

Company Announcements  
ASX Limited



By Electronic Lodgement

31 January 2014

Dear Sir/Madam

## QUARTERLY UPDATE – PROGRESS UPDATE

- **Ongoing efforts aimed at maximising the value of RRP’s development ready Indonesian thermal coal project are being directed at supplying a proposed domestic power station development in 2016/17;**
- **Coal market remains oversupplied with export prices for expected Katingan Ria coal quality at around \$38/t**
- **Business development activities are aimed at enhancing and/or realising the value of RRP’s South African aluminium and platinum assets as well as seeking new resource sector investment opportunities**
- **Partially underwritten pro rata non-renounceable entitlement offer raised gross proceeds of approximately \$6 million**
- **Taurus Funds Management equity linked convertible note of \$5m has been repaid. Taurus is now an 84% shareholder in RRP**

**Realm Resources Ltd. (ASX: RRP) (“Realm” or the “Company”)** is pleased to provide an update on activities during the quarter as well as the market outlook for its thermal coal product.

Following the recent completion of the partially underwritten pro rata non-renounceable entitlement offer, the Company has focussed on securing strategic off take partners and financing for its development ready thermal coal project in Central Kalimantan.

Despite robust demand growth, the thermal coal seaborne market has remained in oversupply; with the price of Katingan Ria 4,200kcal GAR coal falling to around US\$38/t. Strategic partner negotiations have therefore been focussed on domestic supply opportunities and specifically PLN’s (Indonesian State owned Electricity Corporation) proposed 200Mw power station development in the vicinity of Kasongan.

In South Africa, efforts have been focussed at improving the financial and operational performance of Alumicor, and investigating a range of opportunities in the aluminium re-cycling sector.



realm resources

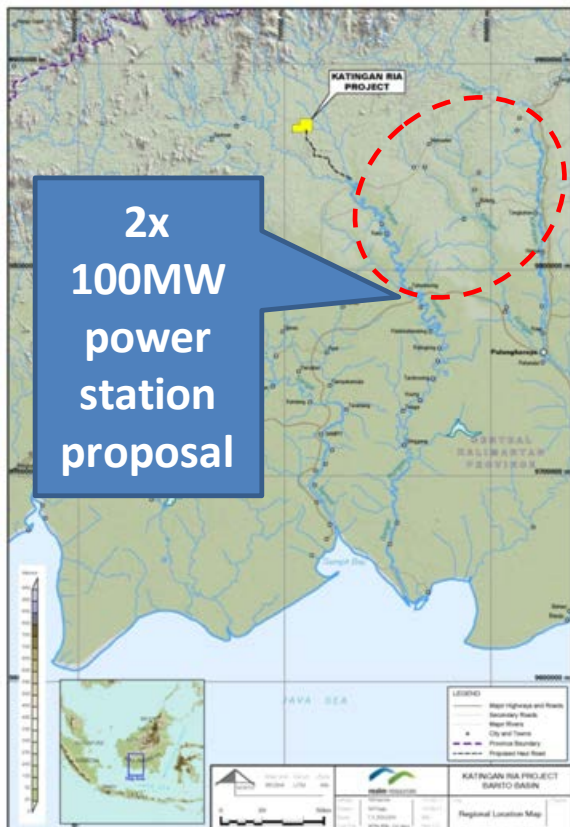
## Katingan Ria Thermal Coal

Katingan Ria (RRP 51%), which is located in Central Kalimantan Indonesia, is shaping up as a simple, open-cut operation that will supply low ash and low sulphur coal ideally suited for modern coal power generation, both domestically and for export.

The coal project is located near the town of Tumbang Samba in Central Kalimantan, Indonesia (Figure 1). The project was planned as a 2.5Mt pa open cut mine with coal hauled approximately 40km - 45 km to a stockpiling and barge loading facility on the Katingan River. Barges will then transport coal 435 km from the stockpile area to the river mouth for transshipment into coal ships for delivery to market. Coal is planned to be sold “unwashed”, meaning there is no metallurgical treatment required to achieve a saleable product.

Recent discussions, however, have focussed on the potential to supply a 200Mw power station development near the town of Kasongan in Central Kalimantan (exact location yet to be finalised). This has the potential to see the mine being developed largely as a domestic coal supplier; thereby eliminating a significant proportion of the logistics costs and issues associated with river seasonality. Coal supply, which is required by 2016/17 for the power stations, could therefore be developed for both domestic and export markets (assuming export prices recover from current lows).

**Figure 1: Project and Proposed Power Station Location**



PT PLN (PERSERO), the Indonesian State owned Electricity Corporation (“PLN”), issued a Request For Proposal (RFP) in 2013 for construction and operation of two 100 Mw power stations near Kasongan in 2016/17. Katingan Ria is the most developed and best defined coal project in the region and this together with the coal having the ideal specifications (as per the original RFP), places the project in good stead to be the preferred supplier of the proposed power station development. RRP has continued with negotiations with several of the potential Power Station Consortia bidders during the quarter. Bidders are required to secure coal for the power stations and PLN will be part of the supplier selection process and be the off-taker for the power produced. This selection process is nearing finalisation, and RRP expects a decision on the power station to be made in the next quarter.

In addition, RRP is continuing with discussions with other potential strategic partners and off takers. These discussions, which have slowed recently with the fall in the coal price, are ongoing. Several parties have expressed an interest in:

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

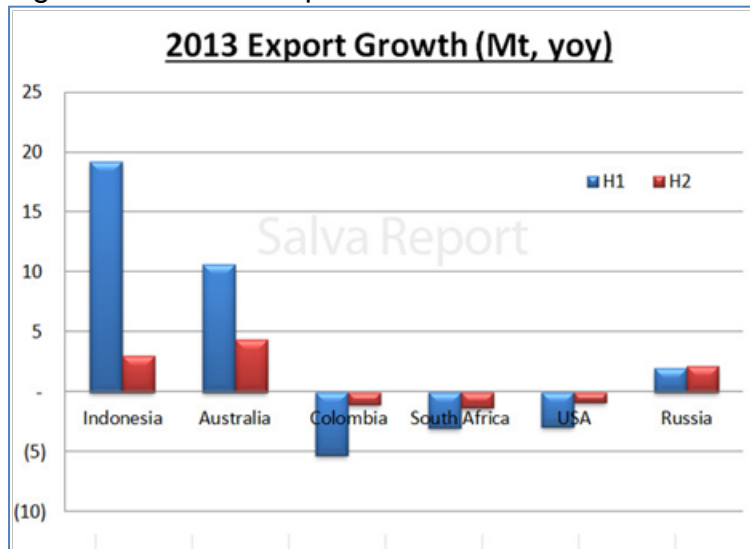
In addition, RRP has begun discussions with Singaporean advisers with a view to the possible listing of its wholly owned Singaporean subsidiary on the Catalist Exchange in Singapore. These discussions are still at a preliminary stage and any listing would be subject to a number of regulatory requirements)

### **Coal market and price update**

H2 2013 Thermal market review – Salva Report – Market Note 14<sup>th</sup> January 2014

A long-overdue easing of supply growth in H2 2013 has provided some relief for thermal coal markets. Supply growth out of Indonesia and Australia slowed noticeably in H2 (see Figure 2). Indonesia flooded the market in H1 with 204Mt, but despite a slowdown in H2, total exports for 2013 will be over 400Mt.

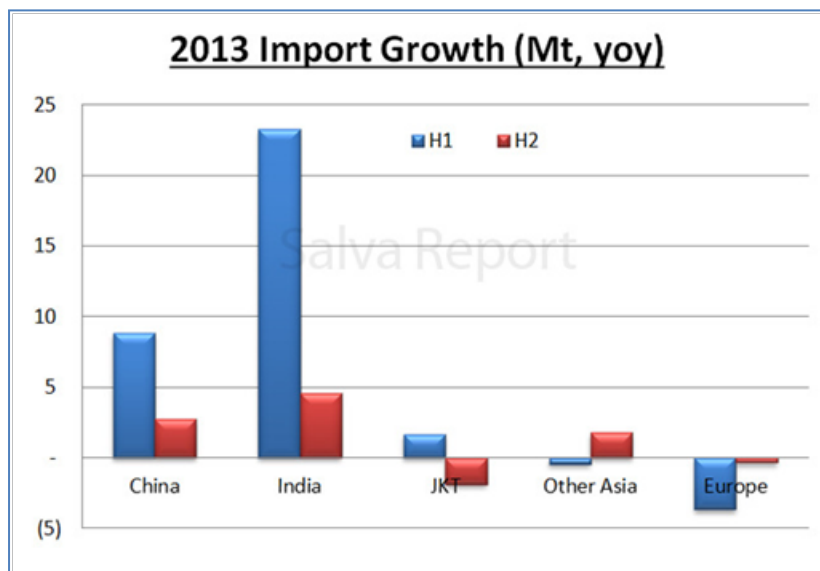
Figure 2: Thermal Export Growth H2 2013



Source: Salva Report January 2014

Globally, import demand growth slowed in H2, (see Figure 3). This was due to a range of factors including weak currency (India), coal generation already operating at full capacity (Japan, Korea) and strong hydro performance (southern Europe, India). India continued to lead global import growth in 2013, with imports up to 136Mt from 110Mt in 2012. Chinese imports in 2013 have moved towards higher quality thermal coals, particularly Australian.

Figure 3: Thermal Import Growth H2 2013



Source: Salva Report January 2014

While the market remains oversupplied and prices are still weak, other positive signs are emerging, with mergers and acquisition activity picking up recently, especially in the USA and Australia. This may well signal the bottom of the market, as many of the buyers in these transactions are existing suppliers to the market and therefore see potential upside.



At the time of writing, the price of 4,200 Kcal/kg GAR coal has steadied at recent lows at around US\$38/t.

## Aluminium Waste Toll Treating Business

### Health and Safety

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

### Smelting and recovery performance comparison

Alumicor	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2014	% change Q3 2013
<b>Tonnes smelted</b>	4,562	3,739	4,527	5,172	4,505	4,411	4,528	4,150	-8.3%
<b>Average recovery</b>	57%	56%	60%	63%	62%	64%	65%	65%	0%

Alumicor continues to operate profitably and deliver cash flow with management's attention focussed on concluding negotiations with Hulamin aimed at a mutually beneficial arrangement which will see additional metal units being processed at the facility, thereby reducing unit costs due to economies of scale and ultimately improved cash flow generation. In addition, management is assessing a number of growth projects in the rapidly expanding aluminium recycling space, and has embarked on a process to seek funders and/or partners seeking exposure to or interested in developing the business.

### Platinum Exploration Projects

The platinum market has remained depressed despite the forecast 2013 deficit rising to over 600k Oz due to strong off take by ETF investors and industrial users (Johnson Matthey 2013). After rising to above \$1,700/oz in February 2013, prices have fallen below \$1,400/oz in parallel with a weakening gold price. This together with the continuing industrial unrest in the South African mining sector has hampered the Company's ability to progress the projects at this stage.

The Rooderand transaction continues towards completion with Chrometco (CMO) responsible for advancing the transaction together with the consolidation of the chrome and PGM mineral rights. On completion, RRP will receive 35m additional shares in CMO (10m received to date).



The Eastern Limb platinum properties are being kept in good standing while management continues to explore a number of corporate alternatives aimed at realising value for RRP shareholders.

### **Corporate**

During the quarter RRP completed an Entitlement Offer:

- The Company received acceptances for a total of 18,031,501 shares raising \$72,126;
- The number of shares offered under the Entitlement Offer was 1,750,000,000 shares
- The Company placed 1,500,000,000 Shares under the underwriting agreement with Veritas.

### **For further information please contact:**

Richard Rossiter (Chairman) or Theo Renard (FD) on +61 2 92522186 or visit the Company's website at <http://www.realmresources.com.au/>

### **About Realm**

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

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Realm Resources Limited

ABN

98 008 124 025

Quarter ended ("current quarter")

31 December 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	978	3,772
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	- (559) (1,221)	(137) (2,157) (3,921)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	-	35
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	-	(101)
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(802)</b>	<b>(2,509)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(87)	(249)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	-	49
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(87)</b>	<b>(200)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(889)</b>	<b>(2,709)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(889)	(2,709)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,072	1,072
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	34	50
1.17	Repayment of borrowings		(8)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	<b>1,106</b>	<b>1,114</b>
	<b>Net increase (decrease) in cash held</b>	<b>217</b>	<b>(1,595)</b>
1.20	Cash at beginning of quarter/year to date	626	2,500
1.21	Exchange rate adjustments to item 1.20	4	(58)
1.22	<b>Cash at end of quarter</b>	<b>847</b>	<b>847</b>

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	365
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

N/A

### Non-cash financing and investing activities

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

N/A

+ See chapter 19 for defined terms.



**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

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

N/A

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production ( <u>Note – production costs absorbed by operations</u> )	602
4.4 Administration ( <u>Note – portion of Administration costs absorbed by operations</u> )	792
<b>Total</b>	<b>1,394</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	174	9
5.2 Deposits at call	60	60
5.3 Bank overdraft		
5.4 Other (provide details)	613	557
<b>Total: cash at end of quarter (item 1.22)</b>	<b>847</b>	<b>626</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

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

#### Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues	1,518,031,501	0.04	0.04
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	1,943,840,077	N/A	N/A
7.4	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b>	N/A		
	<i>(description)</i>			

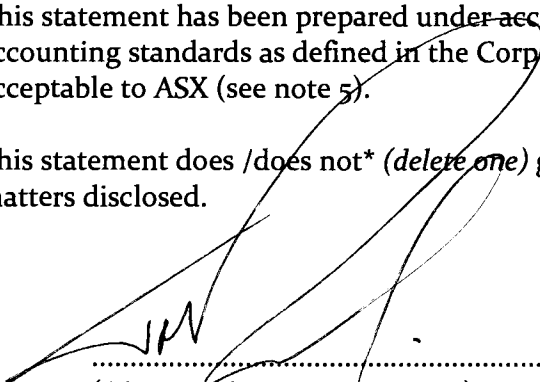
+ See chapter 19 for defined terms.

## Mining exploration entity and oil and gas exploration entity quarterly report

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

### Compliance statement

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

Sign here:   
 .....  
 (Director/Company secretary)

Date: 31 January 2014

Print name: T N Renard

### Notes

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

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

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

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