REALM RESOURCES LIMITED
ABN 98 008 124 025

FINANCIAL REPORT

31 December 2016

REALM RESOURCES LIMITED
ABN 98 008 124 025

Contents to financial report

REALM RESOURCES LIMITED
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Corporate information

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Directors
Gordon Galt - Chairman
Richard Rossiter – Executive director (resigned 6 March 2017)
Theo Renard – Executive director (resigned 6 March 2017)
Michael Davies – Non-executive director
Staffan Ever – Non-executive director
Glen Lewis – Managing director

Company Secretary
Theo Renard

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Solicitors
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Angle Place
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Sydney NSW 2000 Australia

Auditors
RSM Australia Partners
Chartered Accountants
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Sydney NSW 2000 AUSTRALIA
Telephone (+61 2) 8226 4500
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Stock Exchange Listing
Realm Resources Limited shares are listed on the Australian Securities Exchange (ASX code: RRP).

Country and Date of Incorporation
Australia, 30 January 1987

Chairman's letter

Dear Shareholders,

Dear Fellow Shareholders

I am happy to provide this Chairman's letter introducing our Annual Report and Accounts on behalf of myself and my fellow Directors. It is pleasing to present these reports against the background of a significant renaissance of the company following the purchase, in August of 2016, of the 70% interest in the Foxleigh Mine in Queensland from Anglo American. The direct buyer, Middlemount South Pty Ltd, is a 99.9% owned subsidiary of Realm. As you have seen from the operating reports we have published, our Foxleigh operating team is already performing strongly and professionally with Foxleigh producing at record levels, fortuitously just in time for a major spike in coal prices.

The first thing I would like to note is that the Foxleigh purchase came after a long period of searching for an asset which could be developed or better still operated immediately. The search covered over a hundred opportunities in a number of countries and across a range of commodities. These were calmly and professionally evaluated by Realm staff and external resources over the past four years. Clearly the wait was worth it, because we have secured an excellent operation in a good location which will generate cash for the company's shareholders for many years to come. The purchase of Foxleigh was made against open competition and involved considerable imagination, persistence and dedication and we thank all our advisors for their efforts. In particular and quite clearly the company's transformation would not have been possible without the support of the company's major shareholder represented by Taurus Funds Management.

The Foxleigh mine is the benchmark for low volatile PCI metallurgical coal. It is an open cut mine operated in a traditional shovel/truck format. Coal is washed after mining to remove waste and product coal is hauled to a dedicated train load out facility. The coal is then loaded into trains, transported to Dalrymple Bay near Mackay and shipped to mostly Asian steel mill customers. Our joint venture partners at Foxleigh, Nippon and Posco, are two of the main buyers.

The purchase of Foxleigh has resulted in the Company having to recomply with the ASX listing rules. The process was not anticipated by your Board based on extensive advice during the purchase process, so regretfully the recompliance process has taken a long time. It is still ongoing with additional information being required by the ASX. We hope to be able to update the timetable to recommence trading very soon.

Realm intends to be a growth story. We have already built a sizeable cash balance and we have a long life cash producing mine in operation. We have considerable exploration upside around Foxleigh, both within the Foxleigh JV and on our own behalf and we have access to existing infrastructure which can be used if the exploration is successful. We are looking at number of other assets currently for sale in Australia and overseas. In the face of better thermal coal prices we intend to now push on with the development of Katingan Ria and are actively in discussions with our partners in Indonesia to get the project moving.

We have a mostly new Board (including myself) which is well qualified to progress this growth. My colleague Mike Davies remains and we have added Staffan Ever and new Managing Director Glen Lewis. I welcome the new Directors and acknowledge and thank Richard Rossiter and Theo Renard who maintained the company through the past years at much sacrifice to themselves. They stepped down as Directors recently but I am happy to say that they will remain with Realm in executive capacities where we can continue to draw on their experience.

I look forward to seeing many of you at company meetings through the year.

Yours faithfully

Gordon Galt
Chairman

Directors' report

Your directors present their report on the consolidated entity (referred hereafter as "the Group") consisting of Realm Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2016.

Information on directors
Directors

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

Gordon Galt (Chairman) (Appointed 30 August 2016)

Gordon is a mining engineer with extensive coal industry experience in Australia since the early 1970's. In Queensland he worked at South Blackwater, gaining his First Class Mine Manager's qualifications in 1976, then was one of the key early development team members at CapCoal German Creek in 1977. He was initially Open Cut Manager then Mine Manager at Central Colliery - Queensland's first longwall mine and for many years Australia's most productive underground coal mine. He was then Development Manager for Southern Colliery, also at German Creek in 1987. In 1991, Gordon was appointed Operations Manager at Ulan Coal in NSW. He became General Manager at Ulan in 1993, then Managing Director at Cumnock Coal in 1996 before roles as Managing Director with Newcrest Mining and in investment banking with ABN AMRO. Gordon is currently Chairman of NuCoal Resources Limited and Lefroy Exploration Limited and is a Non-Executive Director of Finders Resources Limited.

Richard Rossiter *BSc (Hons), MSc.* **(Resigned 6 March 2017)**
Executive Director

Mr. Rossiter began his career as a geologist in the South African gold industry. He subsequently qualified in mine management and held various production management and business development roles. He then joined the financial sector as a mining analyst and later was responsible for corporate advisory, mergers, acquisitions, and divestments. He then set up a consultancy and joined several public company Boards including Sylvania Platinum Ltd (AIM: SLP to 2013)) and, more recently, Chrometco Ltd (JSE: CMO). He has not been a director of any other listed companies in the past four years to 31 December 2016. He holds a Bachelor of Science (Hons) in Geology from the University of Natal and an MSc in Mineral Exploration from Rhodes University in South Africa.

Mr. Rossiter is a member of the audit committee, the nominations committee, and the risk management committee.

Theo Renard *CA(SA), CSA* **(Resigned 6 March 2017)**
Executive director and company secretary

Mr Renard is a Chartered Accountant and has over 20 years' experience in credit and relationship banking in commercial and investment banking with Nedcor in South Africa and Asia and ABN AMRO in Australia and Asia. He spent over two years as CFO and Company Secretary with a retail Group with retail and manufacturing operations in Asia and the Subcontinent, during that time he was a director of several of the South African listed companies and affiliates. He has not been a director of any other listed companies in Australia in the past four years to 31 December 2016.

Mr. Renard is a member of the audit committee, the nominations committee and the risk management committee.

Michael Davies - *BA Hons, MBA*
Non-executive director

Mr Davies a Principal of Taurus Funds Management Pty Ltd, and is a specialist in resource financing, with over 20 years' experience in major banks (Barclays, BZW and ABN AMRO) originating, structuring and arranging debt and providing corporate advice to natural resources companies. Mr. Davies is currently a non-executive director of NuCoal Resources Limited and US Masters Holdings Limited and has not been a director of any other listed companies in the past four years to 31 December 2016.

Mr. Davies is a member of the audit committee, the nominations committee, the remuneration committee and the risk management committee.

Directors' report (continued)

Information on directors (Continued)

Staffan Ever MBA *MSc Civ Eng, MAICD* **(Appointed 21 November 2016)**
Non-executive Director

Mr Ever is a highly experienced executive in the coal sector with experience in managing and financing coal projects from greenfields through to production coupled with extensive experience in coal marketing and mergers and acquisitions.His previous roles include, CEO of QCoal, Managing Partner of Triangle Fund, 12 years in various roles with AMCI including General Manager of AMCI Australia and Director, on behalf of AMCI, on all Australian investee companies. He has undertaken and overseen equity investments and/or divestments in the Gunneda, Glennies Creek, Alliance, Coppabella, Moorevale and Sonoma mines.

Mr. Ever is currently the Managing Director and Founder of the Square Group of Companies.

Mr. Glen Lewis MAICD **(Appointed 6 March 2016)**
Managing Director

Mr Lewis is a qualified Coal Mine Manager and has worked in the Coal Industry since 1980. Throughout his career he worked at all levels of Management inclusive of 10 years as an Undermanager at various operations including United Colliery and Dartbrook Coal where he was part of the Management Team for the construction of both projects. In 1997 he commenced as Mine Manager at Cumnock Coal and in 1999 was promoted to Operations Manager at Oceanic Coal (consisting of West Wallsend and Teralba underground mines and Westside open cut operation) following its acquisition by Xstrata Coal. Mr Lewis was promoted to the role of General Manager Eastern Underground Operations for Xstrata Coal NSW in 2003 and was then responsible for United Collieries, Cumnock Coal and Oceanic Coal. Continuing with Xstrata Coal NSW, he was promoted to General Manager Operations with overall responsibility for 6 operating mines and several projects under construction. Mr Lewis commenced with NuCoal Resources in 2010 as Managing Director overseeing the listing, capital raising, exploration and feasibility studies for a number of mining projects in the Hunter Valley. Throughout his career he has been involved with the development and/or expansion of many coal mines and provides a strong technical and operational background to Realm Resources.

Interests in the shares and options of the company

Number of Shares held by directors

At the date of this report, the interests of the directors in the shares of Realm Resources Limited were:

Directors	Balance 1-Jan-16	Received as Remuneration	On Exercise of Options	Net Change Other	Balance 31-Dec-16
Richard Rossiter	750,000	-	-	-	750,000
Theo Renard	5,450,000	-	-	-	5,450,000
	6,200,000	-	-	-	6,200,000

Number of options held by directors

At the date of this report, the interests of the directors in the options of Realm Resources Limited were nil (2015: nil).

Directors' report (continued)

Shares issued as a result of the exercise of options

Share options and Unissued shares

As at the date of this report, there were 100,000,000 unissued ordinary shares under options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate. During the financial year, no options were exercised.

REVIEW OF RESULTS AND OPERATIONS

Realm Resources Limited and its controlled entities ("Realm" or "the Group") has recorded revenue from continuing operations of $111,613,054 ($4,541,586 in 2015) and a net profit for the year ended 31 December 2016 of $19,765,918 of which $19,703,724 is attributable to owners, versus a loss of $3,026,303 in 2015, of which $3,070,079 was attributable to owners.

SUMMARY

Foxleigh Coal Mine

Acquisition Summary

- Realm Resources Limited announced that its 99.9% owned subsidiary Middlemount South Pty Ltd ("Middlemount") has completed the Foxleigh Transaction ("Transaction") with Anglo American Metallurgical Coal Assets Pty Ltd ("Anglo") on 31st August 2016.
- The Transaction comprises:
    - acquisition of a 70% interest in the Foxleigh Coal Mine ("Foxleigh"), and a 100% interest in EPC 855; and
    - acquisition of 100% of EPC 1669.
- Foxleigh is an open cut mining operation located near the town of Middlemount in Central Queensland's Bowen Basin coalfield. The mine produces high quality low-volatile pulverised coal injection (PCI) coal.
- Foxleigh is owned and operated as a Joint Venture with POSCO Australia Pty Ltd ("POSCO") and Nippon Steel & Sumitomo Metal Pty Ltd ("Nippon") owning 20% and 10% respectively. POSCO and Nippon are longstanding customers of Foxleigh.

Foxleigh Coal Mine Overview

Foxleigh Mine is located in Queensland's Bowen Basin coalfield, 12km south of Middlemount and 272km northwest of Rockhampton (Figure 1). The mine was established in 1999 as an open cut operation producing benchmark quality, LV PCI coal for the export market. Saleable production in CY 2016 (100% basis) was ~3.1 million tonnes.

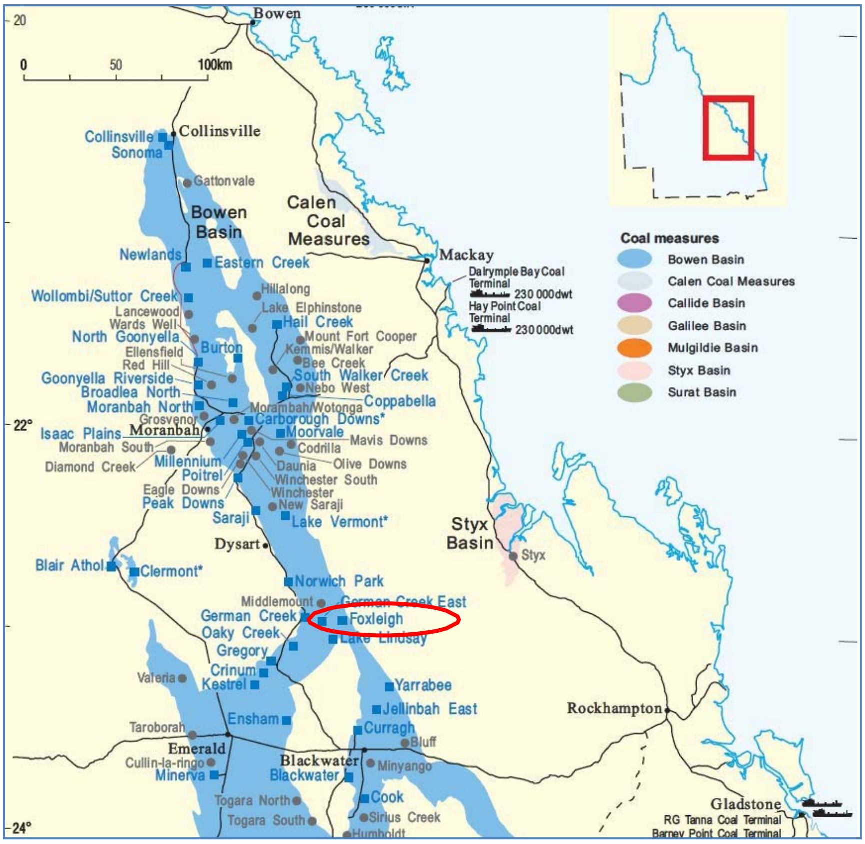
Mining is undertaken using the truck and shovel method with raw coal delivered to Foxleigh's coal handling and preparation plant ("CHPP") for washing. The CHPP has processing capacity in excess of 4Mtpa of raw coal.

Product coal is hauled 27km on a private haul road to a dedicated train loading facility located alongside the Capcoal rail loop and is then railed 280km to the Dalrymple Bay Coal Terminal ("DBCT") at the Port of Hay Point near Mackay, Queensland.

Foxleigh has a diversified base of longstanding customers in key export markets including South Korea, China, Taiwan and Japan.

Directors' report (continued)

Figure 1: Foxleigh Location and Infrastructure Map



Source: Queensland Government – Department of Mines and Energy

Transaction Overview
Under the Transaction, Middlemount has acquired 100% of the shares in Foxleigh Coal Pty Limited ("FCL") and 100% of EPC 1669 tenement from Anglo. FCL owns 70% of the Joint Venture and 100% of EPC 855.

As part of the Transaction:

- Bank guarantees totalling A$85.3m have been put in place on a back to back basis to Anglo to cover the underlying guarantees as follows:
  a) in favour of the State of Queensland in respect of the mining licences of the Joint Venture and the EPC's; and

  b) in favour of various counterparties to Joint Venture contracts.

- The Company has paid A$43.7m cash to Anglo. A further working capital adjustment may be payable in 80 days, subject to a dispute period.
- FCL will pay Anglo a semi-annual royalty ("Royalty Payment") on its 70% share of coal extracted and sold from the assets acquired for a period of 12.5 years. The Royalty Payments will be made based on the Average Coal Price Achieved ("ACPA") in each six-month royalty period based on the following scale:

  - if ACPA is greater than A$105 per tonne then a payment of A$1.00 per tonne; or
  - if ACPA is greater than A$115 per tonne then a payment of A$2.00 per tonne; or
  - if ACPA is greater than A$130 per tonne then a payment of A$3.00 per tonne.

  Royalty payments are capped at A$75.0m in aggregate.

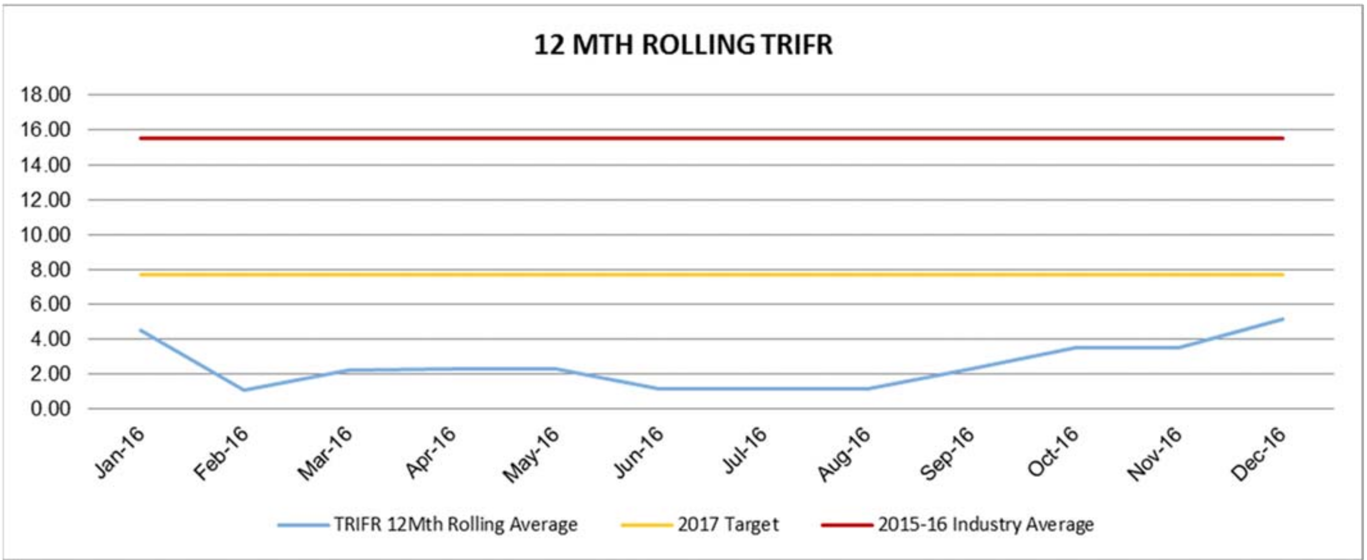
- Foxleigh has been acquired on a going concern basis and the Transaction includes a number of procurement and services contracts, landholder access agreements, logistics and coal sales contracts. The contracts include access to port and rail capacity consistent with expectations for future Foxleigh production.

Directors' report (continued)

Foxleigh Coal Mine Operations Update

Safety
Importantly, the focus on occupational health and safety (OH&S) and environmental, social and governance issues (ESG) continues. During the December quarter, there was one lost time injury (LTI) and one recordable injury at the Foxleigh Mine, with no others across other projects and Tenements of Middlemount South Pty Ltd (Middlemount or the Company). The Total Recordable Injury Frequency Rate at the December quarter end is 3.90 per million hours. (Figure 2).

Figure 2: - Foxleigh Safety Performance



Production and Sales

Key operating results for the December quarter 2016 and since acquisition on 29 August 2016 are shown in Table 1.

Table 1: - Foxleigh Coal Mine (100%) Operating Results

Thousands of tonnes	December Quarter	Since acquisition*
ROM coal produced	1,019	1,302
ROM strip ratio (bcm waste / ROM t)	6.6:1	7.5:1
Saleable coal produced	865	1,125
Total coal sales	689	982

* Note: - Realm acquired its share in Foxleigh Mine on 29 August 2016

Directors' report (continued)

Several operational changes were made during the quarter to reduce the operating cost structure. These include the cleaner mining of the coal thus reducing the out of seam dilution and the parking up or sale of excess mining equipment. A modified approach to the campaign washing of the different seams has led to an overall increased yield while still meeting the contract specifications of our customers. The overheads of a leaner company have also added benefits to the bottom-line.

As part of ongoing operations, the mine commenced civil works to complete a 4.1km creek diversion which includes the realignment of a public road and the construction of 5.6km of flood protection levees. This work was awarded to the AE Group and the expected total cost is $15.6m and is planned to be completed in the June quarter 2017. This will open the Foxleigh Plains pit for the next 10 years.

Exploration and Development

The Company commenced an initial three stage exploration program on the existing mining leases costing circa $1.5m. Stages 1 and 2 were completed in early December and consisted of 35 boreholes including:

- 28 chip holes – defining coal structure;
- 6 × 4C cored holes – defining coal quality; and
- 1 × HQ cored hole – defining geotechnical properties.

Quality results are expected to be received during H1 17.

The third stage commenced in December and is expected to be completed during the June quarter. This stage includes a further 33 holes as follows:

- 20 chip holes – defining coal structure;
- 12 × 4C cored holes – defining coal quality; and
- 1 × HQ cored hole – defining geotechnical properties.

The results will be used to update the existing JORC resources and reserve statement. In addition, the Company has also commenced a review of existing drilling information on its 100% owned EPC's 855 and 1669 adjacent to the Foxleigh mine.

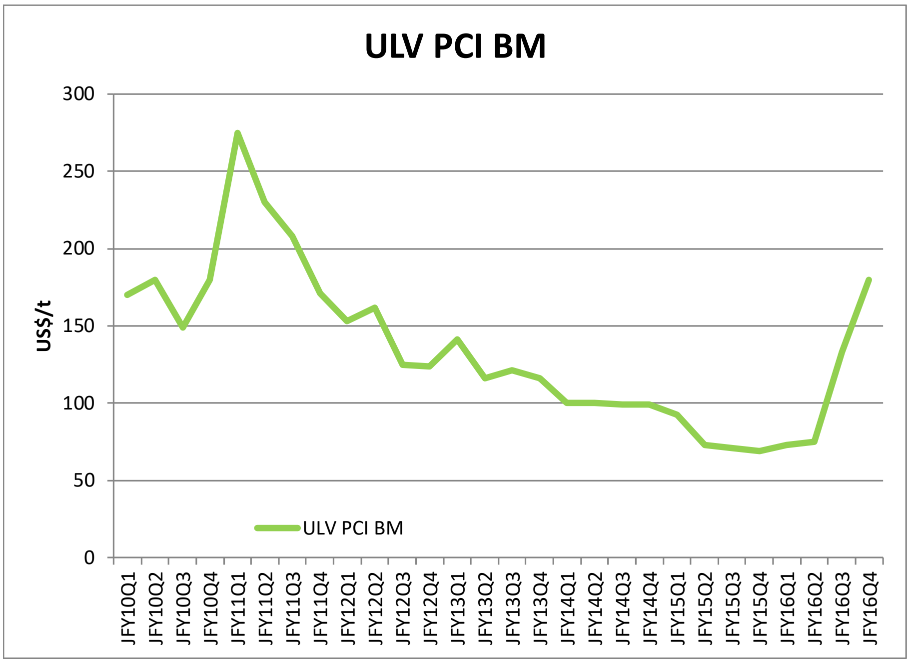
Coal Market Update

The quarterly benchmark price for low-volatile PCI coal ("LV PCI") for the period January to March 2017 (i.e. JFY Q4) has increased by 35% to US$180/t (vs. US$133/t for the December quarter) (Source IHS 16/12/16) (Figure 3).

Foxleigh's premium high quality LV PCI coal is sold to longstanding customers in key export markets including South Korea, Japan, and Taiwan, and the majority of sales are at the benchmark price.

Directors' report (continued)

Figure 3: - Quarterly Benchmark Coal Prices – for premium LV PCI Coals (Japanese FY)



Note: Japanese financial year starts 1st April

JORC Statement of Coal Resources and Reserves

The Company has undertaken the necessary geological assessments and studies required to estimate the coal resources and reserves for the Foxleigh Coal Mine. Coal resources and reserves reported in accordance with the 2012 JORC Code have been estimated for the Foxleigh Mine as at 31 October 2016. All tonnages are PCI quality coal and are quoted on a 100% basis.

Total Coal Resources (inclusive of Coal Reserves) for the Foxleigh Mine have been estimated at 82.3Mt (33.3Mt Measured, 29Mt Indicated and 20Mt Inferred).

Total Coal Reserves for the Foxleigh mine have been estimated at 52.7Mt (29.2Mt Proved and 23.5Mt Probable).

Total Marketable Coal Reserves for the Foxleigh mine have been estimated at 39.2Mt (22.4Mt Proved and 16.8Mt Probable). See Tables 2 and 3 and refer to Realms' ASX announcement on 20th December 2016). The information contained in this release provides the Statement of Coal Resources and Coal Reserves for the Foxleigh Mine as of 31 October 2016, as estimated by Encompass Mining Pty Ltd ("**Encompass Mining**") on behalf of Realm. The information is reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves, 2012 ("**JORC Code**") and the Australian Securities Exchange ("**ASX**") Listing Rules.

Table 2 - Coal Resources for the Foxleigh Mine

Coal Resources - Foxleigh Project (31st October 2016)								
Mining Location	Ownership	Method	Tenement	Coal Type	2016 Coal Resources			
					Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
FOXLEIGH PROJECT	**100%**	**OC**	**Total**	**PCI Coal (Mt)**	33.3	29	20	**82.3**

Directors' report (continued)

Notes:

- Resources are reported in accordance with the JORC Code (2012).
- Measured and Indicated Resources are inclusive of those Resources modified to produce Coal Reserves.
- Resources are reported on a 100 per cent project basis.
- Resources are reported on an in-situ moisture basis (at 4.5% in situ moisture).
- Resource Tonnes are reported as in situ Tonnes determined using above mentioned in situ moisture and Preston Sanders in situ relative density of coal formula.
- Middlemount South Pty Ltd owns 70% of the stated Resources, POSCO Australia Pty Ltd owns 20% and Nippon Steel & Sumitomo Metal Australia Pty Ltd own 10% of the stated Resources.
- Mining Method: OC = Open Cut.
- Coal Type: PCI = Pulverised Coal Injection.
- Inferred Resources are rounded to reflect the relative uncertainty of the estimate.

Table 3 – Coal Reserves for the Foxleigh Mine

Coal Reserves - Foxleigh Project (31st October 2016)

Mining Location	Ownership	Method	Tenement	Coal Type	2016 Coal Reserve			2016 Marketable Coal Reserve		
					Proved (Mt)	Probable (Mt)	Total (Mt)	Proved (Mt)	Probable (Mt)	Total (Mt)
FOXLEIGH PROJECT	**100%**	**OC**	**Total**	**PCI Coal (Mt)**	29.2	23.5	**52.7**	22.4	16.8	**39.2**

Notes:

- Reserves are reported in accordance with the JORC Code (2012).
- Ownership: Reserves are reported on a 100 per cent project basis.
- Middlemount owns 70% of the stated Reserves, POSCO Australia Pty Ltd owns 20% and Nippon Steel & Sumitomo Metal Australia Pty Ltd own 10% of the stated Reserves.
- Mining Method: OC = Open Cut.
- Coal Type: PCI = Pulverised Coal Injection.
- Reserves are reported on a ROM moisture basis (at 5.3% moisture).
- Reserves are converted to Marketable Reserves using a wet practical product yield. This allows for the removal of included dilution and addition of moisture (from 5.3% ROM moisture to 10.5% product moisture).
- Marketable Reserves are reported on a product moisture basis (at 10.5% moisture).

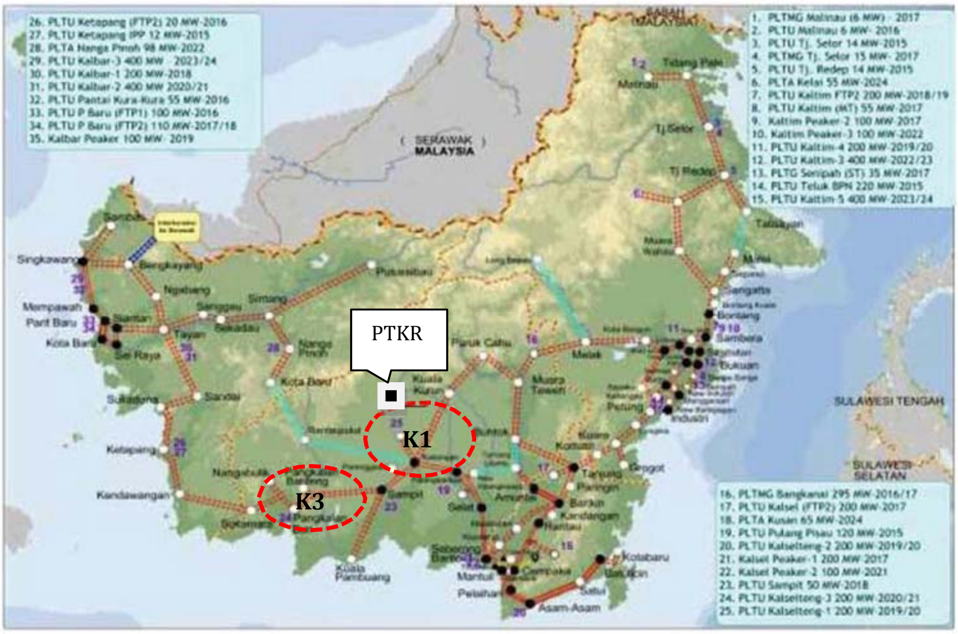
Directors' report (continued)

Katingan Ria Coal Project, Indonesia

The Company continues to engage with PLN (Indonesian State Owned Electricity Corporation) and other potential partners/buyers to progress its power station strategy. The Katingan Ria thermal coal project (Realm 51%) is ideally suited to supply proposed power stations in the region – i.e. Kalselteng No.1 (2x100MW) Kalselteng No.3 (2x100MW). These developments continue to be assessed. (Figure 4).

More recently, the thermal coal price for expected Katingan Ria coal (i.e. 4,200 kcal/kg GAR) increased to US$52.00/t before declining again to US$37.20/t at the end of the year. At the time of writing the price has risen to US$42.00/t. Combined with the downward revision of the forecast production costs for the project, this has encouraged management to reassess the viability of an export driven operation in addition to its power station strategy.

Figure 4: - PT Katingan Ria Project Location and Central Kalimantan Power Station Plan



Source: PLN RUPTL 2015-2024. Note: PTKR = PT Katingan Ria coal project; K1 = Kalselteng 1 200Mw power station proposal; K3 = Kalselteng 3 200Mw power station proposal

Directors' report (continued)

South African Projects

Aluminium Waste Toll Treating Business

Health and Safety

The focus on safety training and monitoring continues. The disabling injury frequency rate (DIFR) for the December quarter 2016 was 0.0% (0.0% in the prior quarter) (Figure 5).

Figure 5 – Alumicor Safety Performance

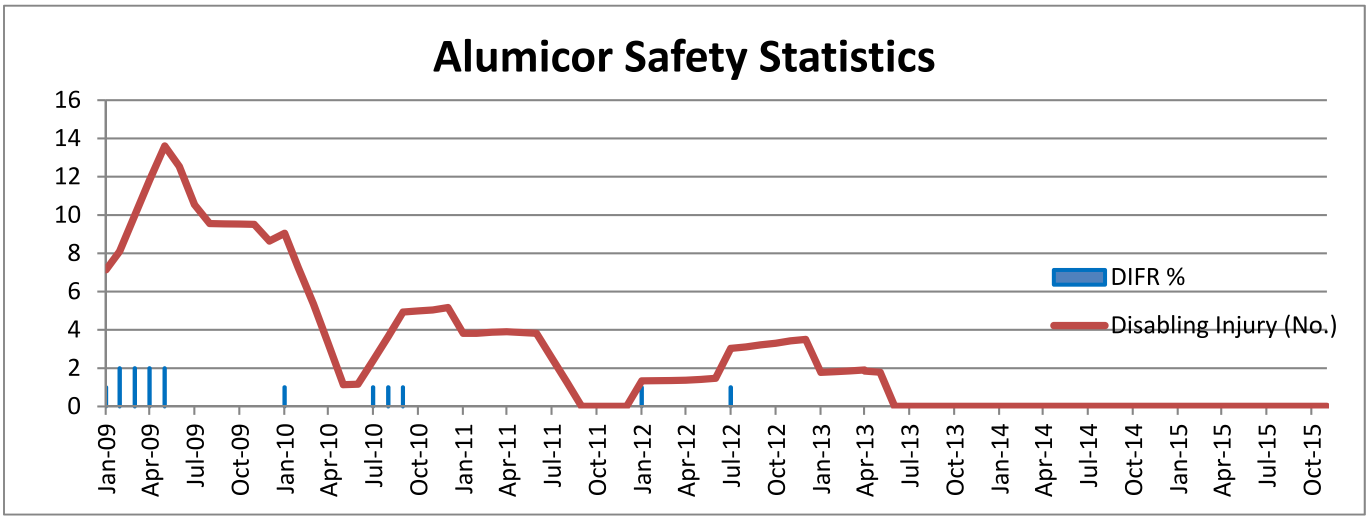


Table 4 Smelting and recovery performance comparison

Alumicor	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	% change Q3 2016
Tonnes smelted	4,835	4,984	4,364	5,412	4,868	4,473	5,083	4,391	-14%
Average recovery	64%	61%	53%	56%	57%	57%	60%	58.8%	-2%

Production during the fourth quarter was impacted by furnace shutdowns for repair and relining. Alumicor continues to operate profitably and delivers cash flow, with management's attention focused on running the business safely and efficiently.

Hulamin – Termination of Agreement for the Processing of Aluminium Dross

The Company is pleased to announce that constructive discussions with Hulamin are continuing with the aim of securing a mutually beneficial long term processing agreement in the near term. Hulamin has also agreed to extend the termination date and is in discussion with the Company (was 31 March 2017) to allow for business stability and an orderly conclusion of new long term arrangements.

The Company continues to engage with Hulamin and other parties and will make further announcements when additional information becomes available.

Directors' report (continued)

Platinum Group Metals

Chrometco (JSE:CMO), in which Realm owns 45m shares, and the Sail Group of Companies "Sail" have entered conditional agreements that will result in Sail acquiring just less than 90% of Chrometco. In return, Chrometco will receive: cash, a controlling stake in two fully financed chrome projects and a stake in Sail Minerals. By joining the respective strengths of Sail and Chrometco as well as the potential of two exceptionally good chrome projects, the new entity will be well placed to become a significant player in the chrome market (Refer http://www.chrometco.co.za/).

The Company continues to keep its mineral rights situated in the Eastern Limb of the Bushveld Igneous Complex in good standing.

Platinum prices remain subdued with recent prices with the year ending at US$908/oz. At the time of writing the platinum price was US$990/oz.

Business Development

On the business development front, numerous coal opportunities continue to be reviewed, with the focus directed at projects or mines with near term cash generation capacity, largely in first world jurisdictions.

Occupational Health and Safety (OH&S) and Environmental, Social and Governance (ESG)

In addition to the report on Foxleigh's and Alumicor's health, safety and environmental performance we note there was no injury to staff/contractors or environmental breaches to report at Realm's coal project (PT Katingan Ria) in Central Kalimantan and the platinum projects in South Africa. Work on site has ceased while we wait for economic conditions to improve and licences to be granted.

Foxleigh Coal Mine has actively supported a number of community projects in the surrounding region in accordance with the Company' Corporate Social Responsibility commitments.

In Indonesia and South Africa, the process of engagement with land owners, affected parties and communities continues. At this stage the engagement is at a low level given that the projects are essentially on care and maintenance.

We would like to note that Realm and its Board are focussed on OH&S and ESG management and are continually striving to improve performance.

CORPORATE

There were no Corporate events of significance during the period under review other than acquisition of Foxleigh operations as noted above.

SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to the reporting date, voluntary restructuring program commenced. At the date of this report, over $9,000,000 have been paid in termination payments. In addition, the Queensland government approved the Mine Plan and as a result financial guarantees required has decreased from $86,000,000 to $76,000,000 to fulfil financial assurance obligations with respect to the rehabilitation and restoration of the Mine.

Other than above, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly effect:

(a) The Group's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The Group's state of affairs in future financial years.

Directors' report (continued)

CORPORATE
Meetings of directors

The numbers of meetings of the Company's board of directors, the audit committee and the remuneration committee during the year ended 31 December 2016, and the numbers of meetings attended by each director, were:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number of Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended
Gordon Galt	4	4	4	4	2	2
Richard Rossiter	7	7	7	7	-	-
Theo Renard	7	7	7	7	1	1
Staffan Ever	1	1	1	1	-	-
Michael Davies	7	7	7	7	2	2

Company Secretary: Theo Renard

Principal activities

The company's primary focus is creating shareholder value through the operation of the Foxleigh Mine in Central Queensland, while advancing development ready projects throughout the region. Additionally, Realm seeks to acquire value accretive coal operations and grow the Company into a mid-tier metallurgical coal supplier.

Realm owns 99.9% of the issued capital in Middlemount South Pty Ltd which operates the Foxleigh Mine in Central Queensland, on behalf of the Foxleigh Coal Joint Venture.

Additionally, Realm owns all of the issued capital in Kalres Limited and through Kalres a 51% interest in an Indonesian coal company, PTKR, which holds the Katingan Ria concession (Katingan Ria Project), located in Central Kalimantan, Indonesia.

In South Africa, Realm has interests in an aluminium dross treatment plant located in Pietermaritzburg as well as a number of platinum Group metals (**PGM**) leases.

Financial results

The consolidated net profit for the year ended 31 December 2016 was $19,765,918 (2015: Net loss of $2,836,669), and the profit attributable to members of Realm Resources Limited was $19,703,724 (2015: loss of $2,880,444).

Review of operations

A review of the operations of the Group is contained within the "Review of results and operations".

Dividends

No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Directors' report (continued)

Likely developments and expected results of operations

Additional comments on expected results and developments are contained in the "Review of results and operations". Future information on likely developments in the operations of the Group and the expected results of operations have not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is subject to significant environmental regulations in respect of its platinum tenements and Alumicor business in South Africa. The Group is in compliance with the relevant environmental regulations, the legal compliance report was delivered to the relevant authorities in November 2014.

Insurance of officers

During the financial year, Realm Resources Limited paid a premium to insure the directors and secretaries of the Company and its Australian-based controlled entities, and the directors of each of the subsidiaries of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnity of auditors

Realm Resources Limited has agreed to indemnify their auditors, RSM, to the extent permitted by law, against any claim by a third party arising from Realm Resources Limited's breach of their agreement. The indemnity stipulates that Realm Resources Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence

A copy of the auditors independence declaration as required under section 307 of the *Corporations Act 2001* is set out on page 22.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Directors' report (continued)

Non – audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amounts paid or payable to the auditor (RSM) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the auditor of the parent entity provided tax compliance services for fees of $35,000. During the year the company used BDO South Africa Incorporated to provide audit services to its subsidiaries, Alumicor SA Holdings Proprietary Limited and its controlled entities, and Realm Resources (Pty) Limited and its controlled entities. No non-audit services were provided by BDO South Africa Incorporated. During the year the company appointed CA Trust PAC in Singapore to provide audit services to Realm Resources Pte. Ltd and Kalres Pte. Ltd. No non-audit services were provided by CA Trust PAC.

Details of auditors' remuneration is included in note 29 to the financial statements.

Remuneration report (audited)

<u>Introduction</u>

This Remuneration Report outlines the director and executive remuneration arrangements of the Group and in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, and includes executives of the Group.

Details of Key Management Personnel

(i) Directors of Realm Resources Limited during the financial year were:

Gordon Galt	- chairman (Appointed 30 August 2016)
Richard Rossiter	- executive director
Theo Renard	- executive director, company secretary
Michael Davies	- non-executive director
Staffan Ever	- non-executive director (Appointed 21 November 2016)

(ii) Other Executives of Realm Resources Limited during the financial year were:

Ryan McConnachie – General Manager, Alumicor SA Holdings (Pty) Limited (Resigned 16 January 2016)

Eva Armila – General Manager, Legal, PT Katingan Ria

Directors' report (continued)

Remuneration report (audited) (continued)

Remuneration Philosophy
The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Significant portion of executive remuneration "at risk" provided through participation in incentive plans.

Shares and options issued under the incentive plans provide an incentive to stay with the Group. At this time, shares and options issued do not have performance criteria attached.

The Group does not have a policy which precludes directors and executives from entering into contracts to hedge their exposure to options or shares.

The Group also recognises that, at this stage in its development, it is most economic to have only a few employees and to draw, as appropriate, upon a pool of consultants selected by the directors on the basis of their known management, geoscientific, engineering and other professional and technical expertise and experience. The Group will nevertheless seek to apply the principles described above to its directors and executives, whether they are employees of or consultants to the Group.

Remuneration Committee Responsibilities
The remuneration committee is responsible for making recommendations to the board on the remuneration of non – executive directors ("NEDs") and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the remuneration committee also engages external consultants to provide independent advice.

The remuneration committee comprises two independent NEDs.

Remuneration Approval Process
The board approves the remuneration arrangements of the executive chairman and executives and all awards made under the long term incentive (LTI) plan, following recommendations from the remuneration committee. The board also sets the aggregate remuneration of NEDs which is then subject to shareholder approval.

The remuneration committee approves, having regard to the recommendations made by the executive chairman, the level of the Group short term incentive ("STI") pool.

Remuneration Structure
In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

Non-executive director remuneration
Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the non-executive directors as agreed. The current aggregate limit of remuneration for non-executive directors is $300,000 per annum.

Directors' report (continued)

Remuneration report (audited) (continued)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst non-executive directors is reviewed annually. The Board may consider advice from external consultants, as well as the fees paid to non-executive directors of comparable companies, when undertaking the annual review process.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report, which provide incentives where specified criteria are met.

Executive directors and senior management remuneration
Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:
- reward executives for Group, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure
At this time, the cash component of remuneration paid to directors, the Company Secretary and other senior managers is not dependent upon the satisfaction of performance conditions. It is current policy that executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.

Principles used to determine the nature and amount of remuneration
The key management personnel of the Group are those directors of the Company and those executives that report directly to the executive chairman. Details of directors and key personnel contracts are as follows:

Name & Designation	Duration of Contract (in years)	Period of Notice to Terminate (in months)	Termination Payments Under Contract	Base Salary including Superannuation $
Directors				
Gordon Galt *(iii)*	N/A	N/A	N/A	N/A
R D Rossiter – executive director *(iii)*	2, commencing 1 July 2011 (ii)	Nil	*(i)*	215,700
T N Renard – executive director*(iii)*	2, commencing 23 December 2008 (ii)	Nil	*(i)*	140,500
M N M Davies – non-executive director	N/A	N/A	N/A	N/A
Staffan Ever	N/A	N/A	N/A	43,800
Key management personnel				
E Armila – general manager, PT Katingan Ria	Indefinite	2	None	US78,000

(i) *Termination without cause by either the Company or the executive giving the other party notice in writing. If notice given by the Company, it agrees to pay the greater of the balance of the consultancy fee or twelve months' consultancy fee. The consultant may terminate upon giving the company notice in writing for 3 months.*

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

(iii) *In addition to the above, G Galt and R D Rossiter receive fees of $60,000 per annum, T N Renard receives fees of $40,000 per annum.*

Directors' report (continued)

Remuneration report (audited) (continued)

Remuneration
In consideration for the consultancy services, the Company will pay the consultancy fee to the Consultant in monthly instalments in arrears at the end of each month. In addition, the Company may, if the Board (following a recommendation by the Remuneration Committee) so resolves, offer to the Consultant or the nominated executive, securities in accordance with the Company's share or option incentive plan.

Remuneration of key management personnel of the Company
Table 1: Remuneration for the year ended 31 December 2016

	Directors fees $	Short-term Salary and Consulting fees $	Bonus $	Superannuation contribution $	Share based payment Shares and options $	Total $
Non – executive directors						
Gordon Galt	20,000	-	-	-	-	20,000
Staffan Ever	5,202	-	-	494	-	5,696
Michael Davies	-	-	-	-	-	-
Sub–total non–executive directors	25,202	-	-	494	-	25,696
Executive directors						
Richard Rossiter	60,000	210,000	-	5,700	-	275,700
Theo Renard	40,000	136,700	-	3,800	-	180,500
Sub–total executive directors	100,000	346,700	-	9,500	-	456,200
General Management						
Eva Armila	-	105,405	-	-	-	105,405
Sub–total General Management	-	105,405	-	-	-	105,405
Totals	125,202	452,105	-	9,994	-	587,301

Table 2: Remuneration for the year ended 31 December 2015

	Directors fees $	Short-term Salary and Consulting fees $	Bonus $	Superannuation contribution $	Share based payment Shares and options $	Total $
Non – executive directors						
Michael Davies	40,000	-	-	3,650	-	43,650
Sub–total non–executive directors	40,000	-	-	3,650	-	43,650
Executive directors						
Richard Rossiter	60,000	210,000	-	5,475	-	275,475
Theo Renard	40,000	130,009	-	3,650	-	173,659
Sub–total executive directors	100,000	340,009	-	9,125	-	449,134
General Management						
Ryan McConnachie	-	179,851	14,176	-	-	194,027
Eva Armila	-	86,447	-	-	-	86,447
Sub–total General Management	-	266,298	14,176	-	-	280,474
Totals	140,000	606,307	14,176	12,775	-	773,258

Directors' report (continued)

Remuneration report (audited) (continued)

No remuneration (including shares or options issued) is performance related, and instead is structured to increase goal congruence between executives, directors and shareholders.

Table 3: Compensation shares: Granted and vested during the year ended 31 December 2016

	Granted	Terms & Conditions for each Grant						Vested	
31 December 2016	No.	Grant Date	Fair Value per share at grant date $	Exercise price per share $	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Key Management Personnel	-	-	-	-	-	-	-	-	
Total	-							-	-

Table 4: Compensation options: Granted and vested during the year ended 31 December 2016

	Granted	Terms & Conditions for each Grant						Vested	
31 December 2016	No.	Grant date	Fair Value per option at grant date $	Exercise price per option $	Expiry date	First exercise date	Last exercise date	No.	%
Key Management Personnel	-	-	-	-	-	-	-	-	-
Total	-							-	-

Table 5: Compensation shares: Granted and vested during the year ended 31 December 2015

	Granted	Terms & Conditions for each Grant						Vested	
31 December 2015	No.	Grant Date	Fair Value per share at grant date $	Exercise price per share $	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Key Management Personnel	-	-	-	-	-	-	-	-	
Total	-							-	-

Table 6: Compensation options: Granted and vested during the year ended 31 December 2015

	Granted	Terms & Conditions for each Grant						Vested	
31 December 2015	No.	Grant date	Fair Value per option at grant date $	Exercise price per option $	Expiry date	First exercise date	Last exercise date	No.	%
Key Management Personnel	-	-	-	-	-	-	-	-	
Total	-							-	100%

Table 7: Shares granted as part of remuneration during the year ended 31 December 2016

	No of shares granted during the year	Value of shares granted during the year $	Value of shares lapsed during the year $	Total value of shares granted, exercised and lapsed during the year $	% Remuneration consisting of shares for the year
Key Management Personnel	-	-	-	-	-

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

Directors' report (continued)

Remuneration report (audited) (continued)

Table 8: Shares granted as part of remuneration during the year ended 31 December 2015

	No of shares granted during the year	Value of shares granted during the year $	Value of shares lapsed during the year $	Total value of shares granted, exercised and lapsed during the year $	% Remuneration consisting of shares for the year
Key Management Personnel					
-	-	-	-	-	-

Table 9: Options granted as part of remuneration for the year ended 31 December 2016

	No. of options granted during the year $	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Total value of options granted, exercised and lapsed during the year $	% Remuneration consisting of options for the year
Key Management Personnel	-	-	-	-	-	-

Table 10: Options granted as part of remuneration during the year ended 31 December 2015

	No. of options granted during the year $	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Total value of options granted, exercised and lapsed during the year $	% Remuneration consisting of options for the year
Key Management Personnel						
-	-	-	-	-	-	-

There were no alterations to the terms and conditions of options and shares granted as remuneration since their grant date. There were cancellations of employee share and option plan shares and options during the year. There were no forfeitures during the year.

Signed in accordance with a resolution of the directors.

Gordon Galt
Chairman

31 March 2017

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Realm Resources Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 31 March 2017

Corporate governance statement

Realm Resources Limited ("**the Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. During the 2016 financial year ("**Reporting period**") the Board re-reviewed aspects of its governance practices. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Further information about the Company's corporate governance practices including the relevant information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website at www.realmresources.com.au.

"If Not, Why Not" Disclosure
During the Company's Reporting period the Company has followed each of the Principles & Recommendations other than in relation to the matters specified below.

Principle 2

Recommendation 2.1: A majority of the Board should be independent directors.

Notification of Departure: The independent directors of the Board during the reporting period was Mr Michael Davies. Presently the Board is comprised of an unequal number of independent and non-independent directors.

Explanation for Departure: The Board considers that its current composition is appropriate for the Company's size, operations and future direction and includes an appropriate mix of skills and expertise, relevant to the Company's business.

Principle 2

Recommendation 2.2 & 2.3: The chair should be an independent director and the roles of chair and chief executive officer should not be exercised by the same individual.

Notification of Departure: The role of chairman of the Company during the reporting period was held by Mr Richard Rossiter.

Explanation for Departure: The Board considers that its current composition is appropriate for the Company's size, operations and future direction and includes an appropriate mix of skills and expertise, relevant to the Company's business.

Principle 2

Recommendation 2.4: The Board should establish a Nomination Committee.

Notification of Departure: The full Board fulfils the function of a Nomination Committee.

Explanation for Departure: During the Reporting period, the Board undertook those matters that would usually be the responsibility of a nomination committee. Given the size and composition of the Board, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted a Nomination Committee Charter which it applies, as relevant.

Corporate governance statement (continued)

Principle 3

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

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

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

Principle 4

Recommendation 4.1 and 4.2: The Board should establish an Audit Committee and structure it in accordance with the recommendation.

Notification of Departure: The full Board fulfils the function of an Audit Committee.

Explanation for Departure: During the Reporting period, the Board undertook those matters that would usually be the responsibility of an audit committee. Further, due to the composition of the Board, it is not possible for the Board to form an audit committee in accordance with the recommended structure. Therefore, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted an Audit Committee Charter which it applies, as relevant.

Principles 8

Recommendation 8.1: The Board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it consists of a majority of independent directors.

A remuneration committee comprising the non-executive director has been appointed.

NOMINATION COMMITTEE

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting period, however nomination related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter (available on the Company's website).

AUDIT COMMITTEE

The full Board, in its capacity as the Audit Committee, held 2 meetings during the Reporting period. When the Board meets as the Audit Committee, Michael Davies chair's the meeting. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter (available on the Company's website).

Details of each of the directors' qualifications are set out in the directors' report.

REMUNERATION COMMITTEE

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the directors' report.

The full Board, in its capacity as the Remuneration Committee, held 2 meetings during the reporting period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter (available on the Company's website).

Corporate governance statement (continued)

OTHER

Skills, experience, expertise and term of office of each director

A profile of each director containing their skills, experience and expertise is set out in the directors' report

Assurances to the board
The Board has received assurance from management that the Company's management of its material business risks are effective. Further, the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration in accordance with section 295A of the *Corporations Act* 2001and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

Identification of independent directors and the company's materiality thresholds
In considering the independence of directors, the Board refers to its *Policy on Assessing the Independence of Directors* (available on the Company's website).

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's *Board Charter* (available on the Company's website):

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset;

- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more;

- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%; and

- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent director of the Company is Michael Davies.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance Evaluation of the Board and its members have taken place and how conducted

During the Reporting period an evaluation of the performance of the Board, its committees and individual directors was not carried out.

During the Reporting period a performance evaluation for senior executives was not carried out. A performance review will be performed during the next Reporting period.

Existence and terms of any schemes for retirement benefits for non-executive directors
There are no termination or retirement benefits for non-executive directors (other than for superannuation).

REALM RESOURCES LIMITED

ABN 98 008 124 025

Consolidated statement of financial position
As at 31 December 2016

	Notes	2016 ($'000)	2015 ($'000)
ASSETS			
Current assets			
Cash and cash equivalents	0	69,160	333
Trade and other receivables	10	17,351	435
Inventories	11	25,644	63
Current tax assets		234	255
Other assets	10	1,725	21
Total current assets		114,114	1,107
Non-current assets			
Trade and other receivables	12	1,546	37
Available for sale financial assets	13	121	105
Property, plant and equipment	14	2,931	1,354
Deferred tax assets	7	995	24
Exploration and evaluation assets	15	67,204	12,835
Total non-current assets		72,797	14,355
TOTAL ASSETS		186,911	15,462
LIABILITIES			
Current liabilities			
Trade and other payables	16	38,940	797
Provisions	18	16,414	-
Borrowings	17	48,667	1,167
Total current liabilities		104,021	1,964
Non-Current liabilities			
Trade and other payables		21,480	-
Provisions	18	28,038	-
Total non-current liabilities		49,518	-
TOTAL LIABILITIES		153,539	1,964
NET ASSETS		33,372	13,498
Capital and reserves			
Contributed equity	19	46,315	46,315
Retained earnings (accumulated losses)	20	(12,091)	(31,795)
Reserves	20	(1,177)	(1,328)
Attributable to owners of Realm Resources Limited		33,047	13,192
Non-controlling interests		325	306
TOTAL EQUITY		33,372	13,498

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

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Notes	2016 ($'000)	2015 ($'000)
Revenue from continuing Operations			
Revenue	6(a)	111,613	4,542
Interest revenue		3	148
Other revenue		3,939	17
Revenue		115,555	4,707
Cost of sales	6(d)	(61,856)	(2,452)
Gross profit		53,699	2,255
Other income		55	42
Impairment loss – exploration assets		(5,765)	(2,280)
Technical expenses		(8)	(13)
Share maintenance expenses		(36)	(35)
Occupancy expenses		(57)	(152)
Audit fees		(194)	(99)
Directors fees and consultancy fees		(776)	(545)
Administrative expenses	6(c)	(2,827)	(1,815)
Other operating expenses	6(e)	(9,164)	(293)
Finance costs		(15,928)	(1)
Profit/(loss) before income tax		18,999	(2,936)
Income tax benefit/(expense)	7	767	(90)
Net Profit/(loss) for the year		19,766	(3,026)
Items that may be reclassified to profit or loss:			
Other comprehensive income:			
Exchange differences on translation of foreign operations		152	190
Total comprehensive income(loss) for the year		19,918	(2,836)
Total profit(loss) for the year is attributable to:			
Non-controlling interest		62	44
Owners of Realm Resources Limited		19,704	(3,070)
		19,766	(3,026)
Total comprehensive income(loss) for the year is attributable to:			
Non-controlling interest		62	44
Owners of Realm Resources Limited		19,856	(2,880)
		19,918	(2,836)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:	8		
Basic earnings/(loss) per share (cents)		0.84	(0.13)
Diluted earnings/(loss) per share (cents)		0.84	(0.13)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

REALM RESOURCES LIMITED

ABN 98 008 124 025

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Attributable to members of Realm Resources Limited							
	Ordinary shares ($'000)	**Option Reserve ($'000)**	**Employee equity benefits reserve ($'000)**	**Foreign currency translation reserve ($'000)**	**Accumulated losses ($'000)**	**Total Equity ($'000)**	**Attributable to non-controlling interest ($'000)**	**Total equity ($'000)**
Balance as at 1 January 2014	46,315	366	-	(1,884)	(28,725)	16,072	263	16,335
(Loss) for the year	-	-	-	-	(3,070)	(3,070)	44	(3,026)
Other comprehensive income	-	-	-	190	-	190	-	190
Total comprehensive income (loss) for the year	-	-	-	190	(3,070)	(2,880)	44	(2,836)
Transactions with owners in their capacity as owners:								
Other	-	-	-	-	-	-	-	-
Balance as at 31 December 2015	46,315	366	-	(1,694)	(31,795)	13,192	307	13,499
Profit for the year	-	-	-	-	19,704	19,704	62	19,766
Other comprehensive income	-		-	151	-	151	-	151
Total comprehensive income (loss) for the year	-	-	-	151	19,704	19,855	62	19,917
Transactions with owners in their capacity as owners:								
Other	-	-	-	-	-	-	(44)	(44)
Balance as at 31 December 2016	46,315	366	-	(1,543)	(12,091)	33,047	325	33,372

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

REALM RESOURCES LIMITED
ABN 98 008 124 025

Consolidated statement of cash flows
For the year ended 31 December 2016

	Notes	2016 ($'000)	2015 ($'000)
Cash flows from operating activities			
Receipts from customers		113,406	4,727
Payments to suppliers and employees		(61,575)	(4,675)
Interest received		12	3
Finance charges		(187)	-
Transaction costs relating to acquisition of subsidiary		(3,072)	-
Income tax (payments) receipts		(119)	(125)
Net cash flows (used in)/from operating activities	21	48,465	(70)
Cash flows from investing activities			
Purchase of property, plant and equipment		(572)	(318)
Acquisition of subsidies - net of cash acquired	25(b)	(18,992)	-
Net cash flows used in investing activities		(19,564)	(318)
Cash flows from financing activities			
Loan made		102	-
Proceeds from borrowings		47,660	-
Payment of finance lease liabilities		(9,590)	-
Net cash flows from financing activities		38,172	-
Net (decrease)/increase in cash and cash equivalents held		67,073	(388)
Effects of exchange rate changes on cash and cash equivalents		1,754	(51)
Cash and cash equivalents at the beginning of year		333	772
Cash and cash equivalents at end of year	0	69,160	333

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

Notes to the financial statements (continued)

Notes to the financial statements

1. Corporate information

The financial report of Realm Resources Limited ("Realm" or "the Company") for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 31 March 2017. The directors have the power to amend and reissue the financial report.

The Company is limited by shares and incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the directors' report.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Realm Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Realm Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

The financial report is presented in Australian dollars.

(i) Compliance with IFRS

The consolidated financial statements of the Realm Resources Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical Cost Convention

The financial statements have also been prepared under the historical cost basis, as modified by the revaluation of assets and liabilities acquired as part of a business combination.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting commencing 1 January 2016:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012 – 2014 cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is that they will result in no significant changes to the amounts recognised or matters disclosed in the financial report as listed below:

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(v) New accounting standards and interpretations (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the Group.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of Realm Resources Limited (“Company” or “Parent entity”) as at 31 December 2016 and the results, assets and liabilities of all subsidiaries. Realm Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Group. They are deconsolidated from the day control ceases.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The financial statements of all subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting policies.

Intercompany transactions and balances, income and expenses, unrealised gain on transactions between Group companies are eliminated and profit and losses resulting from unrealised losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The method of accounting used to account for business combinations by the Group (refer to note 25).

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

Investments in subsidiaries held by Realm are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

(ii) Joint Arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Realm Resources Limited has joint operations with Foxleigh Coal Pty Ltd.

Foxleigh Coal (Foxleigh) Pty Ltd Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

The Group's 70% proportionate interest in the assets, liabilities and expenses of the Foxleigh Joint Venture operation have been incorporated in the financial statements under the appropriate headings. The Group's interest in the Foxleigh Joint Venture is held both directly (30%) and indirectly via its 66.67% interest in CAML Resources Ply Ltd. CAML Resources Pty Ltd holds a 60% in the Foxleigh Joint Venture resulting in the Group's total indirect interest of 40%.

Foxleigh Coal (Foxleigh Management) Pty Ltd has been contracted by the Group and other participants of the Joint Venture to manage, supervise and conduct the operations of the Foxleigh Joint Venture. As operator, Foxleigh Coal (Foxleigh Management) Pty Ltd enters into transactions (including employment and supply agreements) on behalf of the Foxleigh Joint Venture. All transactions entered into by Foxleigh Coal (Foxleigh Management) Pty Ltd for the benefit of the Foxleigh Joint Venture are accounted for in the books of the Foxleigh Joint Venture.

Foxleigh Coal (Foxleigh Services) Pty Ltd is an employment company which enters into transactions of employment on behalf of the Foxleigh Joint Venture. All transactions entered into by Foxleigh Coal (Foxleigh Services) Pty Ltd for the benefit of the Foxleigh Joint Venture are accounted for in the books of the Foxleigh Joint Venture.

Sales company

Foxleigh Sales & Marketing Pty Ltd acts as the sales agent for the Group and the other Joint Venture participants. The company proportionally consolidates 70% of the assets, liabilities, revenue and expenses of Foxleigh Sales & Marketing Pty Ltd.

Reimbursement of the costs of the operator of the joint arrangement

When the Middlemount South, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss. When the Group charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint arrangement, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognised in the statement of profit or loss and other comprehensive income as an expense and income, respectively.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises;

- the fair values of the assets transferred:
- the liabilities incurred to the former owners of the acquired business;
- the fair value of any asset or liability resulting from a contingent consideration arrangement; and
- the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the
- consideration transferred, the amount of any non-controlling interest in the acquired entity,
- acquisition-date fair value of any previous equity interest in the acquiree entity

over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the business combination is achieved in stages, the acquisition date carrying values of the acquirers previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(e) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Realm Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(e) Foreign Currency Translation (continued)

Translation differences on non-monetary items, such as equities held at fair value through profit or toss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(f) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i) the rights to tenure of the area of interest are current; and

ii) at least one of the following conditions is also met:

   a. the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
   b. exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(g) Rehabilitation and restoration

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development of the mine. Over time the discounted liability is increased for the change in present value based on discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit or losses a finance cost. Additional, disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding assets and rehabilitation liability when they occur.

A current and non-current balance with respect to the provision for restoration and rehabilitation is disclosed, with current portion representing the estimated rehabilitation and restoration work to be undertaken in the coming year.

(h) Deferred stripping costs

When waste removal activities improve access to ore extracted in the current period, the costs of production stripping are charged to profit or loss. Where production stripping activity produces access to ore in future periods the associated costs of waste removal are capitalised within Property, plant and equipment as deferred development. Components are specific volumes of a mine's ore body that are determined by reference to the Life of Mine plan.

All amounts capitalised in respect of waste removal are depreciated over the remaining life of mine as assessed at the reporting date.

(i) Operating segments

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team.

(j) Cash and cash equivalents

For the purposes of presentation in the statement of cashflows, cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Trade receivables, which generally have 25 day terms, trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(l) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Coal stockpiles

Costs, including an appropriate portion of fixed and variable overhead expenses (including depreciation and amortisation), are assigned to inventory on hand on the basis of a 12-month rolling average of production.

Spare parts and consumables

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Cost represents the purchase price and other costs incurred in the normal course of operations in bringing the inventories to their present location and condition. Obsolete or damaged inventories are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal. Insurance and capital spare parts are capitalised and depreciated over the same remaining life as the equipment with which they are associated.

Major capital spare parts are capitalised and depreciated over the same remaining life as the equipment with which they are associated.

(m) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following categories:
Financial assets at fair value through profit or loss,

- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(ii) Reclassification

The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) *Recognition and de-recognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group’s right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations. Details on how the fair value of financial instruments is determined are disclosed in note 13.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

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

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

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

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

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

(o) Plant & equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings and less any impairment losses recognised after the date of revaluation.

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Land – not depreciated
- Buildings – over 20 years
- Plant and equipment – over 5 years
- Other plant and equipment – over 6 years
- Motor vehicles – over 5 years
- Computer equipment – over 3 years
- Computer software – over 2 years
- Office furniture and equipment – 6 years

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(o) Plant & equipment (continued)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability. The Group has no finance leases.

(q) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short term nature and they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

To the extent the provision for long service leave is not expected to be settled within 12 months, the provision is recognised as a non-current provision in the consolidated balance sheet. The provision for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash flows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the consolidated income statement.

The obligations are presented as current liabilities in the consolidated balance sheet If the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) Industry long service leave fund

Under the Coal Mining Industry (Long Service Leave Funding) Act 1992, the Group is required to make contributions to the Coal Mining Industry Long Service Leave Scheme (Long Service Leave Fund) for long service leave payments to employees under the terms of various coal mining industry awards.
Where appropriate, a corresponding entitlement to reimbursement from the Long Service Leave Fund has also been recognised.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(s) Borrowings

Borrowings are initially recognised at fair values, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

(u) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(v) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(w) Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees (including key management personnel and consultants) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Option Plan (OP), which provides benefits to directors, senior executives and consultants; and
- the Share Plan (SP), which provides benefits to directors, senior executives and consultants.

The cost of these equity-settled transactions with persons is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Realm Resources (market conditions) if applicable. Non-market vesting conditions are included in assumptions about the number of options that are expected to be exercisable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant persons become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of:

(i) The grant date fair value of the award;
(ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
(iii) The expired portion of the vesting period.

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(w) Share-based payment transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Rendering of services
Revenue from the toll treatment of aluminum dross is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or at the time of completion of the contract and billing to the customer.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer. As the contracts are reasonably short, there is only a small amount outstanding at balance date, as such the level of judgment required is minimal.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Sales of products
Revenue from sale of products is recognized when persuasive evidence exits, usually in the form od executed sales agreement, indicating that there has been a transfer of risks and rewards of ownership to the customer. The quantity and quality of the products have been determined with reasonable accuracy, the price can be reliably estimated and collectability reasonably assured.

(iii) Interest revenue
Revenue is recognised as interest accrues using the effective interest method.

(iv) Management fee income
Management fee income is recognised as revenue when the right to receive payment is established.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(z) Maintenance and repairs

Plant of the Group is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program.

The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 2(o) . Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(aa) Royalties

Royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises other than royalties payables to the vendor of Foxleigh mine which are treated as contingent consideration and accounted for based on management's best estimate of the expected future cashflows. Refer to note 25(a)(iii) for details.

(bb) Income tax and other taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the financial statements (continued)

(2) Summary of significant accounting policies (continued)

(cc) Income tax and other taxes (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(dd) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Parent divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(ee) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term note 27 The respective leased assets are included in the balance sheet based on their nature.

The Group did not have any finance leases at reporting date.

Notes to the financial statements (continued)

(2) Summary of significant accounting policies (continued)

(ff) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(gg) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

3. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

Detailed information about each of these estimates and judgements is included in notes to the financial statements with information about the basis of calculation for each affected line item in the financial statements.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below or in the related accounting policy note 2 . The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Reserves and resources

Reserves and mineral resource estimates are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Group's reported financial position and results, in the following way:

- The carrying value of exploration and evaluation assets may be affected due to changes in estimated future cash flows;

- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UoP method, or where the useful life of the related assets change;

- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities; and

- The contingent consideration payable for the acquisition of the Foxleigh mine will change based on the expected future production and estimated reserves

- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Notes to the financial statements (continued)

3. Critical estimates and judgements (continued)

- The contingent consideration as discussed in Note 25 (a)(iii) payable for the acquisition of the Foxleigh Mine may change based on the expected future production and estimated reserves.

The Group estimates its reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating LoM.

The Group estimates and reports reserves and mineral resources in line with the principles contained in the JORC Code 2012. The JORC Code requires the use of reasonable investment assumptions, including:

• Future production estimates, which include proved and probable reserves, resource estimates and committed expansions;

• Expected future commodity prices, based on current market prices, forward prices and the Group's assessment of the long-term average price; and

• Future cash costs of production, capital expenditure and rehabilitation obligations

Consequently, management will form a view of forecast sales prices based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future. As a result, those lower prices would be used to estimate reserves and mineral resources under the JORC Code. Lower price assumptions generally result in lower estimates of reserves. As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of reserves and mineral resources may change.

(ii) Rehabilitation and restoration

The provisions for rehabilitation costs are based on estimated future costs using information available at the reporting date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement and balance sheet may be impacted.

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

(iii) Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When the fair values of non-financial assets/CGUs need to be determined, for impairment testing purposes, fair value is measured using valuation techniques including the DCF model.

Notes to the financial statements (continued)

3. Critical estimates and judgements (continued)

(iv) Impairment
Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves (see Note 3 above) and operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in the statement of profit or loss and other comprehensive income. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(v) Exploration and evaluation expenditure
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been identified, the directors are of the continued belief that such expenditure should not be written off since limited exploration and evaluation has been conducted to date and further exploration and evaluation activities in these areas is intended and feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at cost at the end of the reporting period.

(vi) *Accounting for acquisition of the Foxleigh Mine*
Judgment is required to determine if control exists from acquiring 70% controlling interest in Foxleigh Mine. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Group's assessment whether or not it controls an investee requires judgment based on facts and circumstance. Generally, the presumption is power and control exists with majority voting rights. Management assessed that unanimous agreement is required for all decisions affecting exposure to and rights to variable returns and MMS alone cannot exert power hence considered accounting for Joint Arrangements as outlined below.

Judgement is also required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Refer to Note 20(ii), 2(d)and 25(a) for more details.

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
- The legal form of the separate vehicle
- The terms of the contractual arrangement
- Other facts and circumstances (when relevant)

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a Joint Operation or a Joint Venture, may materially impact the accounting.

The Group has a joint arrangement which is structured through a separate vehicle, Foxleigh Coal Pty Ltd. This structure and the terms of the contractual arrangement indicate that the Group has rights to the assets and obligations for the liabilities. The conclusion was that the arrangement was a Joint Operation.

Notes to the financial statements (continued)

3. Critical estimates and judgements (continued)

(vii) Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the future years together with future tax planning strategies.

(viii) Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, with the assumptions detailed in note 24. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(ix) Estimation of useful lives of mining and other assets
The estimation of the useful lives of mining and other assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and JORC reports and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Exploration and mining assets have been amortised based on Life of Mine of 12.5 years.

(x) Provisional Amounts in Respect of the Foxleigh Acquisition
During the year under review Middlemount South Pty Limited acquired a 70% interest in the Foxleigh Joint Operation. AASB 3, Business Combinations, confirms that if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. The initial accounting and Purchase Price Allocation for the acquisition remains incomplete and consequently the Board has resolved to include provisional amounts in respect of the acquisition for the year ended 31 December 2016. The actual results may differ materially for these original estimates for the Provisional Amounts.

4. Financial risk management

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the executive directors.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	2016 ($'000)	2015 ($'000)
Financial assets		
Cash and cash equivalents	69,160	333
Trade and other receivables	17,351	435
Total	86,511	768
Financial liabilities		
Borrowings	47,592	-
Trade and other payables	21,480	
Total	69,072	-

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Market risk

(i) *Interest rate risk*

The Group's interest rate risk relates primarily to the Group's cash (Note 9), short term deposits, and borrowings. At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Interest Rate Risk – Impact on Post Tax Profit/Equity	
	+1% (100 basis points)	**-0.5% (50 basis points)**
31-Dec-16	35	(7)
31-Dec-14	(17)	(7)

The movements in profit are due to higher/lower interest returns from variable rate cash balances, and higher/lower interest on borrowings. The sensitivity increases and decreases in interest rate have been selected as this is considered reasonable given the current level of interest rates and the volatility observed and market expectations for potential future movements.

(xi) Foreign currency risk

The Group's exposure to foreign currency risk at the end of the reporting period, experienced in Australia dollars, is as follows:

	31 December 2016			**31 December 2015**		
	US$	**South African Rand**	**Indonesian Rupee**	**US$**	**South African Rand**	**Indonesian Rupee**
Cash and cash equivalents	49,746	-	-	-	-	-
Trade and other receivables	6,630	379	41	-	431	6
Available-for-sale financial assets	-	121	-	-	106	-
Exploration and evaluation assets	7,070	-	-	12,835	-	-
Trade and other payables	-	713	11	-	385	6
Borrowings	-	1,623	542	-	939	227

As shown above, the Group is primarily exposed to US/$ exchange rates. The sensitivity of profit or loss changes arises mainly from US dollar receivables and US cash at bank accounts held by the Group at reporting date. Additionally, exploration assets in PT Katingan Ria are denominated in US dollar which is subject to changes in foreign exchange movements.

The Group has operations in South Africa and the key transaction denominated in South African Rand of ZAR10,660,653, can be affected significantly by movements in the A$/ZAR exchange rates. The amounts translated into Australia Dollars are set out in note12. The exposure in the loans receivable has been mitigated as a full provision for impairment was recognised at 31 December 2015.

In addition, the Group has operations in Indonesia, a subsidiary in Cayman (the financial currency for the Cayman subsidiary is United States Dollars and subsidiaries in Singapore (the financial currency for the Singapore subsidiaries is Singapore Dollars). However, income and expenses and assets and liabilities in Indonesian Rupiah are not material to the Group.

Notes to the financial statements (continued)

4. Financial risk management (continued)

At 31 December 2016, had the Australian Dollar moved, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Foreign exchange risk Impact on Post Tax Profit/Equity			
	+10% USD	**-10% USD**	**+10% ZAR**	**-10% ZAR**
31-Dec-16	(6,016)	1,090	(89)	109
31-Dec-15	(1,594)	1,948	(85)	104

The sensitivity increases and decreases in exchange rate have been selected as this is considered reasonable given the current level of exchange rates and the volatility observed and market expectations for potential future movements.

(iii) Price risk
The Group is exposed to equity securities price risk. This arises from an investment held by the Group and classified in the statement of financial position as available-for-sale. Price risk is monitored by the Chief Financial Officer on an ongoing basis. The Group has one investment classed as available-for-sale and it is publicly listed on the Johannesburg Stock Exchange.

At 31 December 2016, had the price of equity securities increased/decreased by 10%, with all other receivables remaining constant. Post-tax profit and equity would have been impacted as follows:

	Post-tax profit higher (lower)		Total equity higher (lower)	
	2016 ($'000)	**2015 ($'000)**	**2016 ($'000)**	**2015 ($'000)**
Increase 10%	12	11	12	11
Decrease 10%	(12)	(11)	(12)	(11)

(iv) Commodity risk

Commodity price risk relates to the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. As at reporting date commodity prices are better principally in Coal, however the Group is considering implementing strategies to protect itself from fluctuations in the future.

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Notes to the financial statements (continued)

4. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, finance leases and committed available credit lines. The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 31 December 2016.

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

At 31 December 2016

	0 to 3 months **($'000)**	3 to 12 months **($'000)**	More than 12 months **($'000)**	Total **($'000)**
Trade and other payables	38,940	-	21,480	60,420
Borrowings	-	48,667	-	48,667
Total Financial Liabilities	38,940	48,667	21,480	109,087

At 31 December 2015

	0 to 3 months **($'000)**	3 to 12 months **($'000)**	More than 12 months **($'000)**	Total **($'000)**
Trade and other payables	797	-	-	797
Borrowings	-	1,167	-	1,167
Total Financial Liabilities	797	1,167	-	1,964

5. Segment Information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The executive directors consider the business from both a product and a geographic perspective and have identified three reportable segments based on geographical locations: Foxleigh Coal operations in Australia, PT Katingan Ria in Indonesia; Alumicor, in South Africa, which toll treats aluminium dross; Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited, in South Africa, which hold platinum resource tenements; and head office and administration.

Notes to the financial statements (continued)

5. Segment Information (continued)

(b) Segment information provided to the executive directors

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

	South Africa ($'000)	Australia ($'000)	Indonesia ($'000)	Unallocated ($'000)	Total ($'000)
Year ending ended 31 December 2016					
Revenue					
Sales to external customers	4,070	107,573	-	-	111,643
Other revenue	1	3,600	-	382	3,983
Total segment revenue	4,071	111,173	-	382	115,626
Result					
Segment results before finance costs and income tax	30	42,544	45	(1,666)	40,953
Finance costs	(8)	(15,836)	-	84	(15,760)
Income tax (expense)/benefit	121	(890)	2	-	(766)
Net profit/(loss) after tax for period	143	25,818	47	(1,582)	24,426
Assets and liabilities					
Segment assets	3,080	175,507	9,063	64,915	252,565
Segment liabilities	2,101	148,798	553	52,880	204,332
Depreciation	378	1,649	1	1	2,029

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 is as follows:

	South Africa ($'000)	Australia ($'000)	Indonesia ($'000)	Unallocated ($'000)	Total ($'000)
Year ending ended 31 December 2015					
Revenue					
Sales to external customers	4,542	-	-	-	4,542
Other revenue	-	-	19	164	183
Total segment revenue	4,542	-	19	164	4,725
Result					
Segment results before finance costs and income tax	293	-	(87)	(558)	(352)
Finance costs	-	-	-	-	-
Income tax (expense)/benefit	(81)	-	(2)	(8)	(91)
Net profit/(loss) after tax for period	212	-	(89)	(566)	(443)
Assets and liabilities					
Segment assets	8,281	-	8,839	12,379	29,499
Segment liabilities	1,343	-	448	5,104	6,895
Depreciation	(330)	-	(3)	(2)	(335)

Notes to the financial statements (continued)

5. Segment Information (continued)

(c) Other segment information

(i) Segment revenue

The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the statement of comprehensive income. Revenues from external customers are derived from Foxleigh operations and the toll treating of aluminium dross. A breakdown of revenues and results is provided in the tables above.

Reportable segment revenue reconciles to total revenue from continuing operations as follows:

	2016 ($'000)	**2015 ($'000)**
Total segment revenue	115,555	4,707
Total revenue from continuing operations	115,555	4,707

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

(ii) Segment net profit /(loss)

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segment loss reconciles to loss for year as follows:

	2016 ($'000)	**2015 ($'000)**
Segment profit/(loss)	25,153	(442)
Intersegment eliminations	(5,387)	(2,584)
Total loss per the financial statements	19,766	(3,026)

(iii) Segment assets

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	2016 ($'000)	**2015 ($'000)**
Segment assets	252,565	29,499
Inter-segment eliminations	(65,654)	(14,037)
Total assets per the financial statements	186,911	15,462

Notes to the financial statements (continued)

5. Segment Information (continued)

(c) Other segment information (continued)

(iv) Segment liabilities

The amounts provided to the executive directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total assets as follows:

	2016 ($'000)	2015 ($'000)
Segment liabilities	204,332	6,895
Inter-segment eliminations	(50,793)	(4,931)
Total liabilities per the financial statements	153,539	1,964

6. Revenue and expenditure from continuing operations

(a) Revenue from continuing operations	**2016 ($'000)**	**2015 ($'000)**
Coal	107,573	-
Aluminium	4,040	4,542
	111,613	4,542
(b) Other revenue		
Foreign exchange gains	2,499	-
Other income	1,642	16
	4,141	16
(c) Amounts included in administration expenses include:		
Rental property	74	80
Employee benefits expense	766	1,560
(d) Amount included in cost of sales		
Amortisation and Depreciation	(2,666)	194
Stock movement	3,346	-
Contractor costs	7,651	419
Materials	15,137	455
Wages	15,640	917
(e) Amount included in other operating costs		
Selling and marketing costs	1,105	-
Royalties	10,867	-

Notes to the financial statements (continued)

7. Income tax

	2016 ($'000)	2015 ($'000)
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax (benefit)/charge	123	82
Deferred income tax		
Relating to origination and reversal of temporary differences	(890)	8
Income tax expense (credit)	**767**	**90**

7. Income tax (continued)

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2016 ($'000)	2015 ($'000)
Total accounting (loss)/profit before income tax	18,999	(2,936)
At the Parent entity's statutory income tax rate of 30% (2015: 30%)	5,699	(880)
Tax effect of amounts which are not deductible (payable) in calculating taxable income:		
Section 40-880	(210)	(104)
Share based payments		
Non-deductible expenses	676	858
Impairment of loans not recognised as a deferred tax asset	155	256
Tax losses not recognised as a deferred tax asset	(5,553)	(130)
Income tax (benefit)/expense	767	90

The Group has not recognised a Deferred Tax Asset on the statement of financial position for the following items which are available for indefinite offset against future gains subject to continuing to meet relevant statutory tests:

	2016 $	2015 $
Tax losses *	18,600	1,696

* The tax computations for the Foxleigh mine are incomplete as at the reporting date. Both Foxleigh Coal Pty Limited and CAML Resources Pty Limited reported unused deferred tax losses of $53,004,000 and $43,744,000 respectively for the 2015 financial year. No deferred tax assets have been raised on tax losses for the Foxleigh operation in 2016.

Notes to the financial statements (continued)

8. Earnings per share

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

	2016 ($'000)	2015 ($'000)
(a) Earnings used in calculating earnings per share		
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	19,766	(3,070)
(b) Weighted average number of ordinary shares		
Weighted average number of ordinary shares for basic earnings per share	2,357,260	2,357,260
Weighted average number of ordinary shares for diluted earnings per share	2,357,260	2,357,260

9. Cash and cash equivalents

Cash at bank and in hand	69,040	273
Short-term deposits	120	60
	69,160	333

10. Current assets – trade and other receivables

Current	2016 ($'000)	2015 ($'000)
Trade and other receivables	17,351	435
Allowance for impairment loss(a)	-	-
Carrying amount of trade and other receivables	17,351	435
Sundry receivables	1,725	-
	19,076	435

(a) Allowance for impairment loss
The majority of trade receivables are receivable in South African Rand, are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Balances within trade receivables do not contain impaired assets and are not past due. It is expected that the balances will be received when due.

11. Current assets – inventories

Raw Materials (at cost)	173	63
Stores (at cost)	10,202	-
Allowance for impairment	(1,899)	-
	8,303	-
Coal in production and finished goods	17,168	-
Total inventories	25,644	63

Notes to the financial statements (continued)

12. Non-current assets – trade and other receivables

Loan to African Dune (a)	1,031	1,031
Provision for impairment	(1,031)	(1,031)
Loan to Tiespro (b)	1,304	1,304
Provision for impairment	(1,304)	(1,304)
Other assets(c)	1,546	37
Carrying amount of non-current receivables	1,546	37

(a) The loan to African Dune is receivable in South African Rand. As the repayment source of the African Dune loan is in doubt, an allowance for full impairment has been raised.
(b) The loan to Tiespro is receivable in South African Rand. As the repayment source of the African Dune loan is in doubt, an allowance for full impairment has been raised.
(c) Other receivables include refundable deposits.

(a) Loan to African Dune

Realm and African Dune have entered into a loan agreement whereby, during the year ended 31 December 2008, Realm lent African Dune ZAR8,000,000 at 11%. A Deed of Pledge and Cession has been signed as security for the current and future obligations of African Dune under the loan agreement. Under the terms of the Deed of Pledge and Cession, African Dune pledges its shares in Alumicor SA Holdings (Proprietary) Limited.

(b) Loan to Tiespro

Realm and Tiespro have entered into a loan agreement whereby, during the year ended 31 December 2012, Realm lent Tiespro ZAR10,660,653 at 9%. A Deed of Pledge and Cession has been signed as security for the current and future obligations of African Dune under the loan agreement. Under the terms of the Deed of Pledge and Cession, African Dune pledges its shares in Realm Resources (Proprietary) Limited.

Movements in the provision for impairment were as follows:

	2016 ($'000)	2015 ($'000)
At 1 January	2,336	2,880
(Decrease)/Increase in provision for impairment during the year	-	(544)
At 31 December	2,336	2,336

(c) Fair values

The directors believe that the fair values of non-current receivables of the Group are consistent with the carrying values.

The fair values are based on cash flows discounted at a rate reflecting the current market rates.

(d) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 4.

(e) Credit risk

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables.

Notes to the financial statements (continued)

13. Available-for-sale financial assets

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

	2016 ($'000)	2015 ($'000)
Listed equity securities	121	106

During the year ended 31 December 2011, the company announced that it had entered into an agreement with Chrometco Limited ("Chrometco") and Nkwe Platinum Rooderand (Proprietary) Limited ("Nkwe") that may lead to the establishment of a 'stand-alone' company focussed on advancing PGM and chrome assets in South Africa.

Notes to the financial statements (continued)

13. Available-for-sale financial assets (continued)

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

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

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

All available-for-sale financial assets are denominated in South African Rand. Refer to note 4 for an analysis of the sensitivity of available-for-sale financial assets to price and foreign exchange risk.

14. Non-current assets – property, plant and equipment

Reconciliation of carrying amounts at the beginning and end of the period

	Land and Buildings ($'000)	Plant and equipment ($'000)	Motor vehicles ($'000)	Computer equipment ($'000)	Office furniture and equipment ($'000)	Total ($'000)
Year ended 31 December 2016						
At 1 January 2016 net of accumulated depreciation	602	707	29	6	10	1,354
Additions	-	256	20	4	13	293
Acquisition – Foxleigh Mining capital works	-	1,431	-	-	-	1,431
Disposals	-	-	-	-	-	-
Exchange differences	180	99	6	1	2	288
Depreciation charge for the year	(68)	(279)	(18)	(5)	(12)	(1,382)
At 31 December 2016 net of accumulated depreciation-Net carrying amount	613	2,214	35	5	12	2,931
At 31 December 2016						
Cost at fair value	1,313	4,305	305	41	73	5,857
Accumulated depreciation and impairment	(519)	(2,091)	(269)	(35)	(61)	(2,976)
	613	2,214	35	6	12	2,931

Notes to the financial statements (continued)

14. Non-current assets – property, plant and equipment (continued)

Reconciliation of carrying amounts at the beginning and end of the period (continued)

	Land and Buildings ($'000)	Plant and equipment ($'000)	Motor vehicles ($'000)	Computer equipment ($'000)	Office furniture and equipment ($'000)	Total ($'000)
Year ended 31 December 2015						
At 1 January 2015 net of accumulated depreciation	711	821	38	1	12	1,644
Additions	-	273	8	8	3	292
Disposals	(17)	-	-	-	(4)	(21)
Exchange differences	(1,22)	(146)	(6)	(1)	2	(273)
Depreciation charge for the year	(30)	(240)	(12)	(3)	(2)	(287)
At 31 December 2015 net of accumulated depreciation- Net carrying amount	602	707	29	6	10	1,354
At 31 December 2015						
Cost at fair value	992	2,268	247	32	53	3,593
Accumulated depreciation and impairment	(390)	(1,561)	(218)	(27)	(43)	(2,239)
	602	707	29	5	10	1,354

15. Non-current assets – exploration and evaluation assets

	2016 ($'000)	**2015 ($'000)**
Cost of acquisition	19,233	19,233
Acquisition of Foxleigh Mine and related mining infrastructure25(a)	61,847	-
Amortisation	(1,649)	-
Foreign exchange movement	(542)	(1,129)
Accumulated Impairment losses	(11,685)	(5,269)
Carrying amount at year end	67,204	12,835

At each reporting date, the Group assess whether there are indicators of impairment with respect to its mining assets. When indicators of impairment are identified, impairment testing is performed to determine their recoverable amount. If the carrying value of assets exceeds this recoverable amount, an impairment loss is charged to profit or loss with a corresponding decrease in the asset value.

(i) Mining assets

The Foxleigh mining and exploration assets are considered one cash generating unit (CGU) for the purposes of impairment testing. At 31 December 2016, no indicators of impairment were identified on this CGU as a result of significant increase in coal prices. At 31 December 2016, excess consideration over fair value of net assets acquired has been attributed to acquisition of Foxleigh Mining assets. Management and the board have considered the nature of the mining assets acquired in the Foxleigh transaction and have determined to classify all mining related assets including the mining infrastructure and equipment as mining assets for purposes of reporting provisional amounts.

Notes to the financial statements (continued)

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

(ii) Exploration Assets
The recoverability of the carrying amount of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The CGU's are determined on a geographical basis, with the Australian exploration and mining assets and Indonesian and South African exploration assets as being separate CGU's. The Australian CGU has been described above in (i).

Exploration and evaluation assets consist of the exploration and evaluation assets acquired as part of the purchase of: 51% of the shares in PT Katingan Ria, 74% of the shares in Nkwe Platinum (Scarlet) Proprietary Limited and 70.3% of the shares in Masedi Platinum (Proprietary) Limited.

During the year, based on Platinum commodity prices for South African exploration assets indicated that carrying value of assets may not be recoverable in full. This has resulted in non-cash impairment expense of $5,765,000.

16. Trade and other payables

	2016 ($'000)	2015 ($'000)
Current		
Trade and other payables	37,578	774
Sundry payables	1,362	23
Carrying amount of trade and other payables	38,940	797
Non-current		
Contingent consideration payable	21,480	-

(a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Guarantees

Realm Resources Limited has a subordination agreement with Alumicor SA Holdings Proprietary Limited to guarantee its creditors.

As noted in note 17, bank guarantees held by the Group is totalling US98,500,000 as a requirement of mining leases held with the Queensland Government. The financial assurance requirement relates to rehabilitation obligations in respect of land disturbed. These are not considered as contingent liabilities as the obligation to incur rehabilitation costs have been fully provided for in note 18.

17. Borrowings

	2016 ($'000)	2015 ($'000)
Current		
Bridge loan (a)	47,592	-
Other borrowings (c)	1,075	1,167
	48,667	1,167

Notes to the financial statements (continued)

16. Borrowings (continued)

Realm has provided the funding for Middlemount's Transaction through the following two funding arrangements:

(a) Bridge Loan
The Group has a $50m bridge facility with Taurus Resource Fund with a term of 12 months, expiring in August 2017. This facility has 2.05% arrangement fee and interest rate of 10% capitalised. The loan is unsecured and $48m drawn at the reporting date.

In addition to above, the Group has a further US98.5m facility with Taurus Mining Finance Fund, which includes a performance guarantee facility and a working capital facility with a term of 24 months fully secured over the assets of the Group. Of these facilities, US66,000,000m has been drawn.

(c) Other loans

The following table lists the inputs into the Black-Scholes model used by management in estimating the fair value of the options:

No of options	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	0.018	-	75	-	-	2.85	365,650

An expense has been recorded in profit or loss, with a corresponding amount recorded in the option reserve (refer to note 20 during the year ended 31 December 2013. The expiry date for the options is 12 February 2018.

Other borrowings
Included in other borrowings are amounts due to Tiespro 176 (Proprietary) Limited, a company incorporated in South Africa, of $1,075,634 (2015 $1,166,539). The loan is unsecured and is interest free. All other borrowings of the Group are interest free and unsecured.

(b) Fair values
The carrying amount of the Group's current and non-current borrowings approximates fair value.

(c) Interest rate, foreign exchange and liquidity risk
Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 4.

18. Provisions

	Employee entitlements ($'000)	Environmental Rehabilitation ($'000)	Total ($'000)
At 1 January 2016	-	-	-
Amounts transferred on acquisition	8,442	34,994	42,436
Arising/(utilised) during the year	1,016	-	1,016
At 31 December 2016	9,458	34,994	43,453
Current	8,923	7,491	16,414
Non-current	535	27,503	28,039
	9,458	34,994	43,453

Notes to the financial statements (continued)

18. Provisions (continued)

The provision for environmental rehabilitation is based on actual disturbances at 31 December 2016. The estimated costs to rehabilitate the disturbances as at that date were calculated in accordance with the Department of Environmental and Heritage Protection ("DEHP") Guidelines: *Financial assurance under the environmental protection Act 1994*. The timing of the expected rehabilitations was then estimated by the environmental management team, and the actual expected costs increased by an inflationary adjustment of 2.5% to quantify the expected future rehabilitation costs per year. These amounts were then discounted back at a rate of 11,96%.

19. Contributed equity

	2016 ($'000)	2015 ($'000)
Ordinary shares (a)	46,315	46,315
	46,315	46,315

(a) Ordinary shares

	No.	No.
Issued and fully paid	2,357,260,417	2,357,260,417

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 2016	2,357,260,417	46,314,806
At 31 December 2016	2,357,260,417	46,314,806

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the equity market is constantly changing, management may issue new shares to provide for future expansion and development activity.

Notes to the financial statements (continued)

20. Retained earnings and reserves

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

	2016 ($'000)	2015 ($'000)
Balance 1 January	(31,795)	(28,725)
Net (loss)/profit attributable to owners of Realm Resources Limited	19,704	(3,070)
	(12,091)	(31,795)

Notes to the financial statements (continued)

20. Retained earnings and reserves (continued)

(b) Other reserves

	Equity benefits reserve ($'000)	Foreign currency translation ($'000)	Options Reserve ($'000)	Total ($'000)
At 31 December 2014	-	(1,884)	365	(1,519)
Exchange difference on translation of foreign operations	-	190	-	190
Employee Share Options cancelled during the year				
At 31 December 2015	-	(1,694)	365	(1,329)
Exchange difference on translation of foreign operations	-	152	-	152
At 31 December 2016	-	(1,542)	365	(1,177)

(c) Nature and purpose of reserves

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to persons, including Key Management Personnel and consultants, as part of their remuneration. Refer to note 23 for further details of these plans.

Option reserve

The option reserve is used to record the value of options issued to other parties during the year. Refer note 24 for further details.

Foreign currency translation reserve

The foreign exchange currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Notes to the financial statements (continued)

21. Statement of cash flow reconciliation

	2016 ($'000)	2015 ($'000)
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net (loss)/profit	19,975	(3,026)
Adjustments for:		
Other non-cash income	(2,963)	(1,208)
Amortisation and Depreciation	2,030	335
Impairment provision – African Dune and Tiespro loan/Gain on translation of creditor	-	(544)
Impairment exploration assets	5,765	2,294
Provisions	(37,965)	-
Finance costs	15,938	572
Changes in assets and liabilities		
(increase)/decrease in inventories	4,313	(57)
(increase)/decrease in trade and other receivables	(2,502)	(265)
(increase)/decrease in current tax assets	29	(88)
(increase)/decrease in deferred tax assets	(939)	44
(decrease)/increase in deferred tax liabilities	-	-
(decrease)/increase in trade and other payables	44,783	177
(decrease)/increase in tax provision	-	173
Net cash from (used in) operating activities	48,465	(69,636)

22. Related party transactions

(a) Ultimate parent

Realm Resources Limited is the ultimate parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel ("KMP")

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

Notes to the financial statements (continued)

22. Related party transactions (continued)

(d) Other transactions with related parties

The following table provides the total amount of other transactions that were entered into with related parties for the relevant financial year:

	2016 $	2015 $
Included in profit or loss		
Rental payment to related parties	22	22
Revenue received from Chrometco, of which Richard Rossiter is a director	-	-

Related party transactions are made on an arm's length basis both at normal market prices and on normal commercial terms.

23. Key management personnel

(a) Compensation of key management personnel

	Consolidated 2016 $	Consolidated 2015 $
Short - term employee benefits	557,308	806,307
Post – employment benefits	9,994	12,775
Termination benefits	-	-
Share based payment	-	-
Total compensation	567,302	819,082

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 21.

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

31 December 2016	Balance at beginning of period 1 January 2016	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 31 December 2016	Vested at 31 December 2015 Total	Exercisable	Not exercisable
-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

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

31 December 2015	Balance at beginning of period 1 January 2015	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 31 December 2015	Vested at 31 December 2015 Total	Exercisable	Not exercisable
Ryan McConnachie	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Notes to the financial statements (continued)

Compensation of key management personnel

(c) Shareholdings of key management personnel (consolidated)

Shares held in Realm Resources Limited

31 Dec 2016	Balance at beginning of period 1 Jan 16	Granted as remuneration	On exercise of options	Net change other	Balance at end of period 31 Dec 16
Directors					
Richard Rossiter(ii)	750,000		-	-	750,000
Theo Renard(ii)	5,450,000		-	-	5,450,000
	6,200,000		-	-	6,200,000

31 Dec 2015	Balance at beginning of period 1 Jan 15	Granted as remuneration	On exercise of options	Net change other	Balance at end of period 31 Dec 15
Directors					
Richard Rossiter	750,000	-	-	-	750,000
Theo Renard	5,450,000	-	-	-	5,450,000
	6,200,000	-	-	-	6,200,000

(i) Resigned 29 April 2014
(ii) Resigned as directors on 5 March 2017

Note that following resignation of a director, that director's shareholding is no longer disclosed in the tables above.

All equity transactions with KMP other than those arising from the exercise of remuneration shares and options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

24. Equity based benefit plans

(a) Recognised share based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated 2016 $	Consolidated 2015 $
Expenses arising from equity – settled share – based payment transactions	-	-
Total expense arising from share-based payment transactions		

The share – based payment plans are described below. There have been no cancellations or modifications to the share plan during 2016.

Notes to the financial statements (continued)

24. Equity based benefit plans (continued)

(b) Types of share-based payment plans

Option Plan (OP)
Share options may be granted to the directors, full time or part-time employees of, and consultants to, the Company. The granting of options is at the discretion of the directors. The options will be issued free of charge and the exercise price of Options granted under the Option Plan will be determined at the discretion of the board at the time of making the invitation.

Share Plan (SP)
Shares in the Company may be issued to directors, full time or part-time employees of, and consultants to, the Company. The issuing of shares is at the discretion of the directors. The issue price is at the discretion of the directors but may not be less than the weighted average price at which the Shares were traded on ASX during the 5 trading day period immediately before the date of issue of the shares. Non-recourse loans will be extended to the participants in the share plan. The shares issued under the Share Plan may not be transferred or otherwise dealt with, and will not be quoted on ASX, until any loan in respect of the shares has been repaid and a period of 12 months (in relation to one half of the shares offered), 24 months (in relation to the remaining half of the shares offered) has passed from the date of issue.

(c) Summaries of options granted under OP and SP

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

OP	2016 No.	2016 WAEP $	2015 No.	2015 WAEP $
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

SP	2016 No.	WAEP $	2015 No.	WAEP $
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Cancelled during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-

(f) Option pricing model: OP and SP

Equity – settled transactions
The fair value of the equity – settled share options granted under OP is estimated as at the date of grant using a Black Scholes option pricing model. Expected volatility is based on the historical share price volatility. No options or shares were issued during the years ended 31 December 2016 and 31 December 2015.

Notes to the financial statements (continued)

25. Business Combinations

(a) Summary of acquisition: Foxleigh Operations – during the year ended 31 December 2016

On 29 August 2016, the Group acquired 99.99% of the share capital of Middlemount South Pty Ltd Group (MMS), a management company operating Foxleigh Coal Mine in Queensland. The Group acquired 70% of controlling interest in Foxleigh Mine for consideration of $46,819,629 and the payment of royalty in future periods pursuant to the Royalty deed. The acquisition has significantly increased the Group's market share in this industry and complements the Group's existing Coal Projects. Refer to note 2 significant accounting policies highlighting management's judgement and assessment for accounting for Foxleigh acquisition.

Acquisition date fair values

The provisional fair values of identifiable assets acquired and liabilities assumed of Foxleigh as at the date of acquisition were:

Assets	($'000)
Cash	24,828
Receivables	17,649
Inventories	29,876
Property, plant and equipment	134
Exploration and evaluation assets	61,847
	134,334
Liabilities	
Trade and other payables	12,464
Employee entitlements	11,856
Provisions	34,995
	59,315
Total identifiable net assets at fair value	**75,020**
***Purchase consideration**	**75,020**

*The purchase consideration was not paid in full and this liability will be settled in the next reporting period and royalty will be settled over the Life if Mine as stipulated by the royalty deed.

The fair value of Foxleigh assets and liabilities has been measured provisionally at acquisition date, pending final completion of independent valuation and assessment of liability fair values.

If new information is obtained within a year from the date of acquisition date about facts and circumstances that exist at acquisition date and such information identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised. It is expected that such information may necessitate the recording of future royalty payments and provision for rehabilitation and restoration should adjustments be made to the fair value of exploration and evaluation assets.

The fair value of exploration and evaluation assets is represented by the value of exploration licences and EPC's as at acquisition date. Total Coal Reserves for the Foxleigh mine have been estimated at 52.7Mt (29.2Mt Proved and 23.5Mt Probable).
.
The fair value of provision for rehabilitation and restoration represents the fair value of total amounts required to restore the site at the end of the Mining operations. The Group used a discounted cash flow model to estimate the expected future cash flows of the mine, based on the life-of-mine plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date. Note 3 to the financial statements outlines the assumptions and critical judgements made by management to determine fair value of these.

(i) Revenue and profit contribution

From the date of acquisition, Foxleigh operations have contributed $117,000,000 of revenue and a profit of $28,000,000 before tax.

Notes to the financial statements (continued)

25. Business combination (continued)

(b) Acquisition of Foxleigh Operations – during the year ended 31 December 2016 (continued)

(ii) Acquisition-related costs
Transactions costs of $3,072,000 were expensed and are included in consulting fees and other operating expenses.

(iii) Contingent Consideration
The contingent consideration arrangement requires the group to pay the former owners of Foxleigh Coal Pty Limited remainder of the consideration totalling $34,357,000. Included in this contingent consideration is a Royalty payment for the years from 2016 to 2027, up to a maximum undiscounted aggregate amount of $75,000,000. The fair value of the contingent consideration arrangement of $28,200,000 was estimated calculating the present value of expected cashflows. The estimates are based on a discount rate of 11.96% and average coal price achieved matrix as outlined below.

FCL will pay Anglo a semi-annual royalty ("Royalty Payment") on its 70% share of coal extracted and sold from the assets acquired for a period of 12.5 years. The Royalty Payments will be made based on the Average Coal Price Achieved ("ACPA") in each six-month royalty period based on the following scale:

- if ACPA is greater than A$105 per tonne then a payment of A$1.00 per tonne; or
- if ACPA is greater than A$115 per tonne then a payment of A$2.00 per tonne; or
- if ACPA is greater than A$130 per tonne then a payment of A$3.00 per tonne.

The liability is presented within trade and other payables in the balance sheet.

(b) Purchase Consideration – cash outflow

	2016 ($'000)	2015 ($'000)
Outflow of cash to acquire Foxleigh Operations, net of cash acquired		
Cash consideration	46,820	-
Contingent consideration received	(3,000)	-
Sub-total	43,820	-
Less: Balances acquired		
Cash	(24,828)	-
Net outflow of cash – investing activities	18,992	-

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

On 3 May 2012, the consolidated entity acquired:

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

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

Notes to the financial statements (continued)

25. Business combination (continued)

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

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

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

	($'000)
Fair value of shares issued (consideration - 2012 year)	3,500
Fair value of shares issued (consideration - prior years)	2,206
Total consideration	5,707
Net identifiable tangible assets (liabilities) acquired	(58)
Exploration and evaluation assets acquired	5,649

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

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

Cash and cash equivalents	-
Receivables	29
Payables	(108)
Net identifiable tangible assets (liabilities)acquired	(78)
Less: non-controlling interests	20
	(58)
Exploration and evaluation assets	5,765
Net assets acquired	5,707

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.

Purchase consideration – cash outflow

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

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

(d) Acquisition of Alumicor SA Holdings Proprietary Limited

On 1 August 2008 Realm Resources Limited acquired 74% of the voting shares of Alumicor SA Holdings Proprietary Limited, an unlisted proprietary company based in South Africa specialising in aluminium dross treatment.

The company's 74% owned subsidiary, Alumicor Maritzburg (Pty) Ltd ("Alumicor"),has an agreement where its major customer, Hulamin Ltd ("Hulamin"), has an option to purchase the business of Alumicor for approximately South African Rand 42,000,000 (approximately $4.5m, based on exchange rates as at 31 December 2014).

Should Hulamin exercise its option to purchase the business of Alumicor, Realm Resources would sell its aluminium dross treatment process to Hulamin for approximately $4.5m. Results attributable to the Alumicor business, including total assets and liabilities, are disclosed in note 5 to the financial statements.

Notes to the financial statements (continued)

25. Business combinations (continued)

(e) Significant Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(d):

	Equity interest		Investment Equity Holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2016 %**	**2015 %**
Middlemount South Pty Limited	Australia	Ordinary	99.99	-
Foxleigh Coal Pty Limited* (Subsidiary of Middlemount South Pty Limited)	Australia	Ordinary	100	-
CAML Pty Limited(Subsidiary of Fox Coal Pty Limited)	Australia	Ordinary	67.67	
Alumicor SA Holdings (Pty) Limited	South Africa	Ordinary	74	74
Alumicor Maritzburg (Pty) Ltd	South Africa	Ordinary	74	74
Alumicor Intellectual Property (Pty) Ltd	South Africa	Ordinary	74	74
Nduzi Real Estate Projects (Pty) Ltd	South Africa	Ordinary	74	74
Realm Resources (Pty) Limited	South Africa	Ordinary	74	74
Kalres Limited	Cayman Islands	Ordinary	100	100
PT Katingan Ria	Indonesia	Ordinary	51	51
Morning Star Holdings (Australia) Limited	Australia	Ordinary	100	100
Nkwe Platinum (Scarlet) Proprietary Limited	South Africa	Ordinary	74	74
Masedi Platinum (Proprietary) Limited	South Africa	Ordinary	70.3	70.3
Realm Resources Pte Ltd	Singapore	Ordinary	100	100
Kalres Pte Ltd	Singapore	Ordinary	100	100

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

(f) Interest in Foxleigh Jointly controlled operation

The Group's interest in the Foxleigh Joint Venture is held both directly (30%) and indirectly via its 66.67% interest in CAML Resources Ply Ltd. CAML Resources Ply Ltd holds a 60% in the Foxleigh Joint Venture resulting in the Group's total indirect interest of 40%.

The following entities are 100% owned by Foxleigh Coal Pty Limited
- Foxleigh Management Services Pty Limited
- Foxleigh Services Pty Limited

Notes to the financial statements (continued)

26. Parent entity disclosures

	2016 ($'000)	2015 ($'000)
Current assets	390	85
Current liabilities	47,882	577
Total assets	68,482	22,955
Total liabilities	47,882	577
Net assets	20,600	22,378
Contributed Equity	46,315	46,315
Reserves	366	366
Accumulated loss	(26,081)	(24,303)
	20,600	22,378
Profit/(Loss) for the year	(996)	27,564
Other comprehensive income/(loss)		
Total comprehensive income/(loss)	(996)	27,564
Parent Contingent Liabilities	-	-
Parent Contractual Commitments for Acquisition of Property, Plant and Equipment	-	-

Refer also note 16(b) for details of guarantees made.

27. Commitments

(a) Leasing commitments

	2016 ($'000)	2015 ($'000)
Less than one year	497	-
Later than one year but no later than 5 years	1,890	-
Later than 5 years	6,795	-
	9,182	-

The group leases various offices, CHPP Telehandler and photocopiers under non-cancellable operating leases expiring in 3 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Note building lease arrangement was entered into post reporting date.

During the year the mining leases were acquired as a result of Foxleigh transaction. Included in the commitments above is $8,748,000 of mining leases.

(b) Capital expenditure commitments

At 31 December 2016, the Group has capital expenditure commitments totalling approximately $20,478,000 all due to be spent within the next 12 months from the reporting date (2015: Nil).

Notes to the financial statements (continued)

28. Events after the balance sheet date

Subsequent to the reporting date a voluntary restructuring program commenced. At the date of this report, over $9,000,000 has been paid in termination payments.

In addition to the above, the Queensland government approved the Mine Plan and as a result financial guarantees required to rehabilitate and restore the Mine were decreased from $86,000,000 to $76,000,000.

Other than above, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly effect:

(a) The Group's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The Group's state of affairs in future financial years.

29. Auditor's remuneration

The auditor of Realm Resources Limited is HLB Mann Judd.

	2016 $	2015 $
Amounts received or due and receivable by HLB Mann Judd for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated Group – current year	-	76,500
• Other services in relation to the entity and any other entity in the consolidated Group		
o Tax compliance	-	9,500
	-	86,100
Amounts received or due and receivable by RSM Australia Partners for:		
An audit or review of the financial report of the entity and any other entity in the consolidated Group – current year	180,000	-
• Other services in relation to the entity and any other entity in the consolidated Group		
Tax compliance	9,000	-
	189,000	-
Amounts received or due and receivable by other firms not affiliated with RSM Australia Partners – BDO South Africa Incorporated for:	43,968	48,700
• An audit or review of the financial report by overseas BDO South Africa Incorporated firm		
• Tax compliance	4,269	-
	48,237	48,700
Amounts received or due and receivable by other creditors not affiliated with HLB Mann Judd – RSM AAJ Associates, Indonesia for:		
• An audit or review of the Indonesian based subsidiary by RSM AAJ Associates, Indonesia	-	8,941
	-	8,941
	263,237	142,835

Directors' Declaration

1. In the opinion of the directors:

   (a) The financial statements and notes and on pages 26 to 76 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements*;* and

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

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 31 December 2016 required by Section 295A of the *Corporations Act 2001*.

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

Gordon Galt

Gordon Galt
Chairman
Sydney

31 March 2017

On behalf of the board

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

REALM RESOURCES LIMITED

Opinion

We have audited the financial report of Realm Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
The Acquisition of the Foxleigh Mine Refer to Note 25 in the financial statements	
On 29 August 2016, the Group acquired 99.99% of the share capital of Middlemount South Pty Ltd ("MMS"), a management company operating the Foxleigh Mine. We identified the acquisition as a Key Audit Matter due to the size and complexity of the transaction. The contingent consideration in respect of the transaction has been identified as a separate Key Audit Matter below. Following the Foxleigh transaction, MMS effectively has a 70% interest in the Foxleigh Mine. 30% is owned through its direct ownership interest in Foxleigh Coal Pty Ltd ("FCL"), and 40% through FCL's 66.6 % shareholding in CAML Resources Pty Ltd which in turn holds 60% of the Foxleigh Mine. The acquisition of Foxleigh is technically complex from an accounting perspective and required judgement on the part of Management and the Board to determine the most appropriate accounting treatment. Management has assessed its rights, obligations and contractual arrangements in the various Joint Venture related documents and has determined the Foxleigh transaction to be a Joint Operation as contemplated in AASB 11, Joint Arrangements.	Our audit procedures in relation to accounting for acquisition of the Foxleigh Mine included the following: • Reviewing the various Sale and Purchase Agreements in order to obtain an understanding of the transaction and the related accounting considerations. • Discussing the transaction with the various management personnel who were involved in the transaction in order to evaluate what the key considerations were in relation to the transaction. • Critically evaluating the key assumptions used by management in determining the proposed accounting treatment having consideration of the various related documents and agreements as well as the requirements of the Australian Accounting Standards. • Obtaining the valuation models provided by the client to support the fair values of the assets and liabilities acquired as part of the Foxleigh transaction and tested the reasonableness of the assumptions and inputs used, as well as tested the appropriateness of the valuation methodology applied. • We reviewed the MMS consolidation workings and the resultant journal entries for consistency with our expectations and Australian Accounting Standards. • We reviewed and evaluated the appropriateness of the related financial statement disclosures.

Provision for Mine Rehabilitation Refer to Note 18 in the financial statements	
As at 31 December 2016, the Group had a provision of $34.9m relating to its portion of the estimated future cost of rehabilitation and restoration of areas disturbed as a result of its mining operations. The provision for mine rehabilitation was considered a key audit matter due to the materiality of the balance, the significant judgements and estimation uncertainty, and the complexity involved in the quantification of the liability.	Our audit procedures in relation to the provision for mine rehabilitation included the following: • Obtaining a detailed understanding of the process involved in the determination of the site rehabilitation liability including discussions with the Environment & Community Superintendent. • Obtaining the calculations for the Provision for Site Rehabilitation and verified the methodology used to determine the provision is in accordance with the AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as well as the requirements of the Department of Environment and Heritage Protection ("DEHP"). • Reviewing the key assumptions used in the Dec 2016 calculations and agreeing them to external supporting evidence, submissions to the DEHP, or other internal documents supporting the assumptions used. • Inspecting a Compliance Statement issued by an Independent Expert confirming the "Plan of Operation" had been prepared in accordance with the Environmental Protection Act. • Performing a site visit inspecting the various levels of "disturbances" and verified the existence of a number of the site rehabilitation initiatives currently underway. • Assessed the appropriateness of the disclosures included in the Group financial statements in relation to the provision for site rehabilitation.

Contingent Consideration Payable to the Vendor in the Foxleigh Transaction Refer to Note 16 in the financial statements	
The royalties payable is considered a key audit matter, due to the materiality of the balance, the significant judgements and estimation uncertainty, and the complexity involved in the quantification of the liability. As part of the Foxleigh transaction, MMS is required to pay a royalty fee to Anglo relating to its 70% share of the Foxleigh mine based on coal quantity sold and average coal price achieved (ACPA) for 12.5 year period. The quantification of the liability requires significant judgement in that it is subject to estimation uncertainty around the future PCI coal price, exchange rate, WACC, adopted saleable coal volume profile and coal price inflation. These estimates and assumptions are subject to risk and uncertainty. Per AASB 3 Business Combinations, paragraph 23, contingent liabilities should be recognised by the acquirer as of the acquisition date if it is a present obligation that arises from past events and its fair value can be measured reliably.	Our audit procedures in relation to the royalties payable to Anglo included the following: • Reviewed management's calculations and valuation methodology in respect of the royalty obligations and confirmed that the models were appropriate under the circumstances and consistent with our expectations. • Obtained the royalty agreement and inspected that the valuation model had been determined in accordance with the key terms of the agreement. • Reviewed the Weighted Average Cost of Capital Calculations and determined them to be appropriate under the circumstances. • Review the assumptions with regards to the Life of the Mine, wastage, and expected future production and verified that the assumptions used in the model were consistent with external evidence to support them, and were consistent with existing production levels and mining data. • Assessed the appropriateness of the disclosures included in the Group financial statements.

Existence and Valuation of Inventory Refer to Note 11 in the financial statements	
The existence and valuation of inventory is considered a key audit matter, due to the materiality of the balance, the significant judgments and estimation uncertainty, and the complexity involved in the costing of coal inventory in a production environment.	Our audit procedures in relation to the existence and valuation of inventory included the following: • Obtained a detailed understanding of the systems and processes in place with regards to the inventory valuation methodology, and the process to quantify inventory on hand at year end. • Obtained the inventory valuation reports, daily production reports, independent surveyor's reports, and the related aerial photography of the inventory on hand at year end. • Attended a site visit to inspect the coal stock piles on hand and performed physical inventory counts for the high value items in the consumable stores. • Reviewed management's calculations in respect of the inventory valuations and concluded the costing methodology was in accordance with AASB 102 *Inventories,* and that the key assumptions were consistent with the past performance of the mine. • Tested a sample of expenditure to supporting invoices or other documentation and confirmed the validity of the amounts recorded in the accounting records, and the fact that the costs incurred did in fact relate to the production of the coal. • Tested through inspection that the carrying value of inventory at is various stages of productions was carried at less than its net realisable value.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards/Auditors-Responsibilities.aspx. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in pages 16 to 21 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Realm Resources Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 3 April 2017

REALM RESOURCES LIMITED

ABN 98 008

ASX additional information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 30 March 2017.

(a) Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares	Fully Paid Shares	Percentage
Taurus Funds Management Pty Ltd	2,070,648,401	87.8

(b) Distribution of equity securities

(i) Ordinary share capital

- 2,357,260,417 fully paid ordinary shares are held by 695 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) *Options*

- 100,000,000 exercisable at $0.05, expiring 12 February 2018. Options do not carry a vote.

The number of shareholders, by size of holding are:

	Fully paid ordinary shares
1-1,000	90,600
1,001-5,000	61,047
5,001-10,000	392,008
10,001-100,000	11,820,925
100,001 - and over	335,747,436
	2,418,760,417

(c) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholder	**Number**	**Percentage**
TAURAS FUNDS MANAGEMENT PTY LIMITED		2,070,648,401
M RESOURCES PTY LTD		28,868,297
MR THEO NOEL RENARD		15,450,000
NINE ONE FOUR PTY LTD <THE SUPER VIDA FUND A/C>		11,150,000
PETER GRAHAM BRIGGS		10,000,000
LATIMORE FAMILY PTY LTD <LATIMORE FAMILY ACCOUNT>		10,000,000
RICHARD DAVID ROSSITER		10,000,000
MR ANDREW MARTIN MATHESON		9,625,246
MR RICHARD ALEXANDER LIPTON		9,000,000
MINING INVESTMENTS LIMITED		9,000,000
BERPAID PTY LTD		8,820,000
SIGMA CAPITAL PTY LTD		8,000,000
SCOTT A GRAHAM		7,500,000
CONISTON GROUP LTD		5,275,000
MRS AMANDA JANE PURCELL		5,275,000
BLAYNEY INVESTMENTS PTY LTD		5,000,000
BRIAN WILLIAM SPENCER		5,000,000
MR JOHN ANDREW ZAMPAGLIONE		5,000,000
JESSEL LIMITED		4,348,696

SORREL ENTERPRISES LIMITED	4,159,885	
	2,242,120,525	**92.70**

(c) Voting Rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(d) Schedule of Tenements

Realm Resources Limited mineral tenement interest as at 31 December 2016:

PROJECT/LOCATION	TENEMENT	INTEREST AT THE BEGINNING OF THE QUARTER	INTEREST AT THE END OF THE QUARTER
Marikat District, Katingan Regency, Central Kalimantan Province	IUP Operasi Produksi No. 545/222/KPTS/VIII/2011 In Prinsip Izin Pinjam Pakai No. S.515/Menhut- VII/2012	51%	51%
Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 1021 PR.	74%	74%
Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 1028 PR.	74%	74%
Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 1030 PR.	70.3 %	70.3%
Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 1020 PR.	74%	74%
Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 958 PR.	74%	74%
Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 1105 PR.	74%	74%
Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 1029 PR.	74%	74%

Mpumalanga province, South Africa	Prospecting right renewal reference number MP 30/5/1/1/2/ 1060 PR.	74%	74%

Central Queensland Australia	ML 70171	0%	70%
Central Queensland Australia	ML 70309	0%	70%
Central Queensland Australia	ML 70310	0%	70%
Central Queensland Australia	ML 70429	0%	70%
Central Queensland Australia	ML 70430	0%	70%
Central Queensland Australia	ML 70431	0%	70%
Central Queensland Australia	ML 70470	0%	70%
Central Queensland Australia	EPC 855	0%	70%
Central Queensland Australia	EPC 1669	0%	100%

Further; Realm did not have any interest in any farm-in or farm-out agreements at the end of the quarter. Realm did not acquire or dispose of any farm-in or farm-out interests during the quarter.