REALM RESOURCES LIMITED

ABN 98 008 124 025

INTERIM REPORT

FOR THE HALF-YEAR ENDED

30 JUNE 2012

REALM RESOURCES LIMITED
ABN 98 008 124 025

Contents of financial report

REALM RESOURCES LIMITED
ABN 98 008 124 025

Corporate information

ABN 98 008 124 025

Directors
Richard Rossiter – Chair and Executive Director
Theo Renard – Executive Director
Dr Neale Fong – Non-executive Director
Michael Davies – Non-executive Director
Andrew Purcell – 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 Registry
Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000 AUSTRALIA

Auditors
HLB Mann Judd
Chartered Accountants
Level 19
207 Kent Street
Sydney, NSW 2000

Solicitors
Allen & Overy
Level 27
Exchange Plaza
2 The Esplanade
Perth, WA 6000
Australia

Stock Exchange Listing
Realm Resources Limited shares are listed on the Australian Stock Exchange (ASX code: RRP).

Country and Date of Incorporation
Australia, 30 January 1987

Directors' report

Your directors present their report on the consolidated entity consisting of Realm Resources Limited and the entities it controlled (referred hereafter as the Group) at the end of, or during, the half-year ended 30 June 2012.

DIRECTORS AND COMPANY SECRETARY

The following persons were directors of the Realm Resources Limited during the whole of the half-year and up to the date of this report:

Richard Rossiter
Theo Renard
Dr. Neale Fong
Michael Davies
Andrew Purcell

COAL DIVERSIFICATION STRATEGY

The Company made good progress with implementing its diversification strategy into coal. Notably, Realm has taken several key steps in advancing its flagship Katingan Ria Coal Project (Katingan Ria) in Indonesia. In the half-year to June 30, 2012, the Company has received all the permits required to explore Katingan Ria, lodged the remaining application for the Pinjam Pakai (Forestry) Operations permit and completed substantial drilling, leading to an increase in the resource base to in excess of 100Mt.

The company is now well positioned to capitalise on the coal boom occurring in Indonesia. The nation is cementing its position as the leading global provider for low to mid-rank coal, with coal exports increasing from 128Mt in 2005 to 271Mt in 2010. The projected near-term growth of Indonesia's coal sector is outstanding, with annual coal exports forecast to increase to +350Mt per annum by 2015. The nation's coal reserves can be exploited with minimal infrastructure, unlike other exporting countries such as Australia, Russia and Columbia.

Katingan Ria Coal Project

Katingan Ria, which spans some 4,258 hectares, is located in Central Kalimantan within the Katingan Hulu district, approximately 175km North West of the regional capital of Palangkaraya.

Directors' report (continued)

Figure 1 Location of the project

The project marks Realm's initial step to becoming a mid-tier coal producer in the near-term. The Company envisages the project ultimately becoming a simple, open pit mine ramping up to an annualised rate of 3.0Mtpa over a 15 year life of mine.

The following strengths have been identified for the project:

- The 100Mt+ coal deposit is structurally simple with a low strip-ratio, therefore leading to lower mining costs.
- The coal (4,200 GAR kcal/kg raw coal basis) is relatively homogenous, low in sulphur and most likely to be marketed to the rapidly growing demand centres in China, India, Korea and Thailand.
- Low start-up capital and operating costs (FOB).

Directors' report (continued)

- no rail or port infrastructure required to be developed and hence the project could be fast-tracked to production.

Realm increasing its interest in Katingan Ria

In late 2011, Realm completed a US$12.6m transaction to acquire its initial 51% interest in Katingan Ria. A Tranche 2 payment of US$17m will result in the Company increasing its project interest to 75%. However, delays experienced in procuring the final Pinjam Pakai – the last pre-requisite for commencing production – has led to Realm and its partners agreeing to amend the date for the Tranche 2 Payment. The revised date is now two months from satisfaction of all Conditions Precedent, with 31 March 2013 as the new cut-off date.

The Company anticipates that all Tranche 2 Conditions Precedent should now be satisfied by 31 January 2013.

Study work

During the half-year to June 30, 2012, the Company commenced a Project Study at Katingan Ria, which was subsequently completed in August 2012. The study, independently reviewed by Xenith Consulting Pty. Limited ("**Xenith**"), supports the undertaking of a further drilling programme to increase geological confidence to assist in completing a bankable feasibility study ("**BFS**").

The Project Study's key findings include:

- The project's Base Case open-cut 3Mtpa mine plan with a designed life of 15 years is technically viable;
- The coal deposit is structurally simple and with a large area of relatively homogenous low strip-ratio coal minimising mining costs and establishing the projected life of mine FOB operating costs at USD39.2/t ;
- The quality of a raw coal product should satisfy the specifications for Indonesian 4,200kcal/kg (GAR) low sulphur coal and be readily accepted in rapidly growing Asian markets;
- Low project start-up capital estimate of USD23M, implying a capital intensity of less than USD10/annual tonne, thereby minimising investment risk;
- Permitting is well advanced, supporting forecast production and ramp up from mid-2013;
- The Base Case mine plan NPV of USD156M (100%) at a 10% discount rate is most sensitive to coal price and least sensitive to capital expenditure; and,
- Potential to increase the quantity and quality of the resource definition and to better optimise the mine's economics through additional exploration and engineering work.

The Company is now working to incorporate Xenith's recommendations into a new technical programme that would, when taken with additional engineering studies, potentially allow for conversion of some JORC compliant coal resources to a JORC compliant reserve estimate and the production of a BFS.

Directors' report (continued)

The project's Base Case is designed to mine 1.0 to 1.5 Mtpa of coal ramping up to 3.0 Mtpa within three years.

Logistically, a truck and excavator fleet could be employed to produce a thermal coal product for the domestic and export markets, initially over a period of 15 years. Coal would be transported from the mine site to the Pegatan Anchorage at the southern coast of Central Kalimantan for loading to ocean shipping vessels and export. The total transportation distance to the anchorage (including road and barge) is approximately 450kms.

Next steps for the project include:

- Further drilling to:
  - Improve knowledge of coal qualities, allowing for better economic optimisation.
  - Expand the total coal resource via further drilling in the underexplored northern portion of the lease.

- Optimisation studies aimed at reducing FOB costs/t in areas such as mining (use of low cost dozer push methods) and transport logistics including barging/stock pile solutions.

- Establishing off-take partners given the expected specification for the project's coal is typical of the 4,200 kcal/kg (GAR) specification for low rank Indonesian coal and therefore expected to trade consistently with comparable coals, with its low sulphur (0.2%) and relatively high volatiles (31%) potentially more appealing to some customers.

- Obtaining the final Pinjam Pakai Eksploitasi (forestry) permit which would allow operations to commence.

Mine Layout

A total of 10.2Mt indicated and 92.0Mt inferred JORC compliant resources have been identified in the project area. The Base Case mine plan assumes mining would begin near the south-eastern limit of the concession, as shown in Figure 1.

This creates the following benefits:

- minimising coal haulage distance to the barge transfer station on the Katingan river;

- located close to readily available waste dumping locations;

- targeting a start-up area where current geological modelling indicates attractive coal quality; and

- lowest available strip ratio.

Directors’ report (continued)

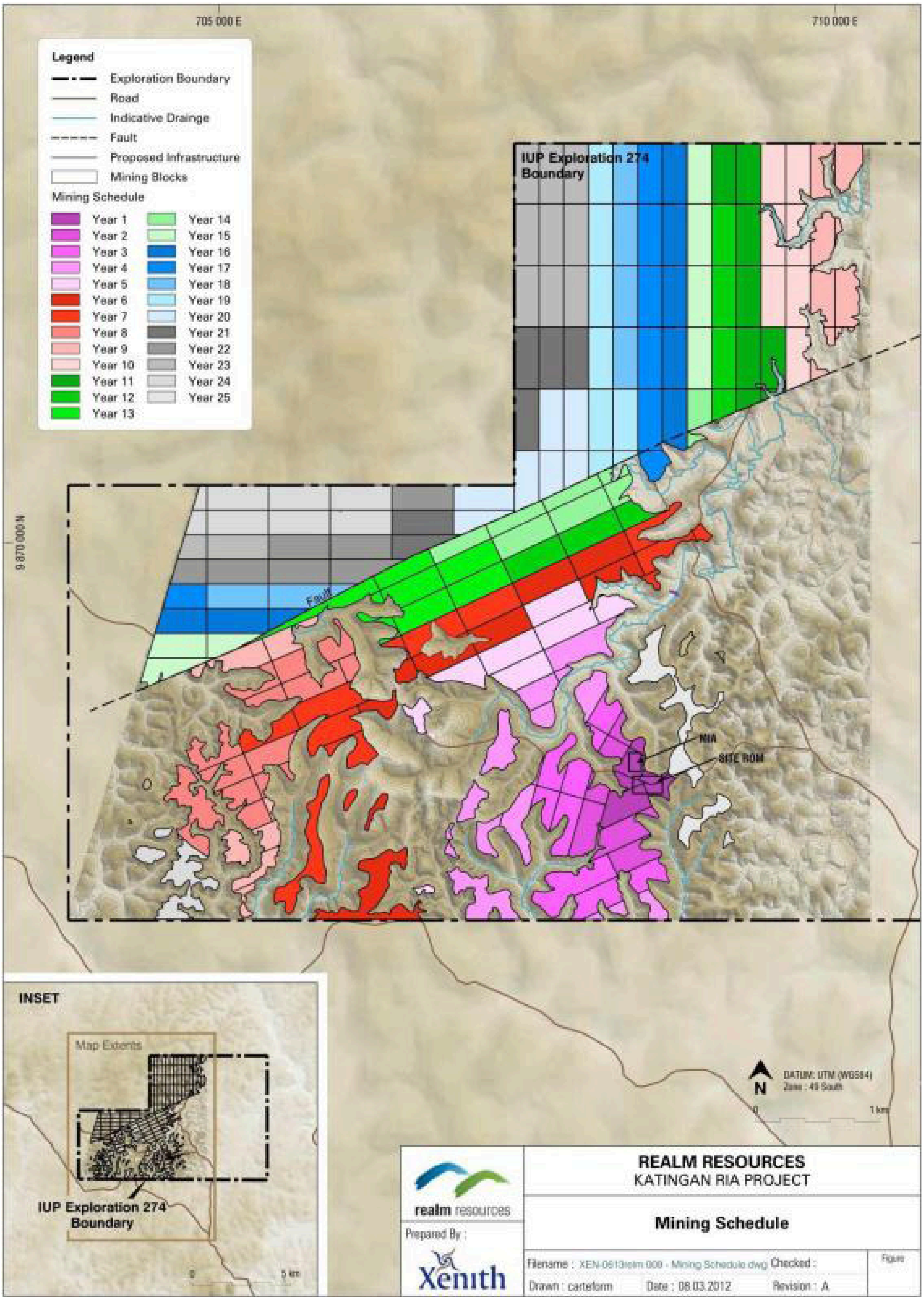


Figure 1 Mining Block Design and Schedule

Directors' report (continued)

Table 1: Coal Quality

BLOCKNAME	Seam	Mass	True Vertical Thickness	RAW ASH (% adb)	RAW CV kcal/kg (adb)	RAW FC (% adb)	RAW HGI (adb)	RAW IM (% adb)	PRD insitu	RD (adb)	RAW TM (% ar)	RAW TS (% adb)	RAW VM (% adb)
South													
INDICATED	MAIN	10,185,032	4.34	8.7	5,240	38.3	48	15.1	1.30	1.40	33.2	0.21	38.1
INFERRED	MAIN	23,015,682	3.58	9.8	5,147	36.9	48	15.6	1.31	1.40	31.0	0.20	38.5
INFERRED	2	3,181,819	0.52	13.5	5,147	27.1	68	14.8	1.28	1.38	30.4	0.21	44.5
INFERRED	3	2,160,675	0.36	10.8	5,252	37.0	40	13.8	1.29	1.40	34.1	0.31	38.4
North													
INFERRED	MAIN	35,584,403	3.92	10.7	5,286	37.7	49	12.2	1.30	1.42	30.8	0.24	39.6
INFERRED	B	8,327,593	1.13	16.4	4,643	33.3	47	12.2	1.33	1.46	30.7	0.24	36.0
INFERRED	C	8,439,470	1.18	22.7	4,239	31.4	-	13.3	1.38	1.52	29.9	0.22	34.3
INFERRED	D1	1,974,309	0.37	16.6	4,702	33.8	47	13.3	1.34	1.48	31.1	0.26	36.2
INFERRED	D2	7,041,717	1.17	18.3	4,498	32.6	-	13.7	1.35	1.48	30.5	0.25	34.9
INFERRED	D3	2,251,909	0.38	21.6	4,036	30.7	-	15.5	1.39	1.51	31.1	0.27	30.9
TOTAL													
Total	Main Seam	68,785,116	3.87	10.1	5,233	37.5	49	13.8	1.30	1.41	31.2	0.22	39.0
Total	Upper Seams	28,034,998	1.04	19.2	4,440	32.4	47	13.2	1.36	1.49	30.5	0.24	34.8
Total	Lower Seams	5,342,495	0.46	12.4	5,189	31.1	57	14.4	1.28	1.39	31.9	0.25	42.0
GRAND TOTAL		102,162,609											

Mining

The Base Case mine plan was designed to extract approximately 40Mt of ROM over fifteen years at an annual production rate (after a 2 year ramp up) of 3Mtpa.

The mine plan been designed to commence at the location where the existing logging road enters the south-eastern extent of the deposit.

Based on the geology and topography, an opportunity to exploit lower cost dozer push methods to potentially lower stripping costs will be further considered.

Outlook for the year ahead

Whilst the Project Study establishes the viability of Katingan Ria, the sharp fall in coal prices in 2012 have negatively impacted the project's projected economics in the near-term. However, the medium-to-long term fundamentals of the project remain robust.

Given the additional time required to finalise permitting, Realm's near-term focus will be to potentially convert the coal resource to JORC code compliant reserves, which will require further indicated and/or measured resources to be classified. In addition, the Company will conduct optimisation work aimed at reducing FOB cash costs and enhancing the project's economics.

Given the project's viability, the Board has approved commencement of a work programme to support the creation of a BFS, with a timetable and revised development plan anticipated to be completed during the final quarter of 2012. A critical milestone will be the issuing of the final Pinjam Pakai Eksploitasi (Forestry) permit, which was originally expected in Q1 2012. Whilst outside the control of Realm, the Company's local partners, Goku Resources, advise that the permit should be received by January 2013.

Directors' report (continued)

Table 2: Permit Status – Katingan Ria Project

Description	Project Region	Status	Expected Date
IUP Exploration	Both areas	Secured	
Pinjam Pakai[1] (Exploration)	South	Secured	
Pinjam Pakai (Exploration)	North	Secured	
Environmental Impact Statement(AMDAL)	Both areas	Completed	
IUP Operations	Both areas	Secured	
Pinjam Pakai (Exploitation)	Both areas	Submitted[2]	January 2013

[1] Forestry permit
[2] Finalisation subject to Ministry of Forestry completing an assessment of the volume of timber to be disturbed

NB: All mining licences confirmed "clean and clear" by Minister of Energy and Mineral Resources. See http://www.djmbp.esdm.go.id/modules/news/?_act=detail&sub=news_minerbapabum&news_id=3313

Funding Strategy

Realm announced on 12 April 2011 that it had entered into a 2 stage acquisition process for Katingan Ria. Stage 1 was successfully completed in October 2011, resulting in the acquisition of the initial 51% interest in the project. As stated earlier, Stage 2 requires a Tranche 2 payment of US $17 million by the end of March 2013 to take Realm's ownership to 75%.

Given the weak state of capital markets, Realm's approach is to assess all avenues of funding while concurrently endeavouring to minimise shareholder dilution. The following funding options are being pursued:

- Prepayment for Off-take – Realm is in discussions with several interested parties;
- Off-take for equity - discussions are underway with potential strategic investors regarding the potential sale of a minority stake in Realm or a subsidiary in return for off-take;
- Debt - confidentiality agreements are in place with several banks to allow them to analyse relevant information on the company and the coal project. Initial discussions have taken place on a range of debt facilities from off-take finance through to project finance; and,
- Equity markets – road-shows and market updates continue.

During the period under review, the Company announced that its major shareholder Taurus Funds Management ("Taurus") agreed to provide funding by way of a loan of up to $5 million. The funds will be applied towards further resource/reserve definition drilling and Project optimisation activities, as well as general working capital.

Directors' report (continued)

The key terms of the loan are:

- Facility amount of up to $5 million;
- The facility is unsecured;
- Interest rate of 8% p.a. payable quarterly in arrears and may, subject to agreement, be paid by way of issue of ordinary shares in Realm at the 5 day VWAP for ordinary shares;
- The facility is repayable on the earlier of the equity raising or 30 September 2013;
- If Realm is issuing ordinary shares, Taurus may elect to convert their loan into ordinary shares at the same issue price per share as the equity raising;
- The lenders are entitled to a facility fee of 2% of the total facility amount and will be granted options over a total of 100,000,000 shares, exercisable at 5c per share at any time in the next 5 years (subject to the Company obtaining all necessary shareholder approvals under the Corporations Act 2001and ASX Listing Rules); and
- Realm is required to use funds raised on the exercise of the options to repay any outstanding amounts under the facility.

This will fund Realm's current exploration and permitting activities in Indonesia and Africa over the forthcoming 18 months and allow time for the company to schedule Katingan Ria with greater certainty on permitting and market conditions.

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 Directors' Report of the matters based on his information in the form and context in which it appears.

Directors' report (continued)

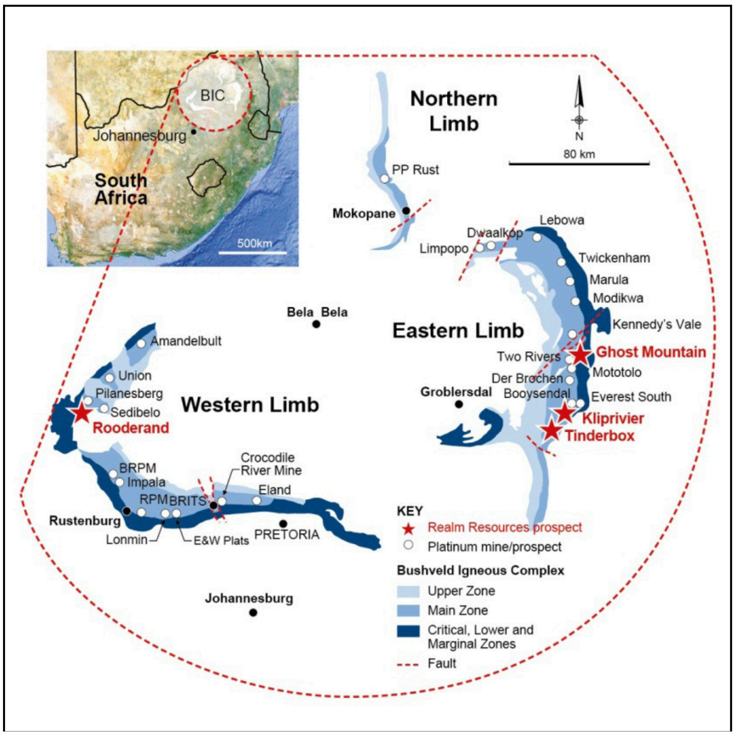
PLATINUM GROUP METALS
Realm Resources (Pty) Ltd
(74% owned subsidiary)

The Company is continuing with its assessment of its options to maximise the value of the PGM portfolio. These may include sale, joint ventures or proceeding with further exploration and resource development work.

In March 2012, Realm secured Section 11 consent enabling the acquisition of Kliprivier, Ghost Mountain and Tinderbox on the Eastern Limb of the Bushveld Igneous Complex in South Africa. Kliprivier contains an inferred resource of 109.6Mt @ 2.3g/t (3PGE+Au) containing 7.6Moz of PGMs (undiscounted).

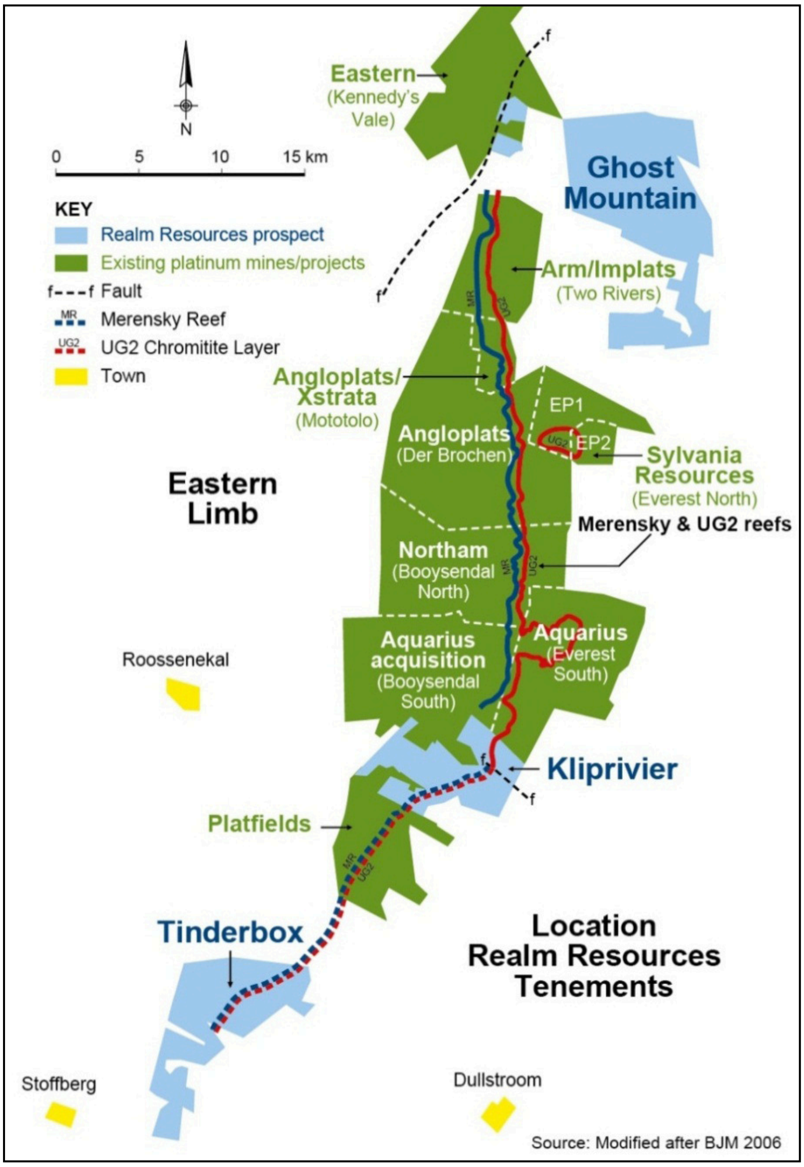
Following completion of the transaction, Realm holds 95% of Kliprivier and 100% of Ghost Mountain and Tinderbox respectively. Gaining control of the assets enables Realm to take meaningful action to maximise the value of these assets.

Figure 4 Location of Realm's PGM projects.



Directors' report (continued)

Figure 5 -- Kliprivier, Ghost Mountain and Tinderbox Prospect locations.



Competent Persons Statement – Kliprivier, Ghost Mountain and Tinderbox projects
The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Allen Maynard, who is a Member of the Australian Institute of Geoscientists and a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr. Maynard is the principal of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Maynard consents to inclusion in the Directors' Report of the matters based on his information in the form and context in which it appears.

Directors' report (continued)

Subsequent to the end of the period, Realm announced that is had entered into an agreement with Chrometco Limited ("**Chrometco**" – JSE: CMO) and Nkwe Platinum Rooderand (Proprietary) Limited ("**Nkwe**" – ASX: NKP) that will lead to the establishment of a 'stand-alone' company focussed on advancing PGM and chrome assets in South Africa.

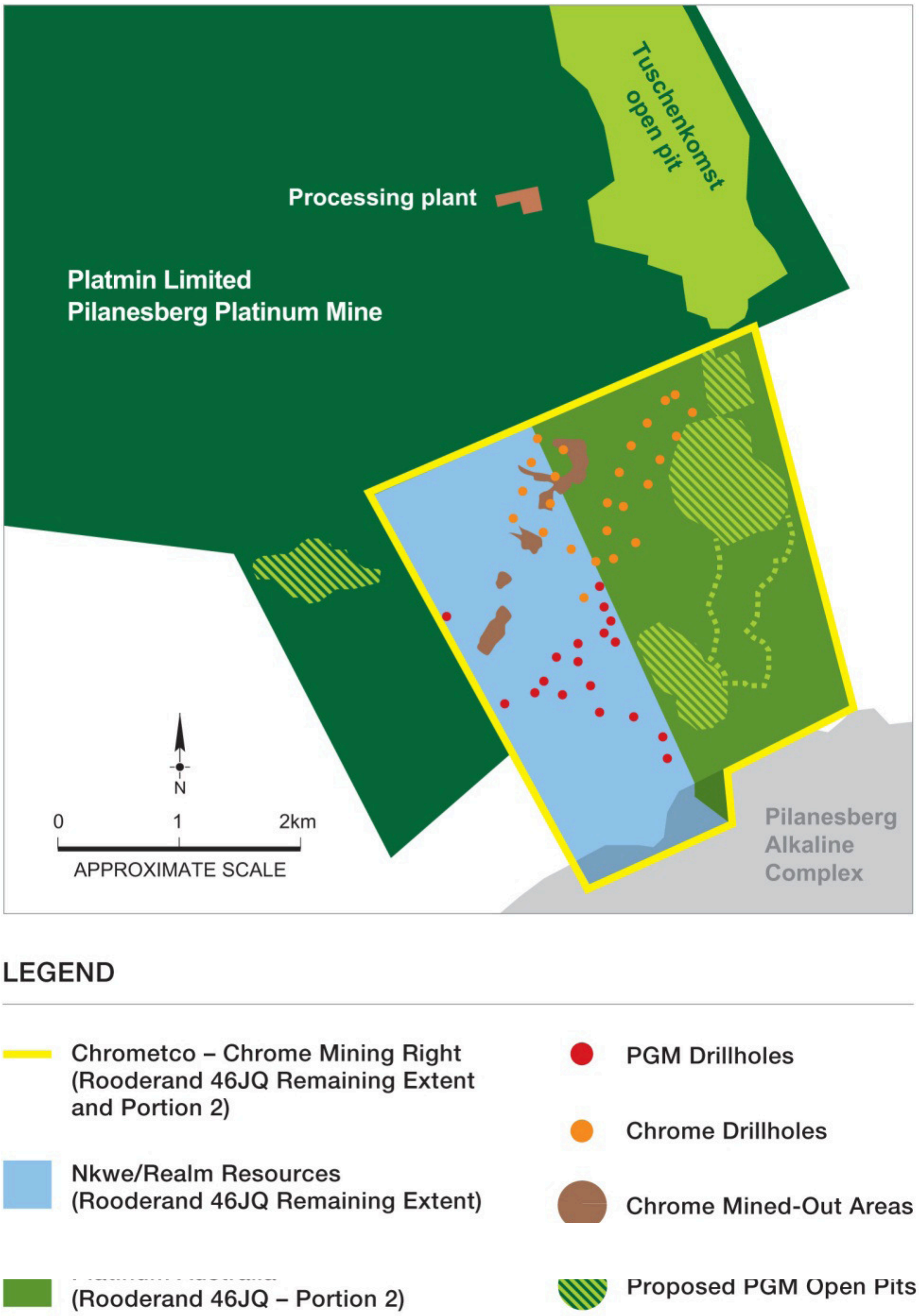
In August 2012, Nkwe and Realm have agreed to cancel the existing farm-in agreement and sell the platinum group and base metal mineral rights as well as historical drill core and geological data to Chrometco. Chrometco holds a mining right for chrome on the same Remaining Extent of the Farm Rooderand 46 JQ property in South Africa (Figure 6).

In terms of the Agreement, Nkwe is in the process of renewing its new order prospecting right for platinum group metals and gold and 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. Subject to the fulfilment of the conditions precedent set out below, Chrometco would issue 45M Chrometco ordinary shares to Realm and 45M to Nkwe, leading to Realm and Nkwe holding approximately 16% each of Chrometco. Both companies will also have board representation on Chrometco.

The consolidation of the mineral rights would unlock significant synergies for the benefit of all parties. Geologically, the economic horizons (reefs) all outcrop on surface and occur in close proximity to each other and furthermore some of the PGM bearing horizons contain by-product chromite ("**Cr**") and the Cr horizons contain by-product PGMs, making a strong case for combined mining and processing operation. Upon approval of the transfer of the PGM and Base Metal rights, the rights would become part of an existing mining right with a reduced approval timeframe.

Directors' report (continued)

Figure 6 Location of Chrometco's chrome and Nkwe/Realm's PGM and base metals rights



Key value drivers are:

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

Directors' report (continued)

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

Competent Persons Statement – Rooderand Project

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Nico Bleeker, who is a member of the South African Council for Natural Scientific Professions (SACNASP). Mr Bleeker is employed by Witkop Fluorspar Mine (Proprietary) Limited. Mr Bleeker 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 Bleeker consents to the inclusion in the Directors' Report of the matters based on his information in the form and content in which it appears.

ALUMINIUM

Alumicor SA Holdings (Pty) Ltd
(74% owned subsidiary)

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

Health and Safety

There was one disabling injury during the period under review. The focus on safety training and monitoring continues.

Management has considered a range of options including sale, joint ventures and further growth and has concluded that at this time, the focus will remain on maximising cash flow from the South African operation. In this regard, volume expansion on a fixed cost base would yield the best result. As such, management has recently applied for, and been granted, the right to expand the maximum tonnage treated from 1,400 t per month to 2,100 t per month. Management will now investigate ways to expand production via accessing additional dross from Hulamin or, if necessary, from other third parties with Hulamin's cooperation.

Given the attraction of our modular on site dross treatment model to smelters, management has followed up on a recent request for proposal to construct a similar aluminium dross retreatment facility at one of the major international aluminium refineries. We will advise the market of progress as developments unfold.

Directors' report (continued)

Table 3: Smelting and recovery performance comparison

Alumicor	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	% change Q1 2012
Tons smelted	**4,983**	**4,925**	**3,620**	**4,562**	**3,790**	**-16.9%**
Average recovery	**58%**	**62%**	**48%**	**56%**	**56%**	**0%**

Operations

During the period under review, Hulamin operations were disrupted by the failure of a motor on their Camps Drift hot line. The motor has since been repaired and the line has been operating normally since mid-June. This resulted in lower dross volumes being delivered to Alumicor. Management took the opportunity to accelerate planned maintenance on two of the furnaces during this period. Hulamin production is expected to normalise during the third quarter and this will result in increased dross throughput at Alumicor.

Financial – Alumicor SA Holdings Proprietary Limited

Despite the reduced volumes in the period under review profitability was maintained, albeit at lower levels than planned

BUSINESS DEVELOPMENT

The Company is focused on diversifying into coal and continues to seek value optimisation strategies for the PGM and Aluminium businesses and seek complementary value-adding opportunities in the resource sector.

CORPORATE

Following receipt of the Section 11 approval, in accordance with the terms of the September 2008 Share Sale Agreement, Realm issued 34,789,565 Shares to the shareholders of Morning Star Holdings (Australia) Ltd. (**MSH**) - previously Realm Resources Ltd. - and 15,220,435 Shares to Nkwe Platinum (South Africa) (Pty) Ltd. (**Nkwe**), or its nominee, to complete the acquisition of MSH, Masedi Platinum (Proprietary) Limited (**Masedi**) and Nkwe Platinum (Scarlet) (Proprietary) Limited (**NPS**), in accordance with the MSH Share Sale Agreement and the Nkwe Share Sale Agreement.

EVENTS SUBSEQUENT TO BALANCE DATE

As stated above, subsequent to the end of the period, Realm announced that it had entered into an agreement with Chrometco Limited ("**Chrometco**" – JSE: CMO) and Nkwe Platinum Rooderand (Proprietary) Limited ("**Nkwe**" – ASX: NKP) 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 Realm have 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. Chrometco holds a mining right for chrome on the same Remaining Extent of the Farm Rooderand 46 JQ property in South Africa.

Directors' report (continued)

In terms of the Agreement, Nkwe is in the process of renewing its new order prospecting right for platinum group metals and gold and cobalt, copper and nickel on the Property. 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. Both companies would also have board representation on Chrometco.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307 of the *Corporations Act 2001* is set out on page 18.

Signed in accordance with a resolution of the directors.

Richard Rossiter
Executive Chairman

Sydney
13 September 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Realm Resources Limited:

As lead auditor for the audit of Realm Resources Limited for the half-year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) no contraventions of 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 period.

A G Smith
Partner

Sydney
13 September 2012

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

Consolidated Statement of Comprehensive Income
For the half-year ended 30 June 2012

	Note	Half-year ended 30 June 2012 $	Half-year ended 30 June 2011 $
Revenue from continuing Operations			
Sales and rendering of services		1,908,776	2,464,951
Interest Income	3	123,774	209,254
Other revenue		20,242	21,238
Revenue		2,052,792	2,695,443
Cost of sales		(984,041)	(1,046,865)
Gross profit		1,068,751	1,648,578
Other income		5,216	45,049
Impairment loss – loan granted		(1,371,973)	(80,213)
Technical expenses		(486,679)	(48,793)
Share maintenance expenses		(37,809)	(33,985)
Due diligence expenses		-	(878,263)
Occupancy expenses		(58,818)	(41,703)
Consultancy fees		(502,702)	(372,651)
Audit fees		(95,823)	(97,282)
Directors' fees		(531,143)	(201,904)
Share based compensation expense		-	(206,648)
Administrative expenses		(1,601,178)	(752,248)
Other expenses		(101,419)	(43,879)
Finance costs		(403)	(490)
Loss from continuing operations before income tax		(3,713,980)	(1,064,432)
Income tax benefit/(expense)		(162,206)	(173,022)
Net loss for the period		(3,876,186)	(1,237,454)
Total profit (loss) for the period attributable to:			
Non-controlling interest		618	108,070
Members of the parent		(3,876,804)	(1,345,524)
		(3,876,186)	(1,237,454)
Other comprehensive income			
Exchange differences on translation of foreign operations		(85,589)	(225,741)
Total comprehensive income/(loss) for the period		(3,961,775)	(1,463,195)
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest		618	108,070
Owners of the parent		(3,962,393)	(1,571,265)
		(3,961,775)	(1,463,195)
		Cents	**Cents**
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share		(1.24)	(0.83)
Diluted (loss)/earnings per share		(1.23)	(0.81)

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

REALM RESOURCES LIMITED

Consolidated Statement of Financial Position
As at 30 June 2012

	Note	30 June 2012 $	31 December 2011 $
ASSETS			
Current assets			
Cash and cash equivalents		1,301,011	3,264,206
Trade and other receivables		269,057	329,399
Inventories		9,254	9,202
Other assets		83,382	20,863
Total current assets		1,662,704	3,623,670
Non-current assets			
Receiveables		156,532	-
Investments accounted for using the equity method		-	2,206,080
Plant and equipment		1,841,230	1,850,664
Deferred tax assets		148,704	138,443
Exploration and evaluation assets		18,285,328	12,578,560
Total non-current assets		20,431,794	16,773,747
TOTAL ASSETS		22,094,498	20,397,417
LIABILITIES			
Current liabilities			
Trade and other payables		1,084,135	1,985,299
Current tax liabilities		250	105,710
Borrowings	7	2,314,669	5,174,746
Total current liabilities		3,399,054	7,265,755
Non-current liabilities			
Deferred tax liabilities		151,946	59,279
Total non-current liabilities		151,946	59,279
TOTAL LIABILITIES		3,551,000	7,325,034
NET ASSETS		18,543,498	13,072,383
EQUITY			
Capital and reserves			
Contributed equity	6	40,310,820	30,877,930
Retained earnings		(20,811,481)	(16,905,091)
Reserves		(1,472,059)	(1,386,470)
Attributable to owners of Realm Resources Limited		18,027,280	12,586,369
Non-controlling interests		516,218	486,014
TOTAL EQUITY		18,543,498	13,072,383

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

Consolidated Statement of Cash Flows
For the half-year ended 30 June 2012

	Consolidated	
	Half-year ended 30 June 2012	Half-year ended 30 June 2011
	$	$
Cash flows from operating activities		
Receipts from customers	1,964,649	2,362,953
Payments to suppliers and employees	(4,082,145)	(3,164,873)
Interest received	30,776	97,895
Income tax payments	(233,294)	(127,490)
Net cash flows used in operating activities	(2,320,014)	(831,515)
Cash flows from investing activities		
Purchase of property, plant and equipment	(182,328)	(273,508)
Net cash flows used in investing activities	(182,328)	(273,508)
Cash flows from financing activities		
Loan made	(128,180)	-
Proceeds from borrowings	719,971	-
Payment of finance lease liabilities	(4,786)	(8,068)
Net cash flows used in financing activities	587,005	(8,068)
Net (decrease)/increase in cash and cash equivalents held	(1,915,337)	(1,113,091)
Net foreign exchange differences	(47,858)	(61,518)
Cash and cash equivalents at the beginning of period	3,264,206	5,213,521
Cash and cash equivalents at end of period	1,301,011	4,038,912

The above statement of cash flows should be read in conjunction with the accompanying notes.

REALM RESOURCES LIMITED

Consolidated Statement of changes in Equity
For the half-year ended 30 June 2012

	Attributable to members of Realm Resources Limited						
	Ordinary shares $	Employee equity benefits reserve $	Foreign currency translation reserve $	Retained earnings $	Total Equity attributable to members $	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 period	-	-	-	(1,345,524)	(1,345,524)	108,070	(1,237,454)
Other comprehensive income	-	-	(225,741)	-	(225,741)	-	(225,741)
Total comprehensive income for the period	-	-	(225,741)	(1,345,524)	(1,571,265)	108,070	(1,463,195)
Transactions with owners in their capacity as owners:							
Employee Share Plan	165,319	41,330	-	-	206,649	-	206,649
Balance as at 30 June 2011	20,987,213	123,040	(220,387)	(12,888,244)	8,001,622	288,490	8,290,112

For the period ended 30 June 2012

	Ordinary shares $	Employee equity benefits reserve $	Foreign currency translation reserve $	Retained earnings $	Total Equity attributable to members $	Attributable to non-controlling interest $	Total equity $
Balance as at 1 January 2012	30,877,930	123,040	(1,509,510)	(16,905,091)	12,586,369	486,014	13,072,383
(Loss) for the period	-	-	-	(3,876,804)	(3,876,804)	618	(3,876,186)
Other comprehensive income	-	-	(85,589)	-	(85,589)	-	(85,589)
Total comprehensive income for the period	-	-	(85,589)	(3,876,804)	(3,962,393)	618	(3,961,775)
Transactions with owners in their capacity as owners:							
Minority interest share of losses absorbed by parent	-	-	-	(29,586)	(29,586)	29,586	-
Shares issued during the year, net of transaction costs	9,432,890	-	-	-	9,432,890	-	9,432,890
Balance as at 30 June 2012	40,310,820	123,040	(1,595,099)	(20,811,481)	18,027,280	516,218	18,543,498

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

Notes to the Financial Statements for the half-year ended 30 June 2012

Note 1: Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001,* applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authorative pronouncements of the Australian Accounting Standards Board ('AASB').

This half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2011 and any public announcements made by Realm Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The half-year report has been prepared on a historical cost basis, as modified by the revaluation of assets and liabilities acquired as part of a business combination. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2011.

Adoption of new and revised Accounting Standards

In the half-year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2012.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore no change is necessary to Group accounting policies.

.

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Going concern basis of preparation

The financial statements are prepared on a going concern basis. For the period ended 30 June 2012, the consolidated entity incurred a loss after tax of $3,876,186.

At balance date, the consolidated entity had an excess of current liabilities over current assets of $1,736,350, and total equity of $18,543,498.

Included in current liabilities at year end are borrowings of $1,001,057 in relation to the convertible equity linked credit facility (note 7).

Management have prepared cash flow forecasts covering the period to 31 December 2013. 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.

Note 2: Segment Information

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 three reportable segments. 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 PT Katingan Ria which holds a coal tenement in Indonesia.

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the half-year ended 30 June 2012 is as follows:

	Alumicor SA Holdings (Pty) Ltd $	Head office $	Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited $	Pt Katingan Ria $	Elimination $	Total $
6 month period ended 30 June 2012						
Revenue						
Sales to external customers	1,908,776	-	-	-	-	1,908,776
Other revenue	12,525	128,532	49	2,910	-	144,016
Total consolidated segment revenue	1,921,301	128,532	49	2,910	-	2,052,792
Result						
Segment results, excluding finance costs	116,577	(3,938,219)	49	(54,190)	-	(3,875,783)
Finance costs	(403)	-	-	-	-	(403)
Net profit/(loss) for period	116,174	(3,938,219)	49	(54,190)	-	(3,876,186)
Assets and liabilities						
Segment assets	3,276,554	25,910,502	5,769,680	12,846,328	(25,708,566)	22,094,498
Segment liabilities	2,185,188	16,491,414	1,421,740	2,678	(16,550,020)	3,551,000
Depreciation	(176,489)	(2,855)	-	(789)	-	(180,133)

The segment information provided to the Managing Director for the reportable segments for the half-year ended 30 June 2011 is as follows:

	Alumicor SA Holdings (Pty) Ltd $	Head office $	Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited $	Eliminations $	Total $
6 month period ended 30 June 2011					
Revenue					
Sales to external customers	2,464,951	-	-	-	2,464,951
Other revenue	15,136	215,356	-	-	230,492
Total consolidated segment revenue	2,480,087	215,356	-	-	2,695,443
Result					
Segment results, excluding finance costs	410,652	(1,647,616)	-	-	(1,236,964)
Finance costs	(490)	-	-	-	(490)
Net profit/(loss) for period	410,162	(1,647,616)	-	-	(1,237,454)
Assets and liabilities					
Segment assets	3,735,864	7,499,276	2,206,080	(4,442,537)	8,998,683
Segment liabilities	2,683,418	2,709,640	-	(4,684,486)	708,572
Depreciation	(184,281)	(2,224)	-	-	(186,505)

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Note 3: Profit/(Loss) for the half-year

	30 June 2012 $	30 June 2011 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year		
Interest received	123,774	209,254
Loan Impairment	1,332,465	-

Note 4: Share-based payment plans

The share-based payment plans are described in note 23 to the financial statements for the year ended 31 December 2011. There have been no cancellations or modifications to any of the plans during the half-year ended 30 June 2012.

(a) Summaries of options granted under Option Plan ("OP") and Share Plan ("SP")

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, share options during the half-year:

OP	30 June 2012 No.	2012 WAEP $	31 December 2011 No.	2011 WAEP $
Outstanding at the beginning of the year **(OP)**	3,500,000	0.15	3,500,000	0.15
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period **(OP)**	3,500,000	0.15	3,500,000	0.15
Exercisable at the end of the period	3,500,000		3,500,000	

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, shares issued under the share plan during the half-year:

SP	30 June 2012 No.	2012 WAEP $	31 December 2011 No.	2011 WAEP $
Granted at the beginning of the year	12,750,000	0.17	12,750,000	0.17
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Granted at the end of the period	12,750,000	0.17	12,750,000	0.17

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Note 4: Share-based payment plans (continued)

(b) Option and share pricing model:

Equity – settled transactions
The fair value of the shares granted under the OP and SP 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 table lists the inputs into the models used for the period ended 30 June 2012, and the year ended 31 December 2011.

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 $
-	-	-	-	-	-	-	-

SP 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 $
-	-	-	-	-	-	-	-

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 $
1,000,000	0.091	0.15	89	4	-	5.093	0.041

SP 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 $
4,000,000	0.091	0.15	89	4	-	5,093	0.041

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.

Refer also note 7 for details of options which will be issued subsequent to year-end, subject to shareholder approval.

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Note 5: Contributed equity

	30 June 2012 $	31 December 2011 $
Ordinary shares (a)	40,310,820	30,877,930
	40,310,820	30,877,930

(a) Ordinary shares

	No.	No.
Issued and fully paid	400,042,974	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	281,131,875	30,877,930
- Shares issued – Taurus loan repayment	56,813,187	5,170,000
- Share issue expenses	-	(258,500)
- Shares issued – A Matheson loan repayment	12,087,912	1,020,690
- Shares issued – purchase subsidiaries (note 8)	50,010,000	3,500,700
At 30 June 2011	400,042,974	40,310,820

Note 6: Contingent liabilities

There are no material contingent liabilities as at 30 June 2012.

Note 7: Borrowings

	2012 $	2011 $
Current		
Convertible equity linked credit facility	1,001,057	5,170,000
Other borrowings	1,313,612	4,476
	2,314,669	5,174,476

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 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

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Note 7: Borrowings (continued)

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 loan was 12 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 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 1:

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

At 30 June 2012, the company had drawn $1,001,057 of the facility.

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 becomes payable 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 has yet not been received for the issue of the options.

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Note 7: Borrowings (continued)

Given that shareholder approval has not yet been received, management have classified the loan as current. In addition, an expense to reflect the value of the options has not been recorded in the financial statements of the company for the period ended 30 June 2012, as shareholder approval has not yet been granted. Once shareholder approval has been granted, an expense will be recorded by the company.

If the options were valued using the share price of the company as at 28 June 2012, management have calculated that this would result in a value of $680,000. A valuation will be performed on the options when shareholder approval has been received, and a corresponding expense will be recorded by the company at this time. 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 they had been issued as at 28 June 2012 and assuming the share price of the company is 1.7 cents per share, being the share price at 12 September 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 $
100,000,000	0.017	0.05	84	5	-	4.75	680,274

Note 8: Business combination

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 to the financial statements for the year ended 31 December 2011, 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 period ended 30 June 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.

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Note 8: Business combination (continued)

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

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.

Note 9: Alumicor SA Holdings Proprietary Limited

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 42,000,000 (approximately $5,000,000, based on exchange rates as at 30 June 2012).

Should Hulamin exercise its option to purchase the business of Alumicor, Realm Resources Limited would sell its aluminium dross treatment process to Hulamin for approximately $5m. Results attributable to the Alumicor business, including total assets and liabilities, are disclosed in note 2.

Note 10: Events Subsequent to Reporting Date

Subsquent to the end of the period, Realm 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 Realm 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.

Notes to the Financial Statements for the half-year ended 30 June 2012 (continued)

Note 10: Events Subsequent to Reporting Date (continued)

In terms of the agreement, Nkwe is in the process of renewing its new order prospecting right for platinum group metals and gold and cobalt, copper and nickel on the Property. 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.

Directors' declaration

In the director's opinion:

(a) The interim financial statements and notes set out on pages 19 to 32 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standard AASB134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Realm Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Richard Rossiter
Executive Chairman

Sydney
13 September 2012

REALM RESOURCES LIMITED

ABN 98 008 124 025

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Realm Resources Limited:

We have reviewed the accompanying half-year financial report of Realm Resources Limited ("the Company") which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity as set out on pages 19 to 33. The consolidated entity comprises the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Realm Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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 REVIEW REPORT (continued)

Matters relating to the electronic presentation of the half-year financial report

This auditor's review report relates to the half-year financial report of Realm Resources Limited for the half-year ended 30 June 2012 included on Realm Resources Limited's website. The company's directors are responsible for the integrity of the Realm Resource Limited website. We have not been engaged to report on the integrity of this website. The auditor's review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the half-year financial report to confirm the information contained in this website version of the half-year financial report.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Realm Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Realm Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualification to the opinion above, we draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a loss after income tax of $3,876,186 for the period ended 30 June 2012 and, at balance date, the consolidated entity had an excess of current liabilities over current assets of $1,736,350 and total equity of $18,543,498. These conditions, along with other matters as set out in Note 1 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 it may be unable to realise its assets and discharge its liabilities in the normal course of business.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

A Smith

Sydney
13 September 2012

A G Smith
Partner