

Company Announcements

ASX Limited

By Electronic Lodgement

11 September 2018

Financial Report Half Year Ended 30 June 2018

The Directors of Realm Resources Limited (Realm, ASX:RRP) are please to release the financial report for Realm for the half year ended 30 June 2018.

Key highlights of the results are as follows:

(A\$ millions)	Half-year to 30 June		Change	
	2018	2017	\$	%
Continuing operations				
Saleable Production (Ktonnes)	1,152	1,300	(148)	-11%
Shipments (Ktonnes)	1,567	1,488	79	5%
Benchmark pricing (US\$/Tonne)	144.20	157.50	(13)	-8%
Revenue	205	201	5	2%
Cost of sales	(97)	(61)	(36)	58%
Gross profit	108	140	(31)	-22%
EBITDA	63	86	(23)	-27%
Net Profit before Tax	50	73	(23)	-31%
Net Profit After Tax	27	50	(23)	-45%
Net Cashflow	71	42	29	70%
Cash on Hand	136	107	29	28%

Authorised by
Mr Gordon Galt
 Chairman, Realm Resources Limited

For further information, please contact:
 Graham Yerbury – Chief Financial Officer
 Phone: +61 (07) 3022 9600
 Email: info@realmresources.com.au

About Realm

Information on RRP is available on the Company's website at:
www.realmresources.com.au

For personal use only

For personal use only



REALM RESOURCES LIMITED
ABN 98 008 124 025

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2018**

REALM RESOURCES LIMITED

ABN 98 008 124 025

Contents of financial report:

Corporate Information	1
Directors Report	2
Auditor's Independence Declaration	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	7
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	9
Notes to the Consolidated Financial Statements	10
Directors Declaration	17
Independent Auditor's Review Report	18

For personal use only

REALM RESOURCES LIMITED

ABN 98 008 124 025

Corporate information

ABN 98 008 124 025

Directors

Gordon Galt - Chairman

Michael Rosengren – Managing director (appointed 8th January 2018)

Michael Davies – Non-executive director

Craig McGown – Non-executive director (appointed 31st May 2018)

Michael Anderson – Non-executive director (appointed 31st May 2018)

Geoff Marshall – Non-executive director (appointed 1st August 2018)

Staffan Ever – Non-executive director (resigned 18th May 2018)

James Beecher – Non-executive director (resigned 1st August 2018)

Company Secretary

Paul Frederiks (appointed 4th July 2018)

Theo Renard (resigned 8th August 2018)

Registered Office

Level 12, 300 Queen Street

Brisbane, Qld, 4000 AUSTRALIA

Principal Office

Level 12, 300 Queen Street

Brisbane, Qld, 4000 AUSTRALIA

Telephone (+61 7) 3022 9600

Website: www.realmresources.com.au

Email: info@realmresources.com.au

Share Registry

Computershare Investor Services Pty Limited

Level 4, 60 Carrington Street

Sydney NSW 2000 AUSTRALIA

Telephone (+61 2) 8234 5000

Facsimile (+61 2) 8234 5050

Auditors

RSM Australia Partners

Chartered Accountants

Level 13

60 Castlereagh Street

Sydney, NSW 2000 AUSTRALIA

Telephone (+61 2) 8226 4500

Facsimile (+61 2) 8226 4501

Solicitors

Maddocks

Angel Place

123 Pitt Street

Sydney NSW 2000 AUSTRALIA

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

Website

<http://www.realmresources.com.au/site/content/>

REALM RESOURCES LIMITED

Directors report

The directors present their report on the consolidated entity consisting of Realm Resources Limited (Realm; ASX:RRP) and the entities it controlled (referred hereafter as “the Group”) at the end of, or during, the half-year ended 30 June 2018.

Directors

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

Gordon Galt	- Non-executive director (chairman)
Michael Rosengren	- Managing Director (appointed 8 th January 2018)
Michael Davies	- Non-executive director
Staffan Ever	- Non-executive director (resigned 18 th May 2018)
James Beecher	- Non-executive director (resigned 1 st August 2018)
Craig McGown	- Non-executive director (appointed 31 st May 2018)
Michael Anderson	- Non-executive director (appointed 31 st May 2018)
Geoff Marshall	- Non-executive director (appointed 1 st August 2018)

Principal activities and review of operations

The company’s primary business is the 70% ownership and operation of the Foxleigh Mine in Central Queensland. This mine produces high quality metallurgical coal in the form of PCI, with most of the production exported to customers in Asia.

Realm holds a beneficial interest in 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. Realm’s subsidiary 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 (JV). As operator, Foxleigh Management Pty Ltd enters into transactions (including employment and supply agreements) on behalf of the Foxleigh JV. All transactions entered into by Foxleigh Management Pty Ltd for the benefit of the Foxleigh JV are accounted for in the special purpose accounts of the Foxleigh JV.

In the half year the Foxleigh Mine has continued to perform well with export sales of 1.6 million tonnes. In this period the operations team opened a new pit - Fox Plains North. Several monthly production records have been achieved including prime waste moved, metres drilled, and volume of material blasted.

In South Africa, Realm holds interests in an aluminium dross treatment plant located in Pietermaritzburg as well as a number of Platinum Group Metals (**PGM**) leases. Following a review of Realm’s investment portfolio in late 2017 it was determined to actively market all the South African assets. That marketing process continues with a contract for sale of the aluminium dross treatment plant still in progress. The smelter continues to be profitable and cash flow positive. This asset is disclosed as a discontinued operation and accounted for as held available for sale.

Realm owns a 51% interest in an Indonesian coal company, PT Katingan Ria, which holds the Katingan Ria concession. This is a potential thermal coal development located in Central Kalimantan, Indonesia. While the Group has completed significant exploration and evaluation of the concession and identified a substantial thermal coal resource, the exploitation of this coal will require a mine mouth power station. The location of the concession limits opportunities to transport the coal to export markets. Realm continues to seek suitable partners to progress this project.

In February 2018 a decision was made to relocate the corporate office of Realm from Sydney to Brisbane, this was completed early August.

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 half year ended 30 June 2018.

REALM RESOURCES LIMITED

Directors report (continued)

Events subsequent to reporting date

The off-market takeover bid by majority shareholder T2 Resources Fund Pty Ltd closed on 3rd August 2018 and the bidder announced on 13th August 2018 that it had secured 96.3% of the company and would move to compulsorily acquire the remaining shares in Realm. Accordingly, the company has ceased all activities associated with the proposed relisting of the company and in line with the bidders stated intention the company will seek delisting from the Australian Stock Exchange once the compulsory acquisition process is complete. As a result, certain transaction fees conditional on resolution of the takeover offer have been triggered that will be incurred in the second half of the year, these fees are less than \$2 million.

Realm had an Employee Share Plan and an Employee Option Scheme that was part of the remuneration arrangements for key management personnel and certain employee and consultants. As a result of the takeover bid all shares and options under these plans became unrestricted and, where required, offset loans to plan members were cash settled. As at the close of the takeover offer all shares had been released and accepted into the offer and options cash settled.

Under the terms of the sale and purchase agreement with Anglo American Metallurgical Coal Assets (AAMC) for the 70% interest in the Foxleigh Joint Venture there was a comprehensive process to finalise the working capital balances at settlement. In the event of a dispute the contested matters were to be referred to an independent accountant for expert review. Realm had raised a provision in its accounts for these contested matters. In early July 2018 the independent accountant released its findings and as a result Realm accepted part of the findings and paid AAMC an amount of \$4.5 million on 1st August 2018. Realm continues to dispute a further amount of \$3.5 million claimed by AAMC.

Other than the above, no other matter, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report that, in the opinion of the directors, is likely to significantly impact the results of the Group or the state of affairs of the Group in future financial years.

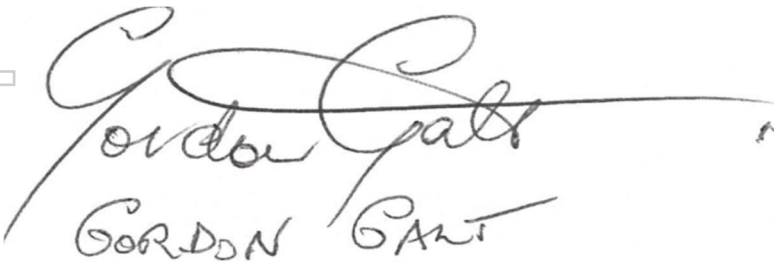
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307 of the *Corporations Act 2001* is set out on page 4.

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.

Signed in accordance with a resolution of the directors.



Gordon Galt
GORDON GALT

Gordon Galt
Chairman

Sydney
(Date: 10 September 2018)

For personal use only



RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Realm Resources Limited for the half year ended 30 June 2018, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

G N Sherwood
Partner

Sydney, NSW
Dated: 10 September 2018

REALM RESOURCES LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 (\$'000)	Half-year ended 30 June 2017 (\$'000)
Continuing operations			
Revenue		205,378	200,743
Cost of sales		(96,992)	(61,203)
Gross profit		108,386	139,540
Other income	6	6,824	677
Royalties		(21,790)	(21,614)
Depreciation and amortisation		(7,419)	(2,566)
Selling and distribution costs		(24,435)	(21,354)
Administrative expenses		(4,890)	(4,977)
Other expenses	7	(29)	(6,401)
Profit before finance costs		56,647	83,305
Finance income		374	198
Finance costs		(6,737)	(10,543)
Net finance costs		(6,363)	(10,345)
Profit from continuing operations before income tax		50,284	72,960
Income tax expense	8	(23,019)	(22,718)
Profit from continuing operations after tax		27,265	50,242
Profit/(loss) from discontinued operations before income tax	5	174	(91)
Income tax (expense)/benefit	5	(3)	33
Profit/(loss) from discontinued operations after tax		171	(58)
Profit for the period		27,436	50,184
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		365	(1,118)
Total comprehensive income for the period		27,801	49,066
Profit/(loss) for the period attributable to:			
Non-controlling interest		(11)	(9)
Members of the parent		27,447	50,193
		27,436	50,184
Total comprehensive income/(loss) for the period attributable to:			
Non-controlling interest		(11)	(9)
Members of the parent		27,812	49,075
		27,801	49,066

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

REALM RESOURCES LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued) For the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 (\$'000)	Half-year ended 30 June 2017 (\$'000)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		1.09	2.10
Diluted earnings per share		1.09	2.12
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		1.09	2.10
Diluted earnings per share		1.09	2.12

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

For personal use only

REALM RESOURCES LIMITED

Consolidated statement of financial position As at 30 June 2018

	Notes	30 June 2018 (\$'000)	31 December 2017 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents		136,051	64,853
Trade and other receivables		30,094	29,630
Inventories		17,044	31,630
Assets held for sale	5	3,042	2,828
Total current assets		186,231	128,941
Non-current assets			
Trade and other receivables		3,763	3,235
Available for sale financial assets		743	743
Property, plant and equipment		87,534	86,650
Deferred tax assets		24,003	26,013
Exploration, evaluation and mining infrastructure assets		6,324	5,927
Total non-current assets		122,367	122,568
TOTAL ASSETS		308,598	251,509
LIABILITIES			
Current liabilities			
Trade and other payables		52,232	44,104
Borrowings		95	1,302
Income tax payable		46,957	25,909
Provisions	9	9,772	8,298
Liabilities associated with assets held for sale	5	275	306
Total current liabilities		109,331	79,919
Non-current liabilities			
Trade and other payables		14,457	15,610
Provisions	9	11,655	16,108
Total non-current liabilities		26,112	31,718
TOTAL LIABILITIES		135,443	111,637
NET ASSETS		173,155	139,872
Capital and reserves			
Contributed equity		52,030	46,315
Retained earnings		118,731	90,939
Reserves		2,355	2,223
Attributable to owners of Realm Resources Limited		173,116	139,477
Non-controlling interests		39	395
TOTAL EQUITY		173,155	139,872

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

REALM RESOURCES LIMITED

Consolidated Statement of Cash Flows For the half-year ended 30 June 2018

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	(\$'000)	(\$'000)
Cash flows from operating activities		
Receipts from customers	214,169	186,091
Payments to suppliers and employees	(136,449)	(122,728)
Cash generated from operations	77,720	63,363
Interest received	375	3
Income tax payments	(3)	(4)
Net cash flows provided by operating activities	78,092	63,362
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,216)	(10,963)
Advancement of loan	(576)	-
Net cash flows used in investing activities	(8,792)	(10,963)
Cash flows from financing activities		
Proceeds from exercise of options	5,715	-
Share buy back	(233)	-
Finance costs	(3,394)	(10,345)
Net cash flows provided by/ (used in) financing activities	2,088	(10,345)
Net increase in cash and cash equivalents held	71,388	42,054
Net foreign exchange differences	25	(4,061)
Cash and cash equivalents at beginning of period	65,399	69,160
Cash and cash equivalents at the end of the period	136,812	107,153
Less cash balance of discontinued operations at end of the period	(761)	(547)
Cash and cash equivalents in the statement of financial position	136,051	106,606

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

REALM RESOURCES LIMITED

Consolidated Statement of Changes in Equity For the half-year ended 30 June 2018

	Attributable to members of Realm Resources Limited					Attributable to non-controlling interest	Total equity	
	Ordinary shares (\$'000)	Other Reserves (\$'000)	Employee equity benefits reserve (\$'000)	Foreign currency translation reserve (\$'000)	Retained earnings (\$'000)	Total Equity attributable to members (\$'000)		
Balance as at 1 January 2017	46,315	366	-	(1,543)	(12,091)	33,047	325	33,372
Profit for the period	-	-	-	-	50,193	50,193	(9)	50,184
Other comprehensive income	-	-	-	(1,118)	-	(1,118)	-	(1,118)
Total comprehensive income for the period	-	-	-	(1,118)	50,193	49,075	(9)	49,066
Transactions with owners in their capacity as owners:								
Other	-	-	-	-	-	-	53	53
Employee Share Plan Shares issued during the period	-	-	951	-	-	951	-	951
Employee Share Plan Options issued during the period	-	-	5	-	-	5	-	5
Balance as at 30 June 2017	46,315	366	956	(2,661)	38,102	83,078	369	83,447
Balance as at 1 January 2018	46,315	461	4,343	(2,581)	90,939	139,477	395	139,872
Profit for the period	-	-	-	-	27,447	27,447	(11)	27,436
Other comprehensive income	-	-	-	365	-	365	-	365
Transfer to retained earnings	-	-	-	-	345	345	(345)	-
Total comprehensive income for the period	-	-	-	365	27,792	28,157	(356)	27,801
Transactions with owners in their capacity as owners:								
Share options exercised	5,715	-	-	-	-	5,715	-	5,715
Share buy back	-	-	(233)	-	-	(233)	-	(233)
Balance as at 30 June 2018	52,030	461	4,110	(2,216)	118,731	173,116	39	173,155

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

REALM RESOURCES LIMITED

Notes to the financial statements for the half year ended 30 June 2018

1. Reporting entity

Realm Resources Limited ("the Company") is a company domiciled in Australia. These half-year consolidated financial statements as at and for the six months period ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in mining activities.

2. Basis of preparation

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

This half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements for the year ended 31 December 2017.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by Realm Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

These half year financial statements were authorised by issue by the Company's Board of Directors on 10 September 2018.

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

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

Significant accounting judgements and key estimates

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

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2017.

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 judgement is required on the part of management and the Board 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.

3. Adoption of new and revised Accounting Standards

During the half-year ended 30 June 2018 the Group has reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2018. The following standards effective during the current year are not expected to have a material effect on the Group's financial statements.

REALM RESOURCES LIMITED

Notes to the financial statements for the half year ended 30 June 2018

3. Adoption of new and revised Accounting Standards (continued)

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).

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans and investments in equity securities.

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 does not believe that the new requirements relating to impairment of financial assets will have a material impact on its consolidated financial statements.

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 has performed an initial assessment of the impact of AASB 15 and believes there will be no significant impact on its financial statements.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier application is permitted; however, the Group has not early adopted the following new and amended standards in the half year financial statements.

REALM RESOURCES LIMITED

Notes to the financial statements for the half year ended 30 June 2018

3. Adoption of new and revised Accounting Standards (continued)

Standards issued but not yet effective (continued)

The Group has the following updates to information provided in the last annual financial statements about standards not yet effective that may have a significant impact on the Group's consolidated financial statements.

AASB 16 Leases

AASB 16 replaces the existing guidance including AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted.

AASB 16 introduces a single on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying assets and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standards – i.e. lessors continue to classify leases as finance or operating leases. In addition, the nature of expenses related to these leases will change as AASB 16 replaces straight line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group will adopt this standard from 1 January 2019 and the impact of its adoption is currently being assessed by the Group.

4. Segment information

Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the geographical location of the segment; and
- any external regulatory requirements.

Performance is measured based on segment profit after income tax as included in the internal financial reports.

The Group has included the following operating segments:

- Australia - Foxleigh Coal Mine is an open cut operation producing benchmark quality, LV PCI coal for the export market.
- International - PT Katingan Ria (Indonesia) is a thermal coal project (Realm 51%) ideally suited to supply proposed power stations in the region, Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited (South Africa), which hold platinum resource tenements.

On 14 November 2017, the Board committed to a plan to sell Alumicor and consequently, its operations and results were not separately reviewed by the Board during the six months ended 30 June 2018. Accordingly, Alumicor segment information has not been included in this note. See note 5 for financial information on relating to Alumicor.

As a result of the plan to dispose of Alumicor, the Group has changed the composition of the reportable segments. Accordingly, the Group has restated the operating segments for the six months period ended 30 June 2017.

REALM RESOURCES LIMITED

Notes to the financial statements for the half year ended 30 June 2018

4. Segment information (continued)

Segment information provided to the chief operating decision makers

	Australia (\$'000)	International (\$'000)	Unallocated* (\$'000)	Total (\$'000)
6-month period ended 30 June 2018				
Revenue from external customers	205,378	-	-	205,378
External other revenue	5,422	4	1,398	6,824
Total consolidated segment revenue	<u>210,800</u>	<u>4</u>	<u>1,398</u>	<u>212,202</u>
Result				
Segment results, excluding finance costs	34,463	(103)	(732)	33,628
Finance (costs)/income	(6,384)	-	21	(6,363)
Net profit/(loss) for period	<u>28,079</u>	<u>(103)</u>	<u>(711)</u>	<u>27,265</u>
Depreciation	7,414	-	5	7,419
Assets and liabilities as at 30 June 2018				
Segment assets	295,695	6,446	6,461	308,602
Segment liabilities	134,596	120	727	135,443
6-month period ended 30 June 2017				
Revenue	200,743	-	-	200,743
Other revenue	677	-	-	677
Total consolidated segment revenue	<u>201,420</u>	<u>-</u>	<u>-</u>	<u>201,420</u>
Result				
Segment results, excluding finance costs	61,775	-	(1,188)	60,587
Finance costs	(10,345)	-	-	(10,345)
Net profit/(loss) for period	<u>51,430</u>	<u>-</u>	<u>(1,188)</u>	<u>50,242</u>
Depreciation	2,566	-	-	2,566
Assets and liabilities as at 31 December 2017				
Segment assets	245,582	5,927	-	251,509
Segment liabilities	111,123	514	-	111,637

*Unallocated relates to head office results.

5. Discontinued operations

On 14 November 2017, the Group announced its intention to exit the Aluminium business and initiated a process to locate a buyer for its South African subsidiary, Alumicor. The associated assets and liabilities were consequently presented as held for sale in the financial statements for the year ended 31 December 2017.

The comparative half year statement of profit of loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

REALM RESOURCES LIMITED

Notes to the financial statements for the half year ended 30 June 2018

5. Discontinued operations (continued)

Financial performance and cash flow information

The financial performance and cash flow information presented are for the 6 months period ended 30 June 2018.

	30 June 2018	30 June 2017
	(\$'000)	(\$'000)
Revenue	2,501	2,107
Operating expenses	(1,431)	(873)
Gross profit	1,070	1,234
Other income	-	3
Depreciation and amortisation	(203)	(166)
Administrative expenses	(694)	(1,140)
Finance income	1	-
Finance costs	-	(22)
Profit from discontinued operations before income tax	174	(91)
Income tax (expense)/benefit	(3)	33
Profit/(loss) after income tax of discontinued operation	171	(58)
Gain on sale of the subsidiary after income tax	-	-
Profit from discontinued operation	171	(58)
Changes in fair value of contingent receivable	-	-
Exchange differences on translation of discontinued operations	-	-
Other comprehensive income from discontinued operations	-	-
Net cash inflow from operating activities	287	278
Net cash outflow from investing activities	(45)	(205)
Net increase in cash generated by the subsidiary	242	73

Details of the sale of the subsidiary

At the reporting date the fair value of the consideration was not determined as the sale agreement is being finalised. The assets and liabilities directly associated with the subsidiary being sold has been recognised as assets held for sale.

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation.

	30 June 2018	31 December 2018
	(\$'000)	(\$'000)
Assets classified as held for sale		
Cash	761	546
Receivables	809	699
Inventories	258	14
Property, plant and equipment	1,214	1,569
Total assets of disposal group held for sale	3,042	2,828
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	275	306
Total liabilities of disposal group held for sale	275	306

REALM RESOURCES LIMITED

Notes to the financial statements for the half year ended 30 June 2018

6. Other income

	30 June 2018 (\$'000)	30 June 2017 (\$'000)
Other income is made up of the following:		
Foreign exchange gain	5,221	-
Reversal of impairment on loan	1,304	-
Other	299	677
	<u>6,824</u>	<u>677</u>

7. Other expenses

	30 June 2018 (\$'000)	30 June 2017 (\$'000)
Included in other expenses are following costs:		
Foreign exchange losses	-	5,445
Share based payments transactions	-	956
Other	29	-
	<u>29</u>	<u>6,401</u>

8. Income tax

	30 June 2018 (\$'000)	30 June 2017 (\$'000)
--	-----------------------------	-----------------------------

(a) Income tax expense

The major components of income tax expense are:

Current income tax

Current income tax charge	16,498	17,831
---------------------------	--------	--------

Under accrual of income taxes in relation to prior periods

	6,521	4,887
--	-------	-------

Income tax expense

	<u>23,019</u>	<u>22,718</u>
--	---------------	---------------

(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:

Total accounting profit before income tax	50,284	72,960
At the Parent entity's statutory income tax rate of 30% (2017: 30%)	15,085	21,888
Tax effect of amounts which are not deductible (payable) in calculating taxable income:		
Non-deductible expenses	22	67
Under accrual of income taxes in relation to prior periods	6,521	4,887
Relating to origination and reversal of temporary differences	1,391	(4,124)
Income tax expense	<u>23,019</u>	<u>22,718</u>

REALM RESOURCES LIMITED

Notes to the financial statements for the half year ended 30 June 2018

9. Provisions

	30 June 2018 (\$'000)	31 December 2017 (\$'000)
Current		
Employee entitlements	4,752	3,724
Environmental rehabilitation	5,020	4,574
Total current provisions	<u>9,772</u>	<u>8,298</u>
Non-current		
Employee entitlements	220	-
Environmental rehabilitation	11,435	16,108
Total non-current provisions	<u>11,655</u>	<u>16,108</u>

10. Contingent Liabilities

The Group has USD98.5m facilities with Taurus Mining Finance Fund, which includes a performance guarantee facility and a working capital facility. These facilities are scheduled to expire in January 2019. Management are currently negotiating a replacement for these facilities with various parties.

Of these facilities, USD51.2m has been drawn on which facility financing costs are paid by the group on a quarterly basis.

- Performance Guarantee Facility with a limit of USD78.5m – currently, guarantees totalling USD51.2m (AUD 67.5m) have been issued; and
- Working Capital Facility with a limit of USD20m – currently undrawn.

11. Events subsequent to reporting date

The off-market takeover bid by majority shareholder T2 Resources Fund Pty Ltd closed on 3rd August 2018 and the bidder announced on 13th August 2018 that it had secured 96.3% of the company and would move to compulsorily acquire the remaining shares in Realm. Accordingly, the Company has ceased all activities associated with the proposed relisting of the company and in line with the bidders stated intention the company will seek delisting from the Australian Stock Exchange once the compulsory acquisition process is complete. As a result, certain transaction fees conditional on resolution of the takeover offer have been triggered that will be incurred in the second half of the year, these fees are less than \$2 million.

Realm had an Employee Share Plan and an Employee Option Scheme that was part of the remuneration arrangements for key management personnel and certain employee and consultants. As a result of the takeover bid all shares and options under these plans became unrestricted and, where required, offset loans to plan members were cash settled. As at the close of the takeover offer all shares had been released and accepted into the offer and options cash settled.

Under the terms of the sale and purchase agreement with Anglo American Metallurgical Coal Assets (AAMC) for the 70% interest in the Foxleigh Joint Venture there was a comprehensive process to finalise the working capital balances at settlement. In the event of a dispute the contested matters were to be referred to an independent accountant for expert review. Realm had raised a provision in its accounts for these contested matters. In early July 2018 the independent accountant released its findings and as a result Realm accepted part of the findings and paid AAMC an amount of \$4.5 million on 1st August 2018. Realm continues to dispute a further amount of \$3.5 million claimed by AAMC.

Other than the above, no other matter has arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

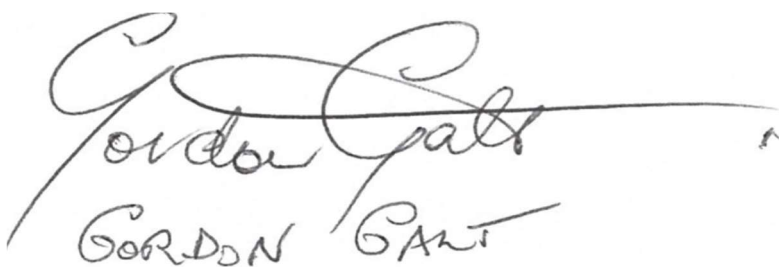
REALM RESOURCES LIMITED

Directors declaration

In the directors' opinion:

- (a) The interim financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Realm Resources Limited will be able to pay its debts as and when they become due and payable, as outlined in Note 2 to the interim financial report.

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



Gordon Galt
GORDON GALT

Director
Gordon Galt

Sydney
(Date: 10 September 2018)

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61(0) 2 8226 4500

F +61(0) 2 8226 4501

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

REALM RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Realm Resources Limited which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Realm Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS


G N SHERWOOD
Partner

Sydney, NSW
Dated: 10 September 2018