1.2 or re-compliance with the admission requirements under Listing Rule 11.1.3, ahead of it having met those requirements. ASX will regard this as a serious breach of the Listing Rules and may take appropriate remedial action in relation to that breach.

Fees

36. The Company will be required to pay an initial listing fee calculated in accordance with Guidance Note 15A – Schedule 1 – Table 1A, pursuant to Listing Rule 16.3. Refer to section 2.1 and 2.2 of Guidance Note 15.

We look forward to receiving drafts of your notice of meeting and any other documents in due course. If there are any waivers or in principle advice on any issues which you would like to seek ASX's determination, or if you have any queries about this letter, please contact me.

Yours sincerely,

[Redacted signature block]