realm resources
Realm Resources Limited
ACN 008 124 025

TARGET'S STATEMENT

Prepared in response to the unsolicited, off-market takeover bid by T2 Resources Fund Pty Limited ACN 624 330 696 to acquire all of your ordinary fully paid Shares in Realm Resources Limited ACN 008 124 025.

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REJECT THE OFFER

TAKE NO ACTION

The Non-Affiliated Directors unanimously recommend that you **REJECT** the Offer from T2 Resources Fund Pty Limited by **TAKING NO ACTION**.

The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE** and the estimated fair market value is $1.62 to $1.92 per Realm Share.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you do not understand it or are in doubt as to how to act, you should consult your legal, financial or other professional adviser immediately.

TREADSTONE RESOURCE PARTNERS
experience • integrity • independence
Financial adviser

Maddocks
Legal adviser

Realm Resources Limited
ACN 008 124 025

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IMPORTANT NOTICES

Nature of this document

This Target's Statement is dated 29 March 2018 and is given by Realm under Part 6.5 Division 3 of the Corporations Act in response to the Offer made pursuant to the Bidder's Statement dispatched to Realm Shareholders on 15 March 2018 and amended by the second supplementary bidder's statement dated 15 March 2018.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX on 29 March 2018. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the contents of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are defined in section 12.1 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words or phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

Section 12.2 details the rules of interpretation that apply to this Target's Statement.

No account of personal information

This Target's Statement, which includes the Independent Expert's Report, does not take into account the individual investment objectives, financial or tax situation and particular needs of each Realm Shareholder and it does not contain personal financial advice.

It is important that you read this Target's Statement and Independent Expert's Report in its entirety before making any investment decision and any decision relating to the Offer. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to reject or accept the Offer for your Realm Shares.

Disclaimer as to forward looking statements

This Target's Statement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. These forward looking statements are based on, among other things, Realm's assumptions, expectations, estimates, objectives, plans and intentions as at the Approval Date.

Forward looking statements are subject to inherent risks and uncertainties. Although Realm believes that the expectations reflected in any forward looking statement included in this Target's Statement are reasonable, no assurance can be given that such expectations will prove to be correct. Actual events, results or outcomes may differ materially from the events, results or outcomes expressed or implied in any forward looking statement.

Except as required by applicable law or the Listing Rules, Realm does not undertake to update or revise these forward looking statements or any other statements whether written or oral, that may be made from time to time by or on behalf of Realm, whether as a result of new information, future events or otherwise.

None of Realm's Officers or employees, or any other person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood or fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the Approval Date.

Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

No forecast financial information

Given the nature of resources, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis and after considering ASIC Regulatory Guide 170, the Non-Affiliated Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Target's Statement.

Risk factors

Realm Shareholders should note that there are a number of risks attached to their investment in Realm and other risks which apply in the event the Offer is accepted.

Section 8 of this Target's Statement (Risk Factors) sets out further information regarding those risks.

Disclaimer as to information

The information regarding the Bidder, including the Bidder Group and each Relevant Subsidiary contained in this Target's Statement has been prepared by

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Realm from publicly available information. None of the information in this Target's Statement concerning the Bidder Group or each Relevant Subsidiary has been commented on, or verified, by the Bidder, or Realm (save from obtaining the information from the Bidder's Statement prepared by the Bidder).

Accordingly, Realm does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Neither Realm nor any of its Officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Realm Shareholder information line

Realm has established a Realm Shareholder information line which Realm Shareholders may call if they have any queries in relation to the Offer.

Please contact the Realm Shareholder information line on +61 2 8264 1005 between 9:00am and 5:00pm (Sydney time) on Monday to Friday. Enquiries on individual shareholdings should be directed to 1300 855 080 (international calls: +61 3 9415 4000).

Further information relating to the Offer can be obtained from Realm's website at http://www.realmresources.com.au. Information contained in, or otherwise accessible through, this website is not a part of this Target's Statement. All references in this Target's Statement to this website are inactive textual references and are for your information only.

Photographs maps and diagrams

Photographs and diagrams used in this Target's Statement are for illustration purposes only and should not be interpreted to mean that any person shown endorses the Target's Statement or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Target's Statement are illustrative only and may not be drawn to scale. As part of the preparation of this Target's Statement, the Company has commissioned and produced maps, diagrams and tables to identify the Company's licences and tenements and to provide geographic, geological, geophysical and other data in relation thereto. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Approval Date.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Currency

Unless otherwise stated, the currency referred to in this Target's Statement is Australian dollars.

Privacy

Realm has collected your information from the Realm register of Realm Shareholders for the purpose of providing you with this Target's Statement. The type of information Realm has collected about you includes your name, contact details and information on your Shareholding in Realm. Without this information, Realm would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Realm Shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to Realm's related bodies corporate and external service providers (such as the Realm Share registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

If you would like details of information about you held by Realm, please contact Realm's share registry Computershare on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 9.30am and 5.30pm (Sydney time) Monday to Friday.

You may also contact the Realm Shareholder information line on +61 2 8264 1005 between 9:00am and 5:00pm (Sydney time) on Monday to Friday. Enquiries on individual shareholdings should be directed to 1300 855 080 (international calls: +61 3 9415 4000).

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KEY REASONS WHY YOU SHOULD REJECT THE OFFER

The Non-Affiliated Directors of Realm unanimously recommend that you **REJECT** the Offer from the Bidder by **TAKING NO ACTION**.

1. THE INDEPENDENT EXPERT HAS DETERMINED THAT THE OFFER IS NEITHER FAIR NOR REASONABLE AND THE ESTIMATED FAIR MARKET VALUE IS $1.62 TO $1.92 PER REALM SHARE	Refer to section 1.1
2. THE OFFER PRICE DOES NOT REFLECT THE VALUE OF REALM'S INTEREST IN THE FOXLEIGH COAL MINE	Refer to section 1.2
3. THE OFFER PRICE DOES NOT RECOGNISE THE RECENT IMPROVEMENT IN METALLURGICAL COAL MARKET CONDITIONS	Refer to section 1.3
4. THE OFFER PRICE DOES NOT PROVIDE AN ADEQUATE PREMIUM TO REALM SHAREHOLDERS	Refer to section 1.4
5. THE OFFER IS OPPORTUNISTIC AND APPEARS TO TAKE ADVANTAGE OF REALM'S SUSPENSION FROM OFFICIAL QUOTATION	Refer to section 1.5
6. YOU MAY FOREGO VALUE BY ACCEPTING THE OFFER	Refer to section 1.6

You should read this Target's Statement in its entirety (including attachments) for further information on the reasons why the Non-Affiliated Directors recommend that Realm Shareholders reject the Offer.

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KEY DATES

Event	Key Dates
Notice of intention to make a takeover bid announced	9 February 2018
Original Bidder's Statement lodged with ASIC and ASX	23 February 2018
Supplementary Bidder's Statement lodged with ASIC and ASX	14 March 2018
Replacement Bidder's Statement dispatched to Realm Shareholders	15 March 2018
Second Supplementary Bidder's Statement lodged with ASIC and ASX	15 March 2018
Offer Period commences	14 March 2018
Date of Target's Statement	29 March 2018
Date for Bidder to provide notice of status of Conditions*	6 April 2018
Close of Offer Period (unless extended or withdrawn)**	7 pm (Sydney time) on 16 April 2018

* Note: if the Offer Period is extended, this date will be taken to be postponed for the same period of the extension.

** Note: the Offer may only be withdrawn in exceptional circumstances in accordance with the Corporations Act as summarised in section 5.14 of this Target's Statement.

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LETTER FROM THE NON-AFFILIATED DIRECTORS

24 March 2018

Dear Realm Shareholder

REJECT THE OFFER FOR YOUR REALM SHARES BY THE T2 RESOURCES FUND BY TAKING NO ACTION

We refer to the Bidder's Statement dispatched to Realm Shareholders on 15 March 2018 by the Bidder in connection with its off-market takeover bid for all of the issued shares in Realm which the Bidder Group did not already own for $0.90 cash per Share. This Bidder's Statement was amended by the Second Supplementary Bidder's Statement dated 15 March 2018.

The Board established a Sub-Committee which has the scope of authority to, amongst other things, review, consider and evaluate the terms of the Offer. As at the Approval Date the Sub-Committee comprised myself, James Beecher, and Staffan Ever. The Sub-Committee is considered independent of the Bidder Group and the members of the Sub-Committee do not have interests in the Bidder Group.

The recommendations provided in this Target's Statement are provided by the Non-Affiliated Directors, being each of the members of the Sub-Committee and Michael Rosengren, the Managing Director of Realm. The Non-Affiliated Directors are considered independent of the Bidder Group and no Non-Affiliated Director has an interest in the Bidder Group.

The Sub-Committee appointed Deloitte Corporate Finance, as the Independent Expert, to give an independent opinion as to whether the Offer is fair and reasonable to Realm Shareholders not associated with the Bidder. **The Independent Expert has concluded that the Offer is NEITHER FAIR NOR REASONABLE and the estimated fair market value is $1.62 to $1.92 per Realm Share**.

A full copy of the Independent Expert's Report is set out in Attachment 1 to this Target's Statement.

The Non-Affiliated Directors have completed a detailed review of the Offer and the Independent Expert's Report, as a result of which we unanimously recommend that you **REJECT** the Offer by **TAKING NO ACTION**.

In summary, the reasons for the Non-Affiliated Directors' recommendation are that:

1. the Independent Expert has determined that the Offer is neither fair nor reasonable and the estimated fair market value is $1.62 to $1.92 per Realm Share;
2. the Offer Price does not reflect the value of Realm's interest in the Foxleigh Coal Mine;
3. the Offer Price does not recognise the recent improvement in metallurgical coal market conditions;
4. the Offer Price does not provide an adequate premium to Realm Shareholders;
5. the Offer is opportunistic and appears to take advantage of Realm's suspension from Official Quotation; and
6. you may forego value by accepting the Offer.

Each of the Non-Affiliated Directors currently intends to **REJECT**, or seek the rejection of, the Offer in respect of the Realm Shares that they own or Control.

You are encouraged to read the Bidder's Statement and this Target's Statement (including the Independent Expert's Report) in full and to consider the Offer having regard to your personal circumstances. You should also consider seeking your own independent legal, financial and taxation advice prior to deciding what action you should take in respect of the Offer.

If you have any questions as a Realm Shareholder in relation to the Offer, please contact the Realm Shareholder information line on +61 2 8264 1005 between 9:00am and 5:00pm (Sydney time) on Monday to Friday. Enquiries on individual shareholdings should be directed to 1300 855 080 (international calls: +61 3 9415 4000).

We will keep you informed if there are any material developments with respect to the Offer. Announcements relating to the Offer and Realm can be found on the ASX website (www.asx.com.au ASX code: RRP).

James Beecher
Director/Chairman of the Sub-Committee

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1. WHY THE NON-AFFILIATED DIRECTORS RECOMMEND YOU REJECT THE OFFER

To **REJECT** the Offer, you should **DO NOTHING** and **TAKE NO ACTION** in relation to all documents sent to you by the Bidder, including the Bidder's Statement.

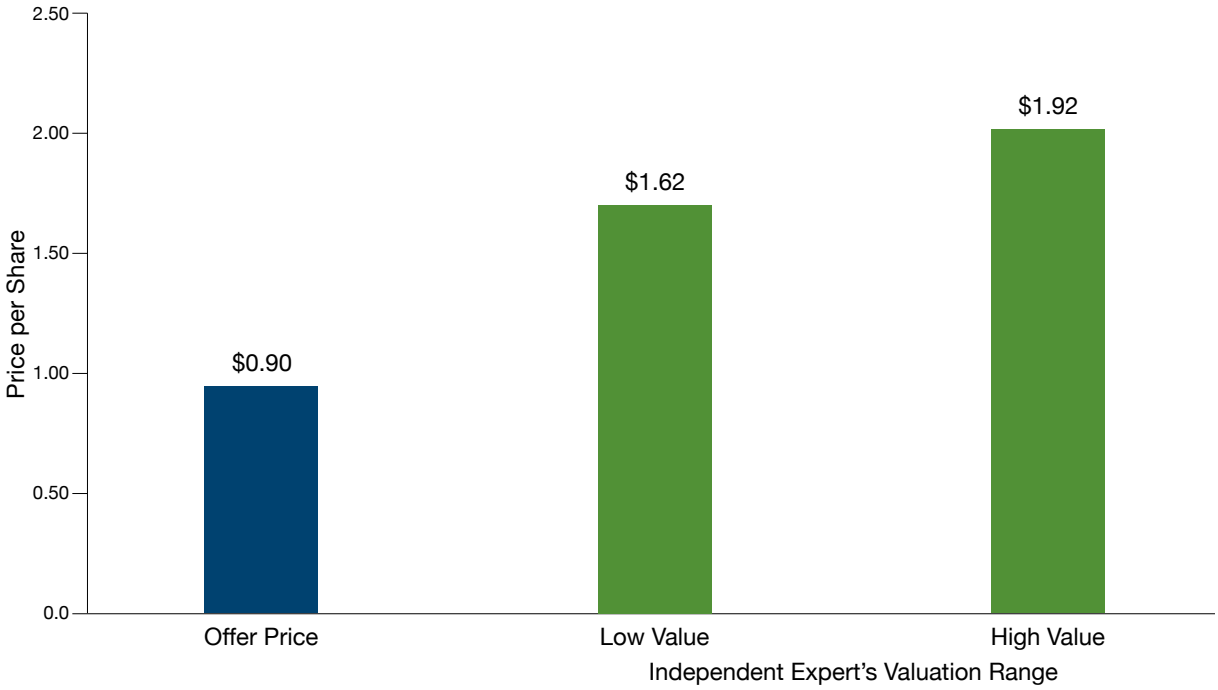
1.1 The Independent Expert has determined that the Offer is neither fair nor reasonable and the estimated fair market value is $1.62 to $1.92 per Realm Share

The estimated fair market value of a Realm Share (on a control basis) is between $1.62 at the low end and $1.92 at the high end of the range.

The Offer Price is below the Independent Expert's estimated fair market value of a Realm Share (on a control basis).

The Independent Expert's fair market value range of a Share in Realm (on a control basis) is 80.0% to 113.3% higher than the Offer Price.

Summary of the Independent Expert's valuation range compared to the Offer Price



The Offer is not reasonable in the opinion of the Independent Expert as there are potential other alternatives available to Realm Shareholders to realise their investment in Realm that are considered to be more compelling than accepting the Offer.

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These alternative paths to liquidity include:

a) a re-listing of Realm Shares on ASX;

b) participation in a transaction with the Bidder Group as it exits its fund positions; or

c) continuing to hold unlisted shares and receive such dividends as the Directors may determine.

The Independent Expert's Report is provided in Attachment 1 of this Target's Statement. You should read this report in full.

1.2 The Offer Price does not reflect the value of Realm's interest in the Foxleigh Coal Mine

The Offer Price does not reflect the value of Realm's 70% interest in the Foxleigh Coal Mine including the potential improvement initiatives and expansion opportunities as detailed below:

a) expansion of the Foxleigh Coal Mine's existing Resources and Reserves through targeted exploration across the approximately 52,600ha lease area. In 2017, through an exploration program, the Marketable Reserves for the Foxleigh Plains area of the Foxleigh Coal Mine increased by approximately 40% to 34Mt[1];

b) mine life extension beyond the 15-year Base Case Mine Plan based on the potential to convert existing Resources to Reserves for near to medium term development. The Base Case Mine Plan is based only on Reserves from Foxleigh Plains and One Tree West pits;

c) based on the Independent Technical Expert's Report, there is potential:

   (i) to extend the mine life to 24 years through inclusion of currently classified coal Resources from other areas within the Foxleigh Coal Mine. Refer to section 1.13 of the Independent Technical Expert's Report for further information;

   (ii) for productivity improvements to reduce operating unit costs and enhance profitability. Refer to sections 1.12 and 1.13 of the Independent Technical Expert's Report for further information; and

   (iii) to increase in the processing capacity to approximately 6Mtpa ROM via an expansion of the coal handling and preparation plant's system capacity to 800tph and increase in annual work hours up to 7,500 hours. Refer to section 1.12.2 of the Independent Technical Expert's Report for further information.

The Offer Price does not reflect the strategic value of the Foxleigh Coal Mine as a producing metallurgical coal mine located in the Bowen Basin, Queensland, which is located in close proximity to a number of other metallurgical coal mines.

Through its 70% interest in the Foxleigh Coal Mine, Realm has the potential to participate in any future consolidation activity in the Bowen Basin or in the broader the Australian metallurgical coal industry.

1 Refer to section 10.8 of this Target's Statement.

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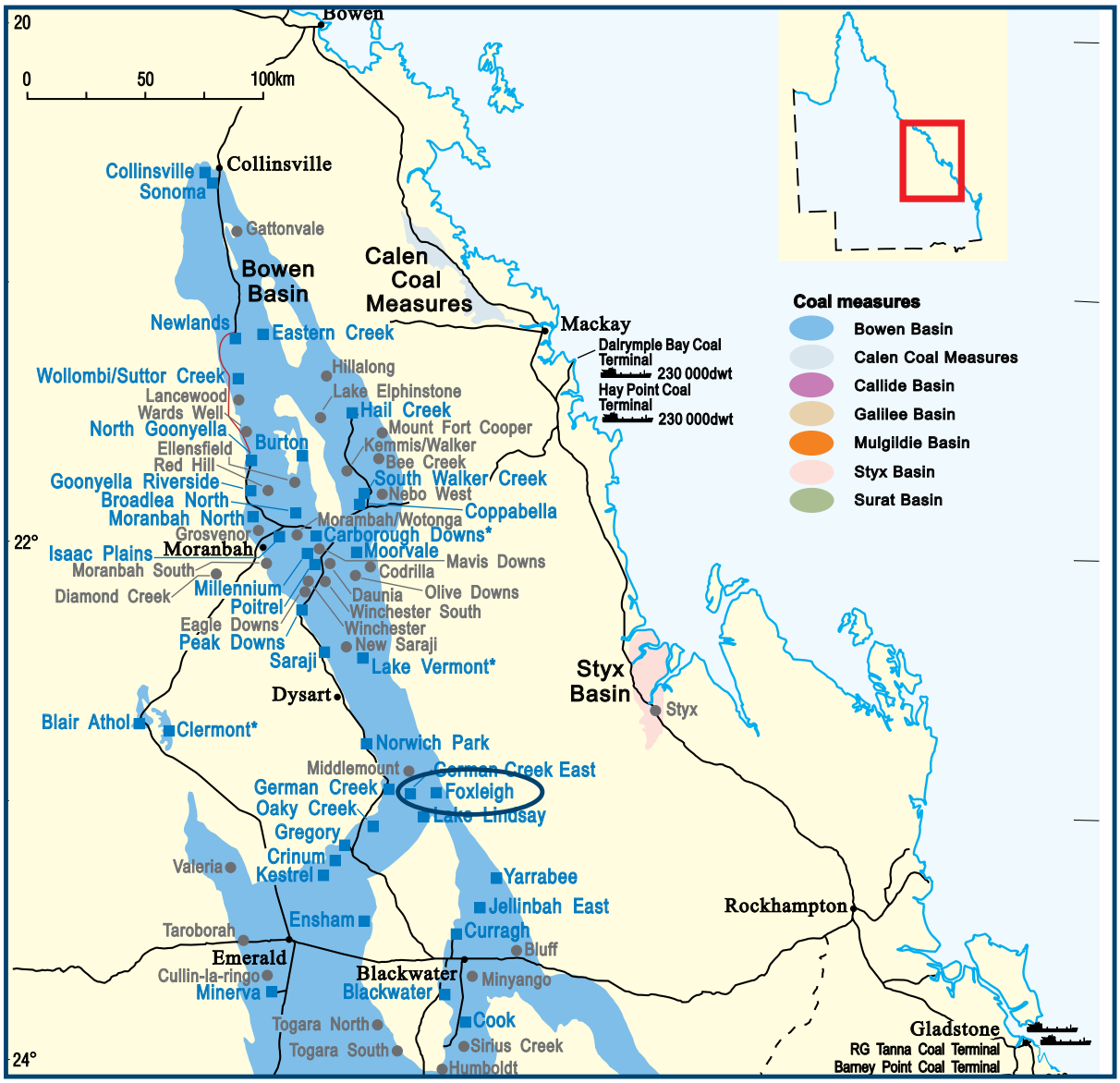
Map of Bowen Basin, Queensland and Foxleigh Coal Mine location (outlined in blue)



Source: Queensland Government – Department of Mines and Energy

1.3 The Offer Price does not recognise the recent improvement in metallurgical coal market conditions

Since the acquisition of the Foxleigh Coal Mine in August 2016, there has been a significant increase in metallurgical coal prices, highlighted by the premium HCC price increasing by 54.5% from US$138.2/t on 30 August 2016 to US$213.5/t on 23 March 2018, having exceeded US$300/t during November 2016 and April 2017[2].

The realised price for LV PCI produced at the Foxleigh Coal mine is based on a discount to premium HCC prices. The LV PCI coal price has, on average, traded at a 24% discount to premium HCC prices since 1990. Generally, the discount has temporarily expanded and contracted with spikes and dips in HCC prices.

2 Premium HCC Prices sourced from Bloomberg based on the TSIPPCAE Index: Premium Hard Coking Coal Australia Export (FOB East Coast port) USD/tonne. This price index is compiled by The Steel Index Ltd (TSI), and it represents the volume-weighted average of actual transaction price data submitted confidentially online to TSI by companies operating within the relevant supply chain, including buyers and sellers, based on their latest sales and/or purchases within this product category.

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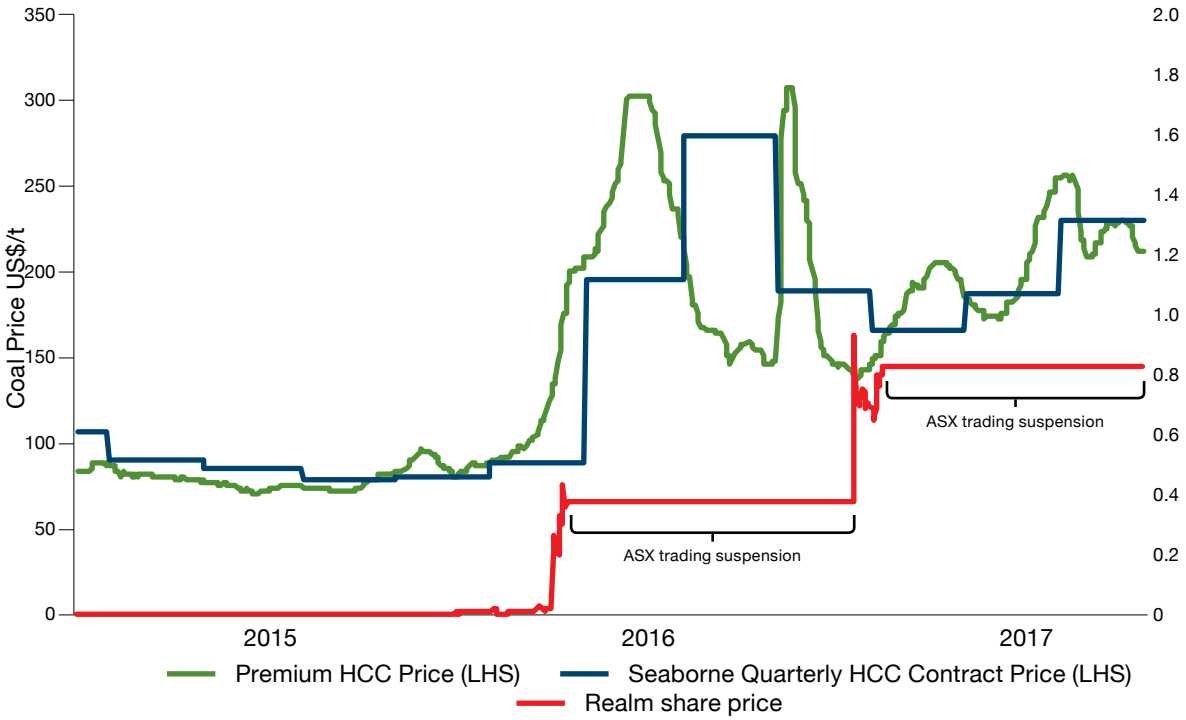
More recently, market reports indicate that contracts for LV PCI coal were settled at a price of US$156.50/t for the March 2018 quarter between some steel mills and some suppliers, representing a 23% quarter-on-quarter increase, and an approximate 34% discount to the quarterly premium HCC negotiated contract price of US$237/t. Refer to Section 4.2.1 of the Independent Expert's Report for further information on metallurgical coal pricing.

Over this period of approximately 19 months, Realm has been suspended from trading except for two brief periods between 31 August 2016 and 13 September 2016, and 15 June 2017 to 13 July 2017.

More recently, since Realm's Shares last traded at $0.85 per Share on 13 July 2017, the quarterly premium HCC price has increased by US$67/t from US$170/t in September 2017 quarter to US$237/t in the March 2018 quarter.

Metallurgical coal prices (LHS) and Realm's Share price (RHS)



Source: Premium HCC Price and Seaborne Quarterly HCC Contract Price sourced from Bloomberg. ASX-listed share prices sourced from IRESS. IRESS and Bloomberg have not consented to the use of this information in the Target's Statement.

Note: Prices displayed from 1 June 2015 to 23 March 2018.

As a consequence of its suspension from trading on the ASX, Realm's share price has not been exposed to the potential benefit from improvements in metallurgical coal market conditions. The potential benefit from the increase in metallurgical coal prices is observable in the share price performance of a group of ASX-listed coal producers in the chart below.

The share prices of these ASX-listed coal producers increased, on average, by 60.4% between 13 July 2017 and 23 March 2018, whilst the spot premium HCC price increased by 30.9% and Realm's Shares remained in trading suspension.

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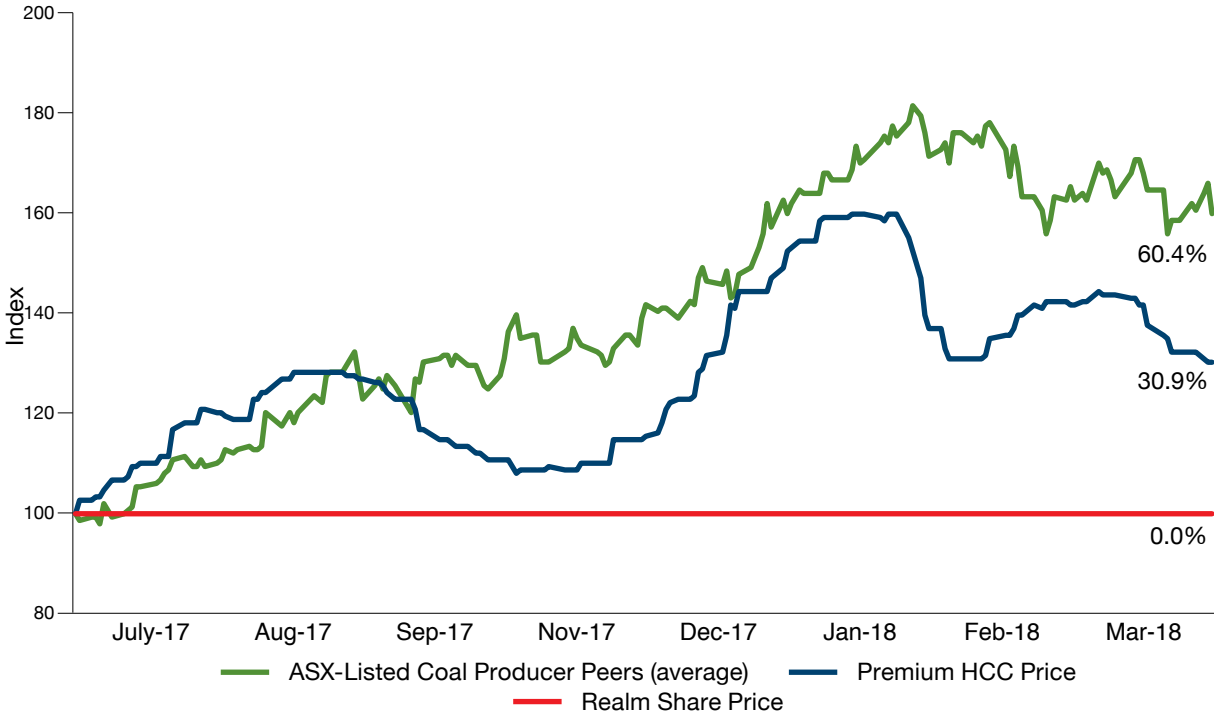
Indexed movement in ASX-listed coal producer average share prices and premium HCC prices since Realm's Shares last traded on the ASX



Source: ASX-listed share prices sourced from IRESS, Premium HCC Price sourced from Bloomberg. IRESS and Bloomberg have not consented to the use of this information in the Target's Statement.

Notes:

(a) Prices displayed from 13 July 2017 to 23 March 2018.

(b) ASX-listed Coal Producers Peers comprised of Whitehaven Coal Limited, New Hope Corporation Limited, Stanmore Coal Limited and Bathurst Resources Limited.

1.4 The Offer Price does not provide an adequate premium to Realm Shareholders

The Offer Price does not adequately compensate Shareholders for the benefits to be derived by the Bidder through gaining 100% access to Realm's assets and investments, future cash flows, cash balance and potential growth opportunities, including:

a) cash flows generated from Realm's 70% interest in the Foxleigh Coal Mine, which contributed to Realm generating net cash flows from operating activities of $80.3 million in 2017; and

b) Realm's cash balance of approximately $93.7 million as at 28 February 2018.

Realm's cash balance was approximately $65.3 million at 31 December 2017, broadly in line with the previous year end balance, and subsequently increased to approximately $93.7 million at 28 February 2018. This cash balance has increased as a result of the depletion of product coal stockpiles, increased quarterly coal prices and proceeds from exercised share options. The cash balance does not take into account Realm's tax liabilities, which are estimated to be approximately $27 million which are payable in June 2018.

The premia as implied by the Offer Price, being 5.9% to Realm's last traded share price and 4.3% to the VWAP between 15 June 2017 to 13 July 2017, fails to adequately compensate Realm Shareholders.

Further, the premia implied by the Offer Price is referenced against Realm's Share price during a brief trading period approximately 9 months ago. As such, the implied premia is referenced against a share price that, as per Section 1.3, has not been exposed to the potential benefit of the improved coal market conditions and corresponding increases observed in the share prices of ASX-listed coal producers during this period.

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1.5 The Offer is opportunistic and appears to take advantage of Realm's suspension from Official Quotation

The timing of the Offer coincided with Realm having progressed the following preparatory workstreams in connection with the capital raising to be undertaken to satisfy ASX requirements in order to re-commence trading on the ASX:

a) at Realm's extraordinary general meeting held on 14 July 2017, 99.96% of Realm Shareholders (including the Bidder Group) approved for the purpose of listing Rule 7.1 the issue of shares to meet the ASX 20% free float requirement as part of the Company's Re-compliance;

b) a due diligence committee was established by the Board to manage the preparatory workstreams of Realm's Re-compliance with Chapters 1 and 2 of the Listing Rules including undertaking detailed due diligence investigations, drafting a prospectus and preparing an ASX listing application;

c) a new Managing Director, Michael Rosengren was appointed on 8 January 2018;

d) the Sub-Committee was authorised to continue to progress the preparatory workstreams associated with the capital raising and Re-compliance on 22 February 2018; and

e) payment to ASX of an initial listing fee of $238,916.70 inclusive of GST as required by ASX in connection with the Re-compliance.

The Non-Affiliated Directors note the statements made in Section 5.3 of the Bidder's Statement regarding the Bidders' intentions in relation to the capital raising and Re-compliance.

a) *Section 5.3(b) of the Bidder's Statement which states that the Bidder will seek to replace all current Realm Directors (other than those which it determines to retain following a review) with nominees of the Bidder.*

   The Non-Affiliated Directors intend to continue to progress the capital raising and Re-compliance workstreams, so that in the event where the Offer expires or is withdrawn, or regulatory relief is sought and received, Realm is in a position to conduct a capital raising that will satisfy the Re-compliance requirements.

   Realm Shareholders should note that any nominee directors that the Bidder appoints will be subject to fiduciary duties to act in the best interest of Realm.

b) *per Section 5.3(c), of the Bidder's Statement, the Bidder is not supportive of Realm's continued listing on the ASX (or the capital raising necessary to lift the current suspension of Realm Shares from trading on the ASX). While the decision to apply for a removal of Realm from the official list of the ASX lies with the Board of Realm, the Bidder will actively encourage Realm to apply for removal of Realm from the official list of the ASX to the extent it is able to do so consistently with ASX guidance. ASX's guidance in relation to the removal of entities from the official list of the ASX is set out in ASX Guidance Note 33.*

   The Non-Affiliated Directors note that a decision to conduct a capital raising to satisfy the Re-compliance or alternatively apply for a removal of Realm from the Official List lies with the Board of Realm, of which the Non-Affiliated Directors currently comprise 3 of 5 Directors. Realm shareholders should note that Directors are subject to fiduciary duties to act in the best interests of Realm. Refer to section 5.3(b) of the Bidder's Statement for the Bidder's intentions regarding nominee directors.

c) The Non-Affiliated Directors further note that ASX generally imposes the conditions that shareholder approval is required for the removal of an entity from the Official List (and for 12 months after a takeover bid, any votes cast by the bidder and its associates will usually be excluded) unless limited exceptions apply. ASX guidance on this issue also notes that an unacceptable reason for requesting removal from the Official List is if the company is doing so solely or primarily to deny minority shareholders a market for their securities in order to coerce them into accepting an offer from a controlling shareholder to buy their securities. ASX's guidance in relation to the removal of entities from the official list of the ASX is set out in ASX Guidance Note 33.

   For further details on the likelihood of de-listing see section 5.12 of this Target's Statement.

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1.6 You may forego value by accepting the Offer

If you accept the Offer, you will lose the opportunity to accept a higher offer price from another competing proposal (if applicable), which may emerge. See sections 5.15 and 5.20 of this Target's Statement for more details.

If you accept the Offer, you will only be able to withdraw your acceptance in limited circumstances in accordance with the Corporations Act. See section 5.16 for further details.

Accepting the Offer before the expiry of the Offer Period will not bring forward the timing of the payment of the Cash Consideration. If the Bidder elects to extend the Offer Period, you will be notified of this.

The Offer is conditional and as such there is a risk that these conditions may not be satisfied, or may not be satisfied for a period of time. The date the Bidder will give notice on the status of the Conditions as required by section 630(1) of the Corporations Act is 6 April 2018, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

If the Conditions are not satisfied and the Offer lapses you will not receive the proceeds of the Offer.

To **REJECT** the Offer, you should **DO NOTHING** and **TAKE NO ACTION** in relation to all documents sent to you by the Bidder, including the Bidder's Statement.

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2. DIRECTORS' RECOMMENDATION AND INTERESTS

2.1 Directors of Realm

As at the date of this Target's Statement, the Directors of Realm are:

a) Gordon Galt (Non-executive Chairman);

b) Michael Davies (Non-executive Director);

c) James Beecher (Non-executive Director);

d) Staffan Ever (Non-executive Director); and

e) Michael Rosengren (Managing Director).

For the purposes of this Target's Statement, the Non-Affiliated Directors of Realm are the Directors of Realm that are not associated with any member of the Bidder Group, being James Beecher, Staffan Ever and Michael Rosengren.

2.2 Non-Affiliated Directors' recommendation and intentions

After taking into account the matters in this Target's Statement (including the Independent Expert's Report), each of the Non-Affiliated Directors recommend that you **REJECT** the Offer.

The reasons for the Non-Affiliated Directors' recommendation are set out in section 1 of this Target's Statement.

Each of the Non-Affiliated Directors currently intend to **REJECT** the Offer for any Realm Shares they own or Control.

2.3 No recommendation

Gordon Galt and Michael Davies, in their capacity as Directors of Realm, make no recommendation to Realm Shareholders in relation to the Offer due to their direct and indirect interests in the Bidder Group.

Gordon Galt and Michael Davies are not members of the Sub-Committee and have not been involved in the preparation or authorisation of this Target's Statement. Gordon Galt and Michael Davies have only consented to statements directly attributed to them personally in this Target's Statement.

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2.4 Directors' interests and dealings in Realm Shares

a) As at the date of this Target's Statement, the Directors have the following interests in Realm Shares:

Gordon Galt	150,000
Michael Davies	Nil
James Beecher	1,000,000
Staffan Ever	1,000,000
Michael Rosengren	Nil

b) As part of Michael Rosengren's appointment as Managing Director of Realm, he has been offered 1,000,000 Realm Shares at an issue price of $0.87 per share under the Employee Share Plan which, if taken up, will vest in tranches over the next three years. This offer under the Employee Share Plan is subject to certain terms and conditions and Michael Rosengren receiving Realm Shareholder approval for the issue of such Shares to him.[3]

c) Other than as described in this section 2.4, no Director has acquired or disposed of a relevant interest in any Realm Shares in the four month period ending on the day immediately prior to the Approval Date.

2.5 Non-Affiliated Directors' interests and dealings in the Bidder Group

a) No Non-Affiliated Director has a relevant interest in the Bidder Group.

b) No Non-Affiliated Director has acquired or disposed of a relevant interest in the Bidder Group in the four month period ending on the day immediately prior to the Approval Date.

3 See RRP ASX announcement dated 1 December 2018.

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2.6 Benefits and agreements

a) **Benefits to Non-Affiliated Directors**

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the Board, managerial office or Related Body Corporate of Realm.

Each Non-Affiliated Director may be paid a special exertion fee, in addition to or in substitution for, that Non-Affiliated Director's ordinary remuneration, in accordance with usual practice and the Company's constitution. This special exertion fee may be paid for the efforts exerted by that Non-Affiliated Director in connection with reviewing and evaluating the Offer generally and the preparation of this Target's Statement.

Other than as described in this section 2.6, no Non-Affiliated Director has agreed to receive, or is entitled to receive, any benefit from the Bidder Group or any Related Body Corporate of the Bidder Group which is related to or conditional on the Offer, other than in their capacity as a holder of Realm Shares.

b) **Agreements in connection with or conditional on the Offer**

Other than as described in section 2 of this Target's Statement, no agreement has been made between any Non-Affiliated Director and any other person in connection with, or conditional upon, the outcome of the Offer, other than in their capacity as a holder of Realm Shares.

c) **Interests in contracts with the Bidder**

Other than as described in section 2 of this Target's Statement, no Non-Affiliated Director has any interest in any contract entered into by the Bidder Group or any Related Body Corporate of the Bidder Group.

d) **Payments and benefits**

Except as disclosed in this Target's Statement, as a result of the Offer, no benefit (other than a benefit permitted under section 200F or section 200G of the Corporations Act and compulsory superannuation entitlements) has been paid or will be paid to any Non-Affiliated Director, secretary or executive Officer in connection with the loss of, or their resignation from, their office.

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3. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. It should be read together with the rest of this Target's Statement, including the Independent Expert's Report. This section is not intended to comprehensively answer all questions that may arise in relation to the Offer or address all issues that are relevant to Realm Shareholders.

No.	Question	Answer	More information
1.	**Who is offering to purchase my Realm Shares?**	The Bidder is T2 Resources Fund Pty Limited ACN 624 330 696. The Bidder Group holds 85.73% of the issued share capital of Realm. The Bidder is wholly owned by the T2 Trust. The T2 Trust and T2 LP comprise what is known as the T2 Fund. The T2 Fund is a closed-end investment vehicle.	Section 7. Section 3 of the of the Bidder's Statement.
2.	**What is the Offer for my Realm Shares?**	The Offer Price is $0.90 in cash for each Realm Share.	Section 5.2. Section 2.1 of the of the Bidder's Statement.
3.	**What is the Target's Statement?**	This Target's Statement is the formal response by the Non-Affiliated Directors to the Offer, as required by the Corporations Act. This document has been prepared by Realm and contains important information to help you decide whether or not to accept the Offer.	
4.	**What is the Bidder's Statement?**	The Bidder's Statement is the document prepared by the Bidder which sets out the terms of the Offer, as required by the Corporations Act. All Realm Shareholders should have recently received a copy of the Bidder's Statement in the mail and it is available on the ASX Market Announcements Platform.	

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No.	Question	Answer	More information
5.	**What choices do I have as a Realm Shareholder?**	As a Realm Shareholder, you have the following choices in respect of your Realm Shares: 1. **REJECT** the Offer by doing nothing (which is what the Non-Affiliated Directors recommend) and remain a Realm Shareholder; 2. **REJECT** the Offer and attempt to sell your shares off-market; or 3. **ACCEPT** the Offer (which the Non-Affiliated Directors do **not** recommend) and cease to be a Realm Shareholder. There are implications in relation to each of the above choices. A summary of these implications is set out in section 4 of this Target's Statement. You should seek legal, financial or taxation advice from your professional adviser regarding the action that you should take in relation to the Offer.	Section 4.
6.	**What is the opinion of the Independent Expert?**	The Independent Expert has concluded that the Offer is neither fair nor reasonable to Realm Shareholders not affiliated with the Bidder and the estimated fair market value is $1.62 to $1.92 per Realm Share. A copy of the Independent Expert's Report accompanies this Target's Statement at Attachment 1.	Section 1.1 and Attachment 1.
7.	**What do the Non-Affiliated Directors recommend?**	The Non-Affiliated Directors unanimously recommend that you **REJECT** the Offer. The Non-Affiliated Directors recommendation is set out in section 2.3 of this Target's Statement.	Section 2.2.
8.	**What do the Non-Affiliated Directors intend to do with the Realm Shares that they Control?**	Each of the Non-Affiliated Directors intends to **REJECT** the Offer in respect of the Realm Shares that they Control.	Section 2.2.

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No.	Question	Answer	More information
9.	**What is the difference between the Sub-Committee and the Non-Affiliated Directors?**	The Board had established a Sub-Committee which has the scope of authority to, amongst other things, review, consider and evaluate the terms of the Offer. As at the Approval Date, the Sub-Committee comprises non-executive Directors James Beecher and Staffan Ever. The Sub-Committee is considered independent of the Bidder Group and the members of the Sub-Committee do not have interests in the Bidder Group. The recommendations provided in this Target's Statement are provided by the Non-Affiliated Directors. The Non-Affiliated Directors comprise the members of the Sub-Committee and Michael Rosengren. The Non-Affiliated Directors are considered independent of the Bidder Group as no Non-Affiliated Director has an interest in the Bidder Group.	N/A
10.	**What are the risks of accepting or rejecting the Offer?**	A non-exhaustive list of key risks of accepting or rejecting the Offer is set out in section 8 of this Target's Statement. Refer also to the intentions of the Bidder set out in section 5.2 and 5.3 of the Bidder's Statement.	Section 8. Sections 5.2 and 5.3 of the of the Bidder's Statement.
11.	**What relevant interest does the Bidder Group have in Realm?**	The Bidder Group holds a Relevant Interest in 217,110,255 Realm Shares (or 85.73% of Realm's share capital) as at 14 March 2018.	Section 7.2. Sections 3.2, 4.5, 4.7 and 4.8 of the of the Bidder's Statement.
12.	**Why should I REJECT the Offer**	The Non-Affiliated Directors unanimously recommend that you **REJECT** the Offer for the following key reasons: 1. the Independent Expert has determined that the Offer is neither fair nor reasonable and the estimated fair market value is $1.62 to $1.92 per Realm Share; 2. the Offer Price does not reflect the value of Realm's interest in the Foxleigh Coal Mine; 3. the Offer Price does not recognise the recent improvement in metallurgical coal market conditions; 4. the Offer Price does not provide an adequate premium to Realm Shareholders; 5. the Offer is opportunistic and appears to take advantage of Realm's suspension from Official Quotation; and 6. you may forego value by accepting the Offer.	Section 1.

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No.	Question	Answer	More information
13.	**How do I reject the Offer?**	To reject the Offer, you should do nothing and **TAKE NO ACTION** in relation to all correspondence from the Bidder in relation to the Offer.	Section 4 Option 1.
14.	**Is the Offer conditional?**	The Offer is subject to a number of Conditions. Refer to section 5.6 of this Target's Statement for specific details of the Conditions and to section 8.4 of the Bidder's Statement for the status of the Conditions as at the date of the Bidder's Statement.	Section 5.6. Sections 2.1, Appendix 1 paragraph 6 and Appendix 2 of the Bidder's Statement.
15.	**What are the consequences if the Conditions are not fulfilled or waived?**	In the event that the Conditions are not satisfied or waived by the end of the Offer Period, then the Offer will lapse and your acceptance will be void. You will continue to hold your Realm Shares and be free to deal with your Realm Shares as if the Offer had not been made, unless you have already sold your Realm Shares to someone else.	Section 5.7. Appendix 1, paragraph 6 of the Bidder's Statement.
16.	**How do I accept the Offer?**	The Non-Affiliated Directors recommend that you **REJECT** the Offer. However, if you wish to accept the Offer, refer to section 2.2 of the Bidder's Statement and its corresponding acceptance form for instructions.	Section 4. Section 2.2 and the acceptance form in the Bidder's Statement.
17.	**Can I accept the Offer for part of my Realm Shares?**	No. You may only accept the Offer for all of your Realm Shares.	Section 5.5. Appendix 1, paragraph 1 of the Bidder's Statement.
18.	**Does a cooling off period apply to acceptances of the Offer?**	No, cooling off rights do not apply to acceptances made under the Offer.	Appendix 1 paragraph 8 of the Bidder's Statement.
19.	**Is there a minimum acceptance condition?**	No, the Offer does not have a minimum acceptance condition.	Section 1 question 8 of the Bidder's Statement.

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No.	Question	Answer	More information
20.	**What are the consequences of accepting the Offer now, while it remains conditional?**	If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Realm Shares or otherwise deal with your Realm Shares while the Offer remains open and the Bidder will be able to exercise the rights attaching to your Realm Shares upon the Offer becoming unconditional. This means that upon your acceptance of the Offer and the Offer becoming unconditional, the Bidder will be entitled to attend meetings of Realm and vote on your behalf in relation to your Realm Shares. While the Offer remains conditional, you will not be paid the Cash Consideration. You should take into account the possibility that Conditions may not be fulfilled or waived. You should also take into account the possibility that if a "prescribed occurrence" occurs this may be a breach of the Conditions. If a third party makes a superior proposal for your Realm Shares, you will not be entitled to the benefit of that superior proposal if you have already accepted the Offer or have otherwise sold your Realm Shares.	Sections 5.7, 5.15 and 5.20. Appendix 1, paragraph 7 of the Bidder's Statement.
21.	**If I accept the Offer, can I withdraw my acceptance if I change my mind?**	Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, the Bidder varies the Offer in a way that postpones, for more than one month, the time when the Bidder has to meet its obligations under the Offer (for example, if the Bidder extends the Offer for more than one month while the Offer remains conditional).	Section 5.16. Appendix 1 paragraph 7.1 of the Bidder's Statement.
22.	**What are the consequences of the Offer becoming unconditional?**	If you accept the Offer after the Offer becomes unconditional or the Offer becomes unconditional after you have accepted, you will be entitled to receive the Offer Price in respect of your Realm Shares (subject to the terms of the Offer in Bidder's Statement). The Bidder will be able to exercise the rights attaching to your Realm Shares (including voting rights) upon the Offer becoming unconditional.	Appendix 1, paragraph 5 and 7.3(g) of the Bidder's Statement.

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No.	Question	Answer	More information
23.	**What should I do?**	You should seek independent legal, financial and taxation advice from your professional adviser in relation to the action that you should take in relation to the Offer and your Realm shareholding. To follow the Non-Affiliated Directors' unanimous recommendation to **REJECT** the Offer, you should **TAKE NO ACTION** and do nothing.	Sections 1, 4 and 9.
24.	**When do I have to make a decision?**	The Bidder has stated that its Offer is scheduled to close at 7.00 pm (Sydney time) on 16 April 2018, unless it is extended or withdrawn. The Bidder will give written notice of any extension of the Offer Period in accordance with the Corporations Act.	Sections 5.3 and 5.4. Appendix 1, paragraph 3 of the of the Bidder's Statement.
25.	**Can the Bidder increase the Offer Price?**	The Bidder has stated that it does not have any current intention to increase the Cash Consideration (although it has the right to do so). In accordance with section 650B of the Corporations Act, the Bidder may vary the Offer by improving the Offer Price. If the Bidder increases the Offer Price, the Non-Affiliated Directors will carefully consider the revised Offer and advise you accordingly. If the Bidder increases the Offer Price during the last seven days of the Offer Period, the Offer Period will be automatically extended by a further 14 days. If you have already accepted the Offer you will be entitled to the increased Offer Price, should the Offer become or be declared unconditional.	Section 5.18. Section 1 question 7 of the Bidder's Statement.
26.	**Can the Bidder vary the Offer?**	Yes. The Bidder can vary the Offer by extending the Offer Period or increasing the Offer Price. You will be entitled to any increase in the Offer Price even if you have previously accepted the Offer. Details of the circumstances in which the Offer Period may be extended are set out in section 5.4 of this Target's Statement.	Sections 5.4 and 5.18. Appendix 1, paragraph 9 of the Bidder's Statement.
27.	**When does the Offer Close?**	The Offer is currently scheduled to close at 7 pm (Sydney time) on 16 April 2018, but the Offer Period can be extended in certain circumstances.	Key Dates and section 5.3 and 5.4. Appendix 1, paragraph 3 of the Bidder's Statement.

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No.	Question	Answer	More information
28.	**When will I receive the Offer Price if I accept the Offer?**	If the contract resulting from your acceptance of the Offer becomes unconditional, the Bidder will provide the Cash Consideration to which you are entitled on acceptance of the Offer on or before the earlier of: 1. 1 month after the date the Offer is validly accepted by you or, if the Offer is subject to a Condition when accepted, within 1 month after the Offer or the contract resulting from your acceptance of the Offer becomes unconditional; and 2. 21 days after the end of the Offer Period provided that the Offer has become unconditional.	Section 5.17. Appendix 1, paragraph 5.2 of the of the Bidder's Statement.
29.	**Will I need to pay brokerage or stamp duty if I accept the Offer?**	You will not pay brokerage or stamp duty on the disposal of your Realm Shares if you accept the Offer. If your Realm Shares are in a CHESS holding or you hold your Realm Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your Broker or the bank, custodian or other nominee) whether it will charge any transaction fees or services charges.	Sections 1, question 24 and 7 of the Bidder's Statement.
30.	**What are the tax implications of accepting the Offer?**	The taxation implications of accepting the Offer will depend on your personal circumstances. Attachment 2 contains the Tax Advisor's Report which provides an overview of the Australian taxation consequences of accepting the Offer for certain Australian tax resident Realm Shareholders. Section 7 of the Bidder's Statement also provides a general outline of the tax implications of accepting the Offer for certain Australian tax resident Realm Shareholders. You should not rely on either outline referred to above as advice on your own affairs. They do not deal with the position of particular Realm Shareholders. You should seek your own personal, independent legal, financial and taxation advice before making a decision as to whether to reject or accept the Offer for your Realm Shares.	Attachment 2. Section 7 of the Bidder's Statement.

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No.	Question	Answer	More information
31.	**What happens if I do not accept the Offer?**	If you do not accept the Offer, the Bidder may become entitled to compulsorily acquire your Realm Shares. The Bidder's intentions with respect to compulsory acquisition are set out in sections 5.2 and 5.3 of the Bidder's Statement. There are two possible avenues under which the Bidder may compulsorily acquire your Realm Shares. Those are described briefly below and in further detail in sections 5.11 of this Target's Statement. If the Offer becomes or is declared unconditional but the Bidder does not become entitled to compulsorily acquire your Realm Shares, you will remain a shareholder in Realm. For the Bidder's intentions in relation to the ongoing listing of Realm, please refer to sections 5.2(b) and 5.3(c) of the Bidder's Statement. Under the follow on compulsory acquisition power following a takeover under Part 6A.1 of the Corporations Act, based on Realm's share register as at the Approval Date, the Bidder Group would need to acquire at least 27,261,930 Realm Shares (being 75% of the bid class) through the Offer, and achieve a 96.41% relevant interest in Realm's share capital to compulsorily acquire the remaining Realm Shares the Bidder Group did not hold. If the Bidder does not become entitled to compulsorily acquire outstanding Realm Shares at the end of the Offer Period under Part 6A.1 of the Corporations Act following its takeover bid as set out above, the Bidder may become entitled to exercise the general compulsory acquisition rights under Part 6A.2 of the Corporations Act if it becomes a full beneficial holder of at least 90% of Realm Shares. In order for the Bidder to become a 90% holder in Realm at the end of the Offer Period, the Bidder would need to acquire 11,003,291 Realm Shares through the Offer, being 30.27% of the remaining Realm Shares.	Sections 5.10 and 5.11. Sections 5.2, 5.3, 5.4 and 5.5 of the Bidder's Statement.

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No.	Question	Answer	More information
32.	**ASX de-listing**	The Bidder has stated that it intends to actively encourage Realm to apply for removal from the Official List. ASX guidance states that an entity may ask ASX to remove it from the Official List at any time, but ASX is not required to act on an entity's request for removal and may require conditions to be satisfied if it does so. Subject to certain exceptions, ASX will usually require shareholder approval for a de-listing however, the Bidder would likely be excluded from this vote as Realm has been the subject of a takeover bid in the previous 12 months. There is an exception following 'successful takeover bids', where ASX will not usually require shareholder approval for the de-listing however, the Non-Affiliated Directors consider that it is unlikely that the Bidder would be able to satisfy the relevant requirements in order to rely on the takeover exception. Refer to section 5.12 of this Target's Statement for further information on this exemption, de-listing and a list of potential conditions that ASX may impose upon an entity seeking to de-list.	Section 5.12. Section 5.3 of the Bidder's Statement.
33.	**Can the Bidder withdraw the Offer?**	The Corporations Act permits the withdrawal of unaccepted offers only in exceptional circumstances. The Bidder may not withdraw the Offer if you have already accepted it. Before you accept the Offer, the Bidder may only withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. However, the Offer is conditional. If the Conditions are not satisfied or waived by the end of the Offer Period, the Offer will lapse, in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation you will be free to deal with your Realm Shares as you see fit. Please refer to section 5.14 of this Target's Statement for further details.	Section 5.14. Appendix 1, paragraph 8 of the of the Bidder's Statement.
34.	**What are the Bidder's intentions for Realm's business?**	The Bidder has indicated that its intention is to continue the operation of Realm's existing business and in particular to focus on the successful operation of Foxleigh. The Bidder intends to undertake a divestment of Realm's Alumicor and Chrometco interests.	Section 5 of the Bidder's Statement.

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No.	Question	Answer	More information
35.	**What happens if a competing proposal is made for Realm?**	If a competing proposal for Realm emerges, Realm Shareholders will be informed through an ASX Announcement. The Non-Affiliated Directors will carefully consider the competing proposal and advise you of their recommendation. If you have already accepted the Offer at the time that a competing proposal emerges, you will not be able to accept the competing proposal. Since the announcement of the proposed Offer on 9 February 2018, no competing proposal has emerged.	Sections 5.16 and 5.20. Appendix 1, paragraph 7.1 of the Bidder's Statement.
36.	**What are the risks associated with holding Realm Shares, the Realm Group and its business?**	Risks are detailed in section 8.2 of this Target's Statement.	Section 8.2.
37.	**Is there a number that I can call if I have questions in relation to the Offer?**	If you have any further queries in relation to the Offer, please call the Realm Shareholder information line or you can speak to your legal, financial or other professional adviser. The telephone number for the Realm Shareholder information line is +61 2 8264 1005 between 9:00am and 5:00pm (Sydney time) on Monday to Friday. Enquiries on individual shareholdings should be directed to 1300 855 080 (international calls: +61 3 9415 4000).	

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4. YOUR CHOICE AS A REALM SHAREHOLDER

As a Realm Shareholder you have three options available to you. These options are set out below.

You should note that:

a) the Non-Affiliated Directors unanimously recommend that you **REJECT** the Offer;

b) each of the Non-Affiliated Directors intends to **REJECT** the Offer in respect of the Realm Shares which they own or control; and

c) the Non-Affiliated Directors encourage you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Realm Shares.

Option 1 **REJECT the Offer**	If you want to retain your Realm Shares, you should simply do nothing. To reject the Offer **TAKE NO ACTION** in relation to documents sent to you by the Bidder. There are risks associated with an investment in Realm. Refer to the risk factors in section 8 of this Target's Statement for further information.
Option 2 **REJECT the Offer and attempt to sell your shares off-market.**	You may choose to reject the Offer and try to sell you shares to someone else off-market. If you choose this option you will no longer be a Realm Shareholder.

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Option 3 **ACCEPT the Offer**	Realm Shareholders who wish to accept the Offer should refer to section 2.2 of the Bidder's Statement and the instructions on its corresponding acceptance form. Realm Shareholders who accept the Offer should note that they: 1. may lose exposure to any future growth potential of Realm (although there can be no certainty that this will occur and there are risks associated with an investment in Realm (refer to the risk factors in section 8 of this Target's Statement for further information); 2. may not receive the potential benefit of any higher price which may be available for their Realm Shares on ASX subject to the Company successfully undertaking the Re-compliance, noting the Bidder's intentions in section 5.3(c) of the Bidder's Statement (although no forecast is made of future prices); 3. will not receive the Cash Consideration unless the Conditions of the Offer are satisfied or waived; 4. will not be able to withdraw their acceptance, meaning that they would not be able to accept a higher price from a competing bidder if such a bid eventuates, except in certain limited circumstances (see section 5.20 of this Target's Statement); and 5. may be liable to pay tax (for example, CGT) on the disposal of their Realm Shares which may have financial consequences for some Realm Shareholders (see section 9 of this Target's Statement for a general outline of the Australian tax consequences of disposing of Realm Shares pursuant to the Offer).

4.2 Why you might choose to accept the Offer

a) Despite the recommendation provided by the Non-Affiliated Directors in this Target's Statement, you may take a different view and you may believe that the Offer is in your best interests.

b) You may not believe there is the potential for a superior proposal to emerge. As at the Approval Date, no other offer has been made to purchase your Realm Shares.

c) You may wish to change your investment profile.

d) You may wish to take up the certain liquidity of the Offer.

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5. OFFER DETAILS

5.1 Background to the Offer

On 9 February 2018, the Bidder announced its proposal to acquire all of the fully paid ordinary Shares in the capital of Realm by way of an off-market takeover bid.

By the time you receive this Target's Statement, you will have received the Bidder's Statement, containing the full terms of the Offer, together with other information material to your decision whether or not to reject or accept the Offer.

Realm Shareholders should refer to Appendix 1 of the Bidder's Statement for the full formal terms of the Offer.

5.2 The Offer

The Bidder is offering $0.90 in cash for each Realm Share you own. Payment of the cash amount to which you are entitled under the Offer will be made by cheque (or otherwise as determined by the Bidder) in Australian currency.

5.3 Offer Period

The Offer is open for acceptance from 14 March 2018 and will close at 7pm (Sydney time) on 16 April 2018 (unless extended or withdrawn in accordance with the Corporations Act).

5.4 Extension of the Offer Period

The Bidder may extend the Offer Period at any time before giving the Notice of Status of Conditions on 6 April 2018 while the Offer is subject to the Conditions. However, if the Offer is still subject to a defeating condition, and the Bidder has provided notice of the status of Conditions under s630(3) of the Corporations Act, the Bidder can only extend the Offer if:

a) another person lodges with ASIC a bidder's statement for a takeover bid for Realm Shares;

b) another person announces a takeover bid for Realm Shares;

c) another person makes offers under a takeover bid for Realm Shares; or

d) the consideration for offers under another takeover bid for Realm Shares is improved.

If, within the last 7 days of the Offer Period:

e) the offers under the bid are varied to improve the consideration offered; or

f) the Bidder Group's voting power in the Realm increases to more than 50%;

the offer period is extended so that it ends 14 days after the event referred to in paragraph 5.4e) or 5.4f). The bidder must give the target and everyone who has not accepted an offer under the bid written notice that the extension has occurred within 3 days after that event.

5.5 Partial acceptance and minimum acceptance

You may only accept the Offer for all of your Realm Shares. The Offer does not have a minimum acceptance condition.

5.6 Conditions of the Offer

The Offer is conditional on the following:

a) (**prescribed occurrences**) that during the period from 9 February 2018 to the end of the Offer period (Offer Period), none of the following events happen:

(i) Realm converts all or any of its shares into a larger or smaller number of shares;

(ii) Realm or any of its subsidiaries (being the Realm Group) resolves to reduce its share capital in any way;

(iii) a member of the Realm Group:

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(A) enters into a buy-back agreement; or

(B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;

(iv) a member of the Realm Group issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option (including under any employee share or Option Plan);

(v) a member of the Realm Group issues, or agrees to issue convertible notes;

(vi) a member of the Realm Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

(vii) a member of the Realm Group charges, or agrees to charge, the whole, or a substantial part, of its business or property;

(viii) a member of the Realm Group resolves to be wound up;

(ix) a liquidator or provisional liquidator of a member of the Realm Group is appointed;

(x) a court makes an order for the winding up of a member of the Realm Group;

(xi) an administrator of a member of the Realm Group is appointed under sections 436A, 4368 or 436C of the Corporations Act;

(xii) a member of the Realm Group executes a deed of company arrangement; or

(xiii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of a member of the Realm Group other than by a member of the Bidder Group.

b) (**Employee Securities**) prior to the end of the Offer Period:

(i) the entitlement to shares under any employee options on issue are cancelled; and

(ii) no shares under the employee share plans remain unvested.

5.7 Effect of non-satisfaction of Conditions

In the event that the Conditions are not satisfied or waived by the end of the Offer Period, then the Offer will lapse and your acceptance will be void.

You will continue to hold your Realm Shares and be free to deal with your Realm Shares as if the Offer had not been made, unless you have already sold your Realm Shares to someone else.

5.8 Status of Conditions

The Bidder must give notice of the status of the Conditions as required by section 630 of the Corporations Act. The date the Bidder must provide notice of the status of the conditions is 6 April 2018, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

Refer to section 10.2 of this Target's Statement for details in relation to Conditions relating to the Employee Incentive Plans.

5.9 Waived Conditions

On 27 February 2018, the Company:

a) lodged an Appendix 3C and undertook a buy-back and cancellation of 2,116,666 Employee Share Plan Shares; and

b) lodged an Appendix 3B and issued 500,000 new shares in Realm under its Employee Share Plan.

As a result of these actions, the Company triggered Condition (a)(iii) and Condition (a)(iv) as set out in Appendix 2 of the Bidder's Statement and section 5.6 of this Target's Statement.

The Non-Affiliated Directors note however that these actions will not affect the status of the Offer as the Bidder has stated in section 8.4 of the Bidder's Statement that it has determined that it will not rely on such non-fulfilment in respect of these actions undertaken by the Company.

5.10 Bidder's intentions for Realm

a) **Intentions if the Bidder acquires 90% or more of Realm Shares**

Refer to section 5.2 of the Bidder's Statement for further details.

The Bidder has indicated that if the Bidder Group becomes the holder of 90% or more of Realm Shares and becomes entitled to do so under the Corporations Act, its intentions are as follows:

(i) **Compulsory acquisition**

If the Bidder Group becomes the holder of at least 90% of Realm Shares and acquires at least 75% of the Realm Shares that the Bidder offered to acquire

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under the Offer, and the Conditions are satisfied or waived, the Bidder intends to give notices to compulsorily acquire any outstanding Realm Shares in accordance with Part 6A.1 of the Corporations Act (compulsory acquisition following a takeover bid).

If the Bidder Group becomes the holder of at least 90% of Realm Shares but does not acquire at least 75% of the Realm Shares that the Bidder offered to acquire under the Offer, and the Conditions are satisfied or waived, the Bidder intends to give notices to compulsorily acquire any outstanding Realm Shares in accordance with Part 6A.2 of the Corporations Act (general compulsory acquisition).

Refer to 5.11 of this Target's Statement for further information on compulsory acquisition.

(ii) **ASX Listing**

If the Bidder is entitled to compulsorily acquire all of the Shares in the Company, the Bidder intends to actively encourage the Board of Realm to apply for the removal of Realm from the official list of ASX.

(iii) **Head office**

If the Bidder is entitled to compulsorily acquire all of the Shares in the Company, it intends to undertake an orderly transfer of Realm's corporate functions from Sydney to Brisbane. This will involve the closure of Realm's Sydney office with all corporate roles to be located in Brisbane.

Realm has already determined to transfer its corporate functions from Sydney to Brisbane, which is currently in progress.

(iv) **Operations and assets**

The Bidder's intention is to continue the operation of Realm's existing business and in particular to focus on the successful operation of the Foxleigh Coal Mine.

The Bidder's primary focus will be on ensuring that the activities at Foxleigh are undertaken in accordance with all operating permits, licences and regulations and in-line with industry best practice environmental, social and governance standards. The Bidder intends to undertake a divestment of Realm's Alumicor and Chrometco interests.

b) **Intentions if the Bidder acquires less than 90% of Realm Shares**

Refer to section 5.3 of the Bidder's Statement for further details.

If the Bidder Group becomes the holder of less than 90% of the Realm Shares then the Bidder will not be able to compulsorily acquire the Realm Shares which have not been accepted into the Offer. In this circumstance, the Bidders intentions are:

(i) to implement the Intentions in Section 5.2 of the Bidder's Statement to the extent possible (and as set out above in section 5.10a);

(ii) to seek to replace all current Directors (other than those which it determines to retain following a review) with nominees of the Bidder; and

(iii) to continue to deal with its stake in Realm with a view to maximising its returns.

The Bidder is not supportive of Realm's continued listing on the ASX (or the capital raising necessary to lift the current suspension of Realm Shares from trading on the ASX). While the decision to apply for a removal of Realm from the Official List of the ASX lies with the Board of Realm, the Bidder will actively encourage Realm to apply for removal of Realm from the Official List of the ASX to the extent it is able to do so consistently with ASX guidance. ASX's guidance in relation to the removal of entities from the Official List of the ASX is set in ASX Guidance Note 33.

Realm has provided a detailed overview of the likelihood of de-listing and conditions imposed by ASX in section 5.12 of this Target's Statement.

5.11 Compulsory acquisition following a takeover offer

There are two types of compulsory acquisition available to the Bidder under Chapter 6A of the Corporations Act which are summarised below.

Realm Shareholders should seek professional tax advice as to the tax implications of disposing of their Realm Shares pursuant to any proposed compulsory acquisition by the Bidder. A non-exhaustive general outline of the Australian tax implications of such a disposal is set out in section 9 of this Target's Statement.

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a) **Follow on compulsory acquisition**

Under Part 6A.1 of the Corporations Act, the Bidder will be entitled to proceed to compulsorily acquire any outstanding Realm Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of, the Offer Period, the Bidder (together with its associates):

(i) has Relevant Interests in at least 90% (by number) of Realm Shares; and

(ii) has acquired at least 75% (by number) of Realm Shares that the Bidder offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise).

Based on Realm's share register as at the Approval Date, the Bidder Group would need to acquire at least 27,261,930 Realm Shares (being 75% of the bid class) through the Offer, and achieve a 96.41% relevant interest in Realms share capital to compulsorily acquire the remaining Realm's Shares the Bidder Group did not hold in accordance with Part 6A.1 of the Corporations Act.

If these thresholds are met, the Bidder will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Realm Shareholders who have not accepted the Offer. The consideration payable by the Bidder will be the Offer Price last offered under the Offer.

Realm Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Realm Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent "fair value" for the Realm Shares.

Realm Shareholders should be aware that if they do not accept the Offer and their Realm Shares are compulsorily acquired, those Realm Shareholders will face a delay in receiving their consideration for their Realm Shares compared to Realm Shareholders who accepted the Offer.

b) **General compulsory acquisition**

If the Bidder does not become entitled to compulsorily acquire outstanding Realm Shares at the end of the Offer Period under Part 6A.1 of the Corporations Act following its takeover bid, the Bidder may become entitled to exercise the general compulsory acquisition rights under Part 6A.2 of the Corporations Act.

The Bidder will be entitled to compulsory acquire Realm Shares under Part 6A.2 of the Corporations Act if it becomes a full beneficial holder of at least 90% of Realm Shares (i.e. the Bidder becomes a 90% holder in Realm).

In order for the Bidder to become a 90% holder in Realm at the end of the Offer Period, the Bidder would need to acquire at least 11,003,291 Realm Shares through the Offer, being 30.27% of the remaining Realm Shares.

If the Bidder does not reach 90% at the end of the Offer Period, Realm Shareholders should note that under section 611 item 9 of the Corporations Act, the Bidder could acquire 3% of Realm Shares every six months without breaching the takeover provisions in Chapter 6 of the Corporations Act thereby permitting it to reach the 90% threshold over a period of time.

If this threshold is met, the Bidder will have six months after the Bidder becomes a 90% holder within which to give compulsory acquisition notices to Realm Shareholders. The compulsory acquisition notices sent to Realm Shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out, among other things, whether the terms of the compulsory acquisition give a "fair value" for the Realm Shares and the independent expert's reasons for forming that opinion.

If Realm Shareholders with at least 10% of Realm Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), the Bidder may apply to the Court for approval of the acquisition of the Realm Shares covered by the notice.

This means that a Realm Shareholder or Realm Shareholders holding relatively small amounts of Realm Shares may be able to force the Bidder to apply to the Court for approval of its compulsory acquisition.

In order for the Court to approve the compulsory acquisition, the Bidder will need to satisfy the Court that the terms of the compulsory acquisition give fair value for the securities. If the Bidder cannot satisfy this, the Court will be unlikely to allow the compulsory acquisition to take place.

Realm Shareholders should be aware that if they do not accept the Offer and their Realm Shares are compulsorily acquired,

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those Realm Shareholders will face a delay in receiving their consideration for their Realm Shares compared to Realm Shareholders who accepted the Offer. The consideration received may also be different to the Offer Price – it could be higher or lower.

5.12 Likelihood of ASX de-listing

An entity may ask ASX to remove it from the Official List at any time, but ASX is not required to act on an entity's request for removal and may require conditions to be satisfied if it does so. A formal request to ASX for de-listing would need to be made by Realm to ASX setting out:

a) the reasons for seeking to be removed from the Official List;

b) whether shareholder approval is being sought for the removal; and

c) what, if any, arrangements will be in place to enable shareholders to sell their shares in the lead up to, and / or after, removal.

In practice, ASX's decision to not act upon an entity's request for de-listing exists to ensure that the removal is being sought for acceptable circumstances. Published guidance notes that generally acceptable reasons for de-listing include:

a) re-domiciling to another jurisdiction;

b) ASX being a secondary listing which is no longer required;

c) post takeover, scheme of arrangement or other control transaction; and

d) directors have reason to believe listing is no longer in securityholders interest.

Some unacceptable reasons why an entity might ask to be removed from the Official List include if it is doing so solely or primarily:

a) to avoid the application of Chapter 10 of the Listing Rules (transactions with persons in a position of influence) to a particular transaction that would otherwise require the approval of shareholders; or

b) to deny minority shareholders a market for their securities in order to coerce them into accepting an offer from a controlling shareholder to buy their shares.

Subject to the exceptions noted below, ASX will usually require shareholder approval for the de-listing via an ordinary resolution. The Bidder would be excluded from this vote because, where an entity has been the subject of a takeover bid in the previous 12 months after the close of a takeover bid, ASX imposes a voting exclusion statement excluding the bidder and its associates from voting (unless the bidder satisfies the successful takeover exception below).

There is an exception following 'successful takeover bids', where ASX will not usually require shareholder approval for the de-listing. This exception will apply where:

a) the Bidder and its related bodies corporate control at least 75% Realm Shares, but has not met the compulsory acquisition thresholds;

b) excluding the Bidder and its related body corporates there are less than 150 holders with a holding of $500 or more (**Minimum Holding Requirement**);

c) the Bidder foreshadowed in the Bidder's statement that it intended to seek to remove Realm from the ASX;

d) the Offer remained open for at least 2 weeks following the Bidder and related body corporates obtaining 75% control of Realm; and

e) Realm applies for removal from the list no later than 1 month after the close of the takeover bid.

As at the Approval Date, according to Ream's Share register, there are 878[4] Realm Shareholders with a holding of $500 or more as at the Approval Date including unvested Employee Share Plan Shares and the Bidder Group's current interest in Realm is 85.73%. Due to these factors as well as consideration of the Realm Shareholders' register, while technically possible, the Non-Affiliated Directors consider that it is unlikely that at the end of the Offer Period, the Bidder would have an interest in Realm of less than 90%, while also being able to satisfy the Minimum Holding Requirement in order to rely on the takeover exception.

If the Bidder does not meet these requirements, Realm Shareholder approval for a de-listing will be required, with the Bidder and their associates being excluded from voting.

4 This number may be subject to movement based on Realm Shareholders accepting the Offer during the Offer Period that Realm is not aware of.

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5.13 Impact of the Offer on Employee Share Plan Shares and Options under the Employee Option Plan

The Offer is conditional on all employee entitlements to shares under the Employee Option Plan being cancelled, and no Shares under the Employee Share Plan remaining unvested prior to the end of the Offer Period.

See section 10.2 of this Target's Statement for further information.

5.14 Withdrawal of Offer

The Bidder may not withdraw the Offer if you have already accepted it. Before you accept the Offer, the Bidder may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

The Offer is subject to the Conditions. In the event that the Conditions are not satisfied or waived by the end of the Offer Period, then the Offer will lapse and your acceptance will be void. You will continue to hold your Realm Shares and be free to deal with your Realm Shares as if the Offer had not been made, unless you have already sold your Realm Shares to someone else.

5.15 Effect of acceptance

The effect of acceptance of the Offer is set out in Appendix 1, paragraph 7 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Realm Shares and the representations and warranties which you will be giving the Bidder by accepting the Offer.

In particular, accepting the Bidder's Offer will prevent you from selling your Realm Shares during the Offer Period and the Bidder would also be able to exercise the rights attaching to your Realm Shares if the Offer becomes unconditional.

5.16 Withdrawal of your acceptance

You cannot withdraw or revoke your acceptance unless a withdrawal right arises under the Corporations Act. A withdrawal right will arise if, after you have accepted the Offer, the Bidder varies the Offer in a way that postpones for more than one month the time that the Bidder has to meet its obligations under the Offer (for example, if the Bidder extends the Offer Period for more than one month while the Offer remains subject to any of the Conditions).

5.17 When you will receive the Offer consideration

If the contract resulting from your acceptance of the Offer becomes unconditional, the Bidder will provide the Cash Consideration to which you are entitled on acceptance of the Offer on or before the earlier of:

(a) 1 month after the date the Offer is validly accepted by you or, if the Offer is subject to a Condition when accepted, within 1 month after the Offer or the contract resulting from your acceptance of the Offer becomes unconditional; and

(b) 21 days after the end of the Offer Period provided that the Offer has become unconditional.

See Appendix 1, paragraph 5 of the Bidder's Statement for further details.

5.18 Effect of an improvement in the Offer consideration

The Bidder does not have any current intention to increase the Cash Consideration (although it has the right to do so).

If the Bidder improves the consideration offered under the Offer, all Realm Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration, should the Offer become or be declared unconditional. Any Realm Shareholders who have sold their Realm Shares on ASX (noting that Realm Shares are currently suspended from trading) or off-market (i.e. not under the Offer to a person other than the Bidder) will not receive the benefit of the improved consideration in relation to those Realm Shares. Realm Shares are currently suspended.

5.19 Lapse of the Offer

The Offer will lapse if the Conditions referred to in 5.6 of this Target's Statement and Appendix 2 of the Bidder's Statement are not fulfilled by the end of the Offer Period.

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5.20 Effect of any superior proposal

If a third party makes a superior proposal for your Realm Shares, you will not be entitled to the benefit of that superior proposal if you have already accepted the Offer or have otherwise sold your Realm Shares.

5.21 Effect of any increase in the ASX quoted price for Realm Shares

Realm Shares are currently suspended from trading on the ASX and will remain suspended until Realm completes its Re-compliance.

5.22 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a superior proposal from the Bidder or a third party) which would alter the Non-Affiliated Directors' recommendations in relation to the Offer, Realm Shareholders will be notified through a supplementary Target's Statement.

5.23 Taxation consequences

In making a decision whether to accept the Offer, Realm Shareholders should also have regard to the fact that the disposal of Realm Shares may have taxation consequences. Realm Shareholders should seek their own independent advice as to any such taxation consequence (please refer to the Tax Advisor's Report in Attachment 2 of the Target's Statement and section 7 of the Bidder's Statement).

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6. COMPANY PROFILE

6.1 Company Overview

Realm is an independent Australian metallurgical coal producer with its flagship asset being a 70% interest in the Foxleigh Coal Mine located in Queensland's Bowen Basin. The Company's primary activities and investments are in the exploration and development of quality coal and resource sector projects, and include:

a) coal projects in Australia and Indonesia;

b) aluminium dross and scrap re-smelting in South Africa; and

c) platinum exploration projects in South Africa.

Realm's strategy is to create value through the operation, exploration and development of bulk commodity projects, primarily in coal. In addition, the Company aims to divest its non-core interests in Alumicor and its platinum projects.

At the date of this Target's Statement, Realm Shares are suspended from trading on ASX and will remain suspended until the Company has successfully completed its Re-compliance with Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the Official List and received approval from ASX that its shares will be re-admitted to Official Quotation.

6.2 Foxleigh Coal Mine

The Foxleigh Coal Mine is an open pit coal mining operation located in the Bowen Basin in Queensland, approximately 12 kilometres south of Middlemount and 272 kilometres northwest of Rockhampton, that produces circa 3 million tonnes of saleable LV PCI coal per annum.

Mining is undertaken using truck and excavator methods with raw coal loaded into dump trucks and delivered to the coal handling and preparation plant for washing. Saleable coal is transported 27 kilometres via a privately-owned haul road using road trains to a dedicated train loading facility located alongside the Capcoal rail loop and is then railed 280 kilometres to the Dalrymple Bay Coal Terminal at the Port of Hay Point near Mackay, Queensland.

Coal is then distributed by ship to a diversified base of longstanding customers in key export markets including South Korea, Japan and Taiwan.

The Foxleigh Coal Mine's coal Resources and coal Reserves estimates were reported under the JORC Code and are summarised below:

a) coal Reserves of 69.6 Mt[5] (44.2 Mt Proven and 25.4 Mt Probable) and Marketable coal Reserves of 49.1 Mt (31.1 Mt Proven and 18 Mt Probable); and

b) coal Resources of 154.3 Mt[6] (42.5 Mt Measured, 79.9 Mt Indicated and 31.9 Mt Inferred).

5 Differing economic assumptions for the Foxleigh Coal Mine Reserve estimate and the later Foxleigh Plains Reserve update.

6 Realm holds a 100% interest in the Roper Creek Coal Resource of 48.0Mt, and a 70% interest in all other coal Resources. Any production at the Foxleigh Coal Mine from Roper Creek is governed by an existing heads of agreement between the Foxleigh Joint Venture partners and Realm, under which all parties would need to reach a mutually agreeable position for the Foxleigh Coal Mine to produce coal from this area.

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Refer to Section 1.5 of the Independent Technical Expert's Report for further details of coal Resources and Reserves and to section 10.8 of this Target's Statement for competent persons statements.

The 2017 quarterly and full year operating results for the Foxleigh Coal Mine are summarised below.

Foxleigh Coal Mine 2017 Operating Results (100% basis)

	Metric	Q1 CY17	Q2 CY17	Q3 CY17	Q4 CY17	CY17
ROM coal produced	Kt	997	920	956	1,153	**4,027**
ROM strip ratio	BCM/ROM t	5.6:1	7.9:1	11.3:1	8.8:1	**8.4:1**
Saleable coal produced	Kt	781	519	848	815	**2,963**
Total coal sales	**Kt**	**698**	**790**	**564**	**715**	**2,767**

Further information on Foxleigh Coal Mine's recent operating performance is available in Realm's Q4 2017 Quarterly Activities and Cashflow Report announced to ASX on 1 February 2018 and in the 2017 Financial Report announced to ASX on or before 29 March 2018.

6.3 PTKR

The Katingan Ria Coal Project in Indonesia (**PTKR**) is a thermal coal development project located in the Regency of Katingan, Central Kalimantan, Indonesia.

Realm and its consultants have completed the study of the feasibility of operating an open-cut thermal coal mine of up to 3Mtpa production capacity.

Realm's 51% owned share of PTKR is suited to supply a proposed power station in Central Kalimantan.

6.4 Alumicor

In 2008 Realm acquired 74% of the shares of Alumicor SA Holdings Proprietary Limited (**Alumicor**), an unlisted proprietary company based in South Africa specialising in aluminium dross treatment.

Alumicor's business is situated in Pietermaritzburg, Kwazulu Natal, South Africa. Alumicor Martizburg (Pty) Ltd owns the industrial property adjacent to the Hulamin Limited aluminium smelter and has constructed an aluminium dross re-smelting plant comprising three oxyfuel fired rotary tilting furnaces, bag houses and associated raw materials and waste handling facilities to treat waste from Hulamin Limited's aluminium smelter.

Realm is continuing to work on a divestment strategy for Alumicor.

6.5 Platinum Group Metals

Realm has interests in a number of exploration projects in the Eastern limb of the world's largest platinum group metal deposit in South Africa, known as the Bushveld Igneous Complex.

Realm's exploration tenements in the Western Limb have been vended in to Chrometco (JSE:CMO) for shares. Realm now holds 45 million shares in CMO. The Company continues to keep its mineral rights in the Eastern Limb in good standing.

Realm is continuing to work on a divestment strategy for its platinum projects.

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6.6 Directors and Management

As at the date of this Target's Statement, the Directors of Realm are as follows:

Director	Position
Gordon Galt	Non-executive Chairman
Michael Rosengren	Managing Director
Michael Davies	Non-executive Director
Staffan Ever	Non-executive Director
James Beecher	Non-executive Director

As at the date of this Target's Statement, Realm's senior management team comprises the following:

Director	Experience
Michael Rosengren	Managing Director
Theo Renard	Chief Financial Officer and Company Secretary
Tod Mathews	General Manager, Middlemount South

6.7 Financial performance

Realm's last published consolidated financial statements for the year ended 31 December 2017 will be released on or before the date of this Target's Statement.

In 2017, the Foxleigh Coal Mine recorded saleable coal production of 2.963Mt and total coal sales of 2.767Mt, despite the impact on operations from Cyclone Debbie and end of year port congestion.

Positive operating cash flows from Realm's interest in the Foxleigh Coal Mine contributed to Realm recording net cash flows from operating activities of approximately $80.3 million in 2017, which allowed:

a) debt payments of approximately $50.7 million, comprising the repayment of the balance and outstanding interest on a loan provided by Taurus Resources Fund No. 2; and

b) payments to acquire property, plant and equipment of approximately $29.3 million, including new excavators and a major levee to support continued operations at Foxleigh.

Realm's cash balance was approximately $65.3 million at 31 December 2017, broadly in line with the previous year end balance, and subsequently increased to approximately $93.7 million at 28 February 2018. This cash balance has increased as a result of the depletion of product coal stockpiles, increased quarterly coal prices and proceeds from exercised share options. The cash balance does not take into account Realm's tax liabilities, which are estimated to be approximately $27 million which are payable in June 2018.

Except as set out in this Target's Statement and the Independent Expert's Report, the Non-Affiliated Directors are not aware of any material changes to the financial position of Realm since 31 December 2017.

6.8 Financing arrangements and royalty payments

Realm's acquisition of the Foxleigh Coal Mine was funded via a $50 million bridge loan from Taurus Resources Fund No. 2, which was repaid in full on 29 August 2017. Realm currently has a Performance Guarantee Facility with a limit of US$78.5m currently drawn to US$48.9m and a Working Capital Facility with a limit of US$20 million currently undrawn. The Working Capital Facility can be increased to US$40 million with a commensurate reduction in the Performance Guarantee. Both the Performance Guarantee Facility

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and Working Capital Facility have been provided by the Taurus Mining Finance Fund and expire on 31 January 2019.

As part of securing the Performance Guarantee and Working Capital Facility, Realm also entered into a royalty deed in favour of the Taurus Mining Finance Fund. Realm's royalty payment to the Taurus Mining Finance Fund is calculated as 1% of the total gross revenue of the Foxleigh Joint Venture and EPC 1669 and EPC 885, as well as any future tenements held by the Foxleigh Joint Venture, adjusted to reflect Foxleigh Coal's 70% interest in the Foxleigh Joint Venture.

As part of the acquisition of the Foxleigh Coal Mine, Realm also agreed to pay Anglo American a semi-annual royalty on its 70% share of the coal extracted from the Foxleigh Coal Mine for a period of 12.5 years. The royalty payments are capped at A$75 million in aggregate and are made based on the Average Coal Price Achieved (ACPA) in each six-month royalty period based on the following scale:

a) if ACPA is greater than AUD 105 per tonne, $1 per tonne of coal sold;

b) if ACPA is greater than AUD 115 per tonne, $2 per tonne of coal sold; or

c) if ACPA is greater than AUD 130 per tonne, $3 per tonne of coal sold.

These thresholds are inflated each six months in accordance with Table 11 (Coal Mining) of the ABS 6427.0 Producer Price Index published by the Australian Bureau of Statistics.

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7. INFORMATION ABOUT THE BIDDER GROUP

7.1 Disclaimer

The following information on the Bidder Group is based on publicly available information, including information in the Bidder's Statement, and has not been independently verified by Realm. Realm does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on the Bidder Group in this Target's Statement should not be considered comprehensive. Further information about the Bidder and the Bidder Group is set out in the Bidder's Statement, and may also be obtained from the Taurus Funds Management website at https://www.taurusfunds.com.au. Information obtained in or otherwise accessible from that website does not form part of this Target's Statement. The Bidder Group may be required to lodge documents with ASIC. Copies of documents lodged with ASIC by the Bidder Group may be obtained from, or inspected at, an ASIC office.

Section 3 of the Bidder's Statement provides further information on the Bidder and the Bidder Group.

7.2 Overview of the Bidder Group

The Bidder is a proprietary company incorporated in New South Wales. The Bidder is a special purpose vehicle which was incorporated for the sole purpose of making the Offer and holding Realm Shares. Other than its nominal share capital and Realm Shares recently acquired from the T2 Trust, the Bidder has no other assets or liabilities. The Bidder's funding arrangements in relation to the Offer are set out in section 6 of the Bidder's Statement. The directors of the Bidder are Martin Boland and Rohan Menon. As at the Approval Date, the Bidder is wholly owned by the T2 Trust. Prior to the date of this Bidder's Statement, T2 Trust transferred the legal and beneficial interest in the 1.88% of Realm Shares which it owns to the Bidder. The T2 Trust and T2 LP will subscribe for additional shares in the Bidder in order to fund the Cash Consideration in the following proportions:

a) 97.7995% by T2 LP; and

b) 2.2005% by T2 Trust.

The T2 Trust and T2 LP together comprise the T2 Fund. T2 LP is a limited partnership investment vehicle established in the Cayman Islands. T2 LP is a closed-end investment vehicle whose strategy is to invest in emerging mining and metals companies with projects primarily in the appraisal and development stages. The general partner of T2 LP is Taurus GP No.2 LLC, a Delaware limited liability company and a Cayman Island registered foreign company. The T2 Trust is an unlisted investment trust established under the laws of Australia.

Taurus Funds Management is the trustee of the T2 Trust. The T2 Fund is managed by Taurus Funds Management, an independent, global funds management group whose clients include institutional and high net worth individuals. T2 LP is an existing Realm Shareholder while T2 Trust was a Realm Shareholder prior to transferring its Realm Shares to the Bidder. As at the Approval Date, the Bidder's voting power in Realm is 85.73%.

Taurus Funds Management is an independent, global fund manager which provides investment services to institutional and high net worth clients.

7.3 Substantial Realm Shareholders

a) As at the Approval Date and based on section 4.5 of the Bidder's Statement, the Bidder Group holds 217,110,255 Realm Shares comprising aggregate voting power of 85.73% of Realm Shares through the following entities:

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(i) the Bidder;

(ii) Taurus Funds Management;

(iii) Taurus Resources Ltd No 2 GP LLC (a Delaware limited liability company and Cayman Island registered foreign company) as general partner of T2 LP;

(iv) Taurus SM Holdings; and

(v) M.D. Sass Finstrat Taurus Holdings, LLC.

b) The Bidder is wholly owned by the T2 Trust. T2 Trust and T2 LP will subscribe for additional shares in the Bidder to fund the Cash Considerations (see section 6 of the Bidder's Statement for further details on the funding arrangements). T2 Trust and T2 LP together comprise the T2 Fund. Taurus Funds Management is the trustee of the T2 Trust and the manager of the T2 Fund and is wholly owned by Taurus SM Holdings. The shareholders of Taurus SM Holdings are:

(i) M.D. Sass Finstrat Taurus Holdings, LLC (a third party investor);

(ii) Michael Davies Investments Pty Limited as trustee for The Michael Davies Family Trust (an associate of Michael Davies, an executive of Taurus Funds Management Pty Limited and a nominee of the Bidder Group as a Director of Realm);

(iii) Gordon Thomas Galt as trustee for The Galt Superannuation Fund (Gordon Galt is an executive of Taurus Funds Management Pty Limited and a nominee of the Bidder Group as a Director of Realm); and

(iv) RK Menon Holdings Pty Ltd as trustee for the RK Menon Family Trust (an associate of Rohan Menon, an executive of Taurus Funds Management Pty Limited and a director of the Bidder).

7.4 Details of Voting Power in Realm

As at the Approval Date, the Bidder's voting power in Realm is 85.73%.

7.5 Consideration provided for Realm Securities during previous Four Months

With the exception of a transfer of Realm Shares within the Bidder Group from the T2 Trust to the Bidder (see section 3.2 of the Bidder's Statement), the Bidder and its associates have not acquired or disposed of Realm Shares during the period of four months immediately before the date of the Offer.

On 12 February 2013, T2 LP and T2 Trust entered into options deeds with the Company pursuant to which they were issued with 100,000,000 options (in aggregate) with an exercise price of $0.05 (on a post consolidation basis, the number of options were consolidated to 10,000,000 at an issue price of $0.50). In accordance with those option deeds, T2 Trust and T2 LP exercised those options on 30 January 2018 and were issued the shares on 12 February 2018.

7.6 Realm's related party arrangements with the Bidder Group

Realm has an agreement in place with New Holland Capital whereby New Holland Capital provides advice to Realm in relation to the AAMCA negotiation on working capital and other ad hoc advice. New Holland Capital is a related party as it is a wholly owned subsidiary of Taurus SM Holdings.

7.7 Funding

Section 6 of the Bidder's Statement provides further information on the Bidder and the Bidder Group. Based on the number of Realm Shares on issue as at the date of the Bidder's Statement, the maximum amount of cash that would be payable by the Bidder under the Offer if acceptances were received for all Realm Shares in return for the Cash Consideration would be approximately $32,575,188.60.

On 16 February 2018, the Bidder, T2 Trust and T2 LP entered into the bid funding agreement. Pursuant to the bid funding agreement, T2 LP and T2 Trust are obliged to subscribe for shares in the Bidder for a subscription price which provides sufficient cash to allow the Bidder to meet its obligations under the Offer. The T2 Trust and T2 LP financial obligations under the bid funding agreement are unconditional.

As noted in section 6.3(b) of the Replacement Bidder's Statement, the vast majority by value of the investors in T2 Trust and T2 LP are third party passive institutional investors. The Bidder also notes that the interests of directors and employees of the Bidder Group (including interests associated with Mr Gordon Galt and Mr Michael Davies, who are nominee Realm Directors of the Bidder Group) and M.D. Sass Finstrat Taurus Holdings, LLC make up approximately 4.1 % of the total commitments of the T2 Fund.

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8. RISK FACTORS

In considering this Target's Statement and the Offer, Realm Shareholders should be aware that there are a number of risks which apply to a continuing investment in Realm. There are also risks associated with the alternative of accepting the Offer. A non-exhaustive list of relevant risk factors are provided in this section 8.

8.1 Risks associated with accepting the Offer

a) **Possibility of future Realm Share price appreciation**

You may lose out on any potential future success Realm has with its activities, including, but not limited to, its current activities regarding the Foxleigh Coal Mine for which value may not have yet been realised due to the current suspension of Realm Shares.

It may be possible following the Re-compliance to sell your Realm Shares for more valuable consideration than that offered under the Offer. The Non-Affiliated Directors make no forecast of whether this will occur.

Realm Shareholders should note the Bidder's intentions in sections 5.2 and 5.3 of the Bidder's Statement regarding the continued listing of Realm on ASX and the fact that it is not supportive of this.

b) **Taxation consequences of a change in control in Realm**

The taxation consequences of disposing of your Realm Shares pursuant to the Offer depends on a number of factors and will vary depending on your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in section 9 of this Target's Statement. Refer also to section 7 of the Bidder's Statement.

You should carefully consider the taxation consequences of disposing of your Realm Shares pursuant to the Offer. The outline provided in this Target's Statement is of a general nature only and you should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

If you intend to accept the Offer, you should read the Bidder's Statement and this Target's Statement carefully and if you are in doubt as to how to act, you should consult your financial, legal or other professional adviser immediately.

c) **Possibility of a superior proposal emerging**

A third party may emerge with a superior proposal. If you accept the Offer, other than in limited circumstances provided in the Corporations Act (as summarised in section 5.15, 5.16 and 5.20 of this Target's Statement and Appendix 1, paragraph 7.1 of the Bidder's Statement), you will not be able to accept any superior proposal and you will not be able to obtain any potential benefit associated with that superior proposal. Accepting the Offer will also preclude you from selling your Shares off-market to someone other than the Bidder.

8.2 Risks associated with rejecting the Offer and continuing an investment with Realm

In considering this Target's Statement and the Offer, Realm Shareholders should be aware that there are a number of risks which may affect the future operating and financial performance of Realm and the value of Realm Shares. Some of the risks can be adequately mitigated by the use of safeguards and appropriate systems but many are beyond the control of Realm and cannot be mitigated.

One or more or a combination of these risks could materially and adversely impact Realm's business,

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including its operating and financial performance, industry standing and the price and value of Realm Shares. If you do not accept the Offer and continue to hold Realm Shares, your investment in Realm will be subject to these and other risks.

A non-exhaustive list of key risks applicable to maintaining your investment in Realm in the present circumstances is set out is set out in sections 8.2a) and 8.2b) below.

a) **Company specific risks**

(i) **Risks relating to re-compliance with Chapters 1 and 2 of the Listing Rules**

Following completion of the Foxleigh acquisition, ASX determined that the transaction constituted a significant change in the scale of the Company's activities and has required the Company to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List of ASX. ASX has absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities.

ASX permitted the Company's securities to trade between 15 June 2017 and 13 July 2017 however, as at the date of this Target's Statement, the Company's securities are suspended from trading and will remain suspended until the Company satisfies the requirements of the Re-compliance.

The Company expects that following completion of a capital raise, the Company will be able to re-comply with Chapters 1 and 2 of the Listing Rules however there is a risk that the Company may not be able to meet these requirements. Should the Company not be able to meet these requirements, Realm Shareholders will be prevented from trading their Shares until such time as the Company re-complies with Chapters 1 and 2 of the Listing Rules.

Realm Shareholders should note the Bidder's intentions in sections 5.2 and 5.3 of the Bidder's Statement regarding the continued listing of Realm on ASX. In particular that the Bidder is not supportive of Realm's continued listing on the ASX (or the capital raising necessary to lift the current suspension of Realm Shares).

(ii) **Minority ownership consequences**

In section 5.3 of the Bidder's Statement, the Bidder describes its intentions in the event that it acquires less than 90% of the Realm Shares. Realm Shareholders who do not accept the Offer will remain minority Realm Shareholders in Realm and those Realm Shareholders will not collectively Control Realm. This has a number of possible implications including:

(A) the Bidder Group will be able to cast the majority of votes at any general meeting (except in circumstances where it is excluded from voting) of Realm;

(B) subject to the requirements of the Corporations Act and Realm's constitution, the Bidder Group is in a position to significantly influence the composition of the Board and management and the strategic direction of the business of Realm and its subsidiaries;

(C) the liquidity of Realm Shares would likely be lower than prior to suspension if the Bidder increases their holding in Realm; and

(D) as a result of the Bidder holding greater than 75% of Realm's Shares, it is able to pass special resolutions at a general meeting of Realm Shareholders.

(iii) **Possibility of future Realm Share depreciation**

While there are many factors that influence the market price of Realm Shares, following the close of the Offer, and after the Re-compliance, the market price of Realm Shares may fall. Depending on the size of the Bidder Group's interest in Realm, there may also be a reduced likelihood that another party will make an offer to acquire all of the Realm Shares in the future.

Depending on the number of acceptances to the Offer, the number of Realm Shares held by investors for trading purposes may be reduced, thereby potentially diminishing the future liquidity of ASX market trading of Realm Shares.

There is also a general risk of future depreciation of the price of Realm Shares due to other factors, such as the other risks described in this Target's Statement.

(iv) **Other alternatives to the Offer**

If you reject the Offer, there can be no guarantee that a competing proposal will

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emerge. As at the Approval Date, Realm has not received a competing proposal.

(v) **Title risk, exploitation, exploration and mining leases**

The Company's mining and exploration activities are dependent upon the grant, or as the case may be, the maintenance (including renewal) of appropriate licences, which may be withdrawn or made subject to limitations.

The maintaining of licenses, obtaining renewals, or getting licenses granted, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and the licenses, tenements, leases, permits or consents it holds being renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed or that the State Government will not legislate to cancel licences and tenements.

Maintenance of the Company's licences and tenements is dependent on, among other things, the Company's ability to meet the licence conditions imposed by relevant authorities including compliance with the Company's work program requirements which, in turn, is dependent on the Company being sufficiently funded to meet those expenditure requirements. Although the Company has no reason to think that the tenements in which it currently has an interest will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant granting authority.

(vi) **Mine site rehabilitation costs**

Realm has provided financial assurances in favour of the Queensland Government which may become payable in relation to rehabilitation of mined areas.

While Realm makes provisions for future rehabilitation costs, the ultimate rehabilitation costs are uncertain and cost estimates can vary in response to many factors. Changes in legislation also have the potential to impact rehabilitation costs and levels of financial assurance required to be provided. One potential change includes the draft (Mineral and Energy Resources (Financial Provisioning) Bill 2018, which was introduced into Parliament in Queensland in February 2018. This may introduce a new mine rehabilitation framework as well as a new financial assurance system.

Any increase in the ultimate rehabilitation costs or financial assurances required to be provided by Realm could have an adverse impact on the Company.

(vii) **Major customers**

Greater than 50% of the Foxleigh Coal Mine product is sold to Nippon and POSCO in accordance with binding coal sales agreements. These customers have high credit ratings and are a party to the Foxleigh Joint Venture Agreement.

(viii) **Joint venture risks**

The Company operates a significant part of its business through the Foxleigh Joint Venture and, as a result, is dependent on its Foxleigh Joint Venture partners fulfilling their obligations in connection with the Foxleigh Joint Venture Agreement.

Where another party to the Foxleigh Joint Venture Agreement fails to fulfil its obligations, there is a possibility that the Company could lose its interest in certain mining tenement or licences and incur fines and sanctions. The Foxleigh Joint Venture partners have high credit ratings and source a material amount of coal from the Foxleigh Coal Mine which they use for production in their respective businesses.

Any withdrawal by a Foxleigh Joint Venture partner or any issues with their ability to perform the obligations due under the joint venture arrangements could have a material adverse impact on the financial position of the Company and its ability to fulfil its objectives. There is also a risk of disputes arising with the Foxleigh Joint Venture partners which could result in delays, legal action, or financial loss.

It is also difficult to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

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(ix) **Royalty Payments**

Production from certain tenements are subject to royalty payments. Realm is required to make periodic royalty payments to, amongst others, AAMCA, Taurus Mining Finance Fund and the State of Queensland. This includes a payment to AAMCA of up to A$75 million in aggregate over 12.5 years based on the average coal price achieved for coal produced at the Foxleigh Coal Mine and a payment to Taurus Mining Finance Fund equivalent to 1% of the total gross revenue of the Foxleigh Joint Venture and EPC 1669 and EPC 885, as well as any future tenements held by the Foxleigh Joint Venture, adjusted to reflect Foxleigh Coal's 70% interest in the Foxleigh Joint Venture.

Failure to meet these obligations may result in forfeiture of the Company's interests in the tenements, legal action or the enforcement of held security against the Company. There is also a risk that the royalty payments could have a negative impact on the Company's ability to execute its growth strategies.

(x) **Over reliance on Foxleigh Coal Mine and failure to adequately maintain and develop it**

Realm's business model depends on its ability to continue to ensure that its customers are satisfied with the Foxleigh Coal Mine's coal. Realm must ensure that the quality of the Foxleigh Coal Mine's coal is maintained so that it continues to meet customer needs, attract new customers and generate additional revenue from increased usage.

(xi) **Offshore assets**

A number of Realm's operations are in foreign jurisdictions including PT Katingan Ria, Alumicor and its platinum projects where there may be a number of associated risks over which Realm will have no, or limited control. These risks may include economic, social or political instability or change, changes of law affecting foreign ownership, government participation, exploration and development licences, exportation restrictions and duties.

The PT Katingan Ria Project is based in Indonesia which has a different legal system to Australia. This may result in risks such as:

(A) potential difficulties in obtaining effective legal redress in courts in respect of breach of law or regulation or an ownership dispute;

(B) uncertainty as to the legal title of assets;

(C) a higher degree of discretion on the part of government authorities;

(D) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; or

(E) inconsistencies or conflicts between and within various laws, regulations, decrees, order and resolutions.

As a result, there may be concerns with respect to licences and contractual arrangements which may result in susceptibility to revision or cancellation of licences, licence applications or contractual arrangements without adequate legal redress.

(xii) **Industry Specific Risks**

(A) **Commodity Price Volatility**

Realm is indirectly exposed to movements in commodity prices. Commodity Prices are volatile and subject to factors beyond Realm's control. Any significant or unexpected decline in commodity prices is likely to adversely impact Realm's financial performance and position. Realm is unable to accurately predict the timing, extent or duration of the industry cycle which it operates in, which may have an adverse impact on operations and financial performance.

(B) **Nature of mineral exploration and mining**

The business of mineral exploration, development and production is subject to risk by nature. Exploration and mining are speculative undertakings which may be hampered by circumstances beyond the Company's control, land claims, unforeseen mining problems and approval delays. Increased costs, lower output or high operating costs may all contribute to make a project less profitable than expected at the time of the development decision. There is no assurance that the Company's

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attempts to exploit its exploration activities will be successful or timely.

(C) **Operational risks**

The operations of the Company may be affected by various factors which are beyond the control of the Company, including failure to locate or identify mineral deposits, failure to achieve predicted grades / quality in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, other processing difficulties, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(D) **Environmental risk**

The Company's projects are subject to State, Federal and foreign jurisdiction regulations regarding environmental matters. The governments and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities may have an impact on the environment. The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from operating and developing economically viable mineral deposits and / or may extend the time required to do so.

(E) **Unforeseen expenditure**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Target's Statement. Although the Company is not aware of any such additional expenditure requirements as at the Approval Date, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

b) **General Risks**

As with any entity with listed securities on ASX, the future prospects, operating and financial performance of Realm and the value of the Realm Shares are affected by a wide variety of factors, including but not limited to:

(i) currency volatility;

(ii) decline in trade volumes and economic conditions;

(iii) dependence on key personnel;

(iv) contractual risks;

(v) native title risks;

(vi) risk of adverse publicity;

(vii) insurance risks;

(viii) competition risk;

(ix) industrial action;

(x) legislative changes;

(xi) interest rates;

(xii) adverse weather patterns (flood, storms, cyclones, fire etc);

(xiii) inflation; and

(xiv) asset impairment.

In addition, deterioration of the general economic conditions, natural disasters and catastrophic events may also affect Realm's operating and financial position.

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9. AUSTRALIAN TAXATION CONSIDERATIONS FOR REALM SHAREHOLDERS

The taxation implications of accepting the Offer will depend on your personal circumstances.

Attachment 2 contains the Tax Adviser's Report which provides an overview of the Australian taxation consequences of accepting the Offer for certain Australian tax resident Realm Shareholders.

You should seek professional taxation advice with respect to your individual tax situation.

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10. ADDITIONAL INFORMATION

10.1 Issued capital

As at the date of this Target's Statement, Realm has:

a) 253,259,495 ordinary shares on issue; and

b) 200,000 Options (exercisable at $0.615 per Option on or before 21 March 2020)

10.2 Realm's Employee Incentive Plans

a) **Employee Incentive Plans**

To ensure that Realm has appropriate mechanisms to continue to attract and retain the services of Directors and employees of a high calibre, Realm adopted the Employee Incentive Plans for Directors and employees which was last approved by Realm Shareholders at Realm's Annual General Meeting held on 31 May 2017. The Employee Incentive Plans are considered an appropriate method to:

(i) reward Directors, consultants and employees for their performance;

(ii) provide long term incentives for participation in the Company's future growth;

(iii) motivate Directors and generate loyalty from senior employees and consultants; and

(iv) assist to retain the services of valuable employees and consultants.

b) **Employee Share Plan Shares**

Under the Employee Share Plan:

(i) a participant who is invited to subscribe for Realm Shares may also be invited to apply for a loan up to the amount payable in respect of the Realm Shares;

(ii) Shares issued are quoted on ASX and may not be sold or otherwise dealt with until the loan in respect of those Shares has been repaid in full and any other qualifying period that may be imposed by the Board has expired; and

(iii) Shares which are issued will rank equally in all respects (other than with respect to any restriction on transfer imposed until the loan has been repaid or otherwise imposed by the Board and set out in the relevant invitation) with all Shares on issue.

Condition (b)(ii) in Appendix 2 of the Bidder's Statement stipulates that prior to the end of the Offer Period, no shares under the employee share plans remain unvested. If this Condition is not satisfied, there is a risk that the Bidder may not proceed with the Offer.

A change of control event would not be triggered by the Offer under the Employee Share Plan. In order to avoid breaching this Condition, the Non-Affiliated Directors have therefore resolved to amend the terms of the Employee Share Plan in accordance with the plan rules to allow the Employee Share Plan Shares to vest in circumstances where a person becomes eligible to issue a notice to compulsorily acquire any outstanding Realm shares that it does not own in accordance with either Part 6A.1 or 6A.2 of the Corporations Act (see section 5.11 for more information on compulsory acquisition).

Each Employee Share Plan Share holder will be notified that:

(iv) the terms of loans are varied; and

(v) the restriction on the transfer of Employee Share Plan Shares no longer applies,

where the Bidder becomes eligible to issue a notice to compulsorily acquire any outstanding Realm shares that it does not own in accordance with either Part 6A.1 or 6A.2 of the Corporations Act. The Non-Affiliated Directors have made this determination on

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the basis that they consider the compulsory acquisition threshold to currently be a control threshold for the Bidder (see section 5.11 for more information on compulsory acquisition).

The Non-Affiliated Directors note that the Employee Share Plan Shares have already been issued and would not trigger any Conditions of the Offer or result in dilution to existing Realm Shareholders.

Each Non-Affiliated Director notes that he abstained from considering the issues solely in respect of the Employee Share Plan Shares that he holds.

As at the date of this Target's Statement, there are 4,233,334 unvested Employee Share Plan Shares on issue.

c) **Employee Options**

Under the Employee Option Plan:

(i) the Board is responsible for determining which employees are entitled to participate in the Employee Option Plan after giving consideration to various criteria set out in the Employee Option Plan;

(ii) shares which are issued as a result of the exercise of Employee Options will rank equally in all respects with all Shares on issue and Realm will apply for quotation of those Shares on ASX once the Employee Options are exercised;

(iii) no participant may exercise any votes attaching to the Shares in respect of which the Employee Option was exercised until the exercise price has been paid in full in cash;

(iv) the Board may from time to time amend the Employee Option Plan in any (iv) respect provided that the amendment does not adversely affect any of the subsisting rights of a participant except with their consent in writing; and

(v) for the purposes of determining whether rights have been adversely affected, the Employee Option Plan provides that a participant's rights are not taken to have been adversely affected if the Company compensates that participant with an amount of cash commensurate with what would have otherwise been an adverse effect on the participant's rights, with such an amount to be determined by the Board acting reasonably.

Condition (b)(i) in Appendix 2 of the Bidder's Statement stipulates that prior to the end of the Offer Period, the entitlement to shares under any employee options on issue are cancelled. If this Condition is not satisfied, there is a risk that the Bidder may not proceed with the Offer.

In order to avoid breaching this Condition, the Non-Affiliated Directors have resolved to amend the terms of the Employee Option Plan.

To achieve this, the Non-Affiliated Directors will:

(vi) provide notice to the Employee Options holder that conditional on the Bidder becoming eligible to issue a notice to compulsorily acquire any outstanding Realm shares that it does not own in accordance with either Part 6A.1 or 6A.2 of the Corporations Act (see section 5.11 for more information on compulsory acquisition), the terms of the Employee Option Plan are amended and that the outstanding Employee Options are cancelled;

(vii) upon cancellation of the Employee Options, pay the Employee Options holder an amount of cash commensurate with the aggregate of the difference between the final Offer Price (which as at the date of this Target's Statement is $0.90 per Realm share but may be increased by the Bidder in accordance with the Corporations Act) and the exercise price of $0.615; and

(viii) update the Employee Options register to reflect the cancellation of the Employee Options.

If the Bidder does not become eligible to issue a notice to compulsorily acquire any outstanding Realm shares that it does not own in accordance with either Part 6A.1 or 6A.2 of the Corporations Act, the terms of the Employee Options will remain and the Employee Options will not be cancelled.

The Non-Affiliated Directors note that without amending the Employee Option Plan rules, the exercise of the Employee Options would result in the allotment of new Realm Shares, trigger the Conditions of the Offer and cause a slight dilution to existing Realm Shareholders.

As at the date of this Target's Statement, there are 200,000 Employee Options on issue to one Employee Option holder exercisable at $0.615 per Share on or before 21 March 2020.

10.3 Material Litigation

The Company is not and has not been, in the 12 months preceding the date of this Target's Statement, involved in any legal or arbitration

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proceedings that have had a significant effect on the financial position of the Company. As far as the Non-Affiliated Directors are aware, no such proceedings are threatened against the Company.

10.4 Effect of the Takeover on Realm's senior employee and Director arrangements

The Bidder has stated that:

a) upon acquiring a Relevant Interest in 90% of Realm Shares, it will conduct a broad based review of the employment and roles of all of Realm's employees and the ongoing appointment of the Realm Directors. As a result of its review, the Bidder may identify employee positions which will not be required by the Bidder Group, including positions related to operations that the Bidder divests. It is possible that job losses will result from this review. If redundancies do occur, the relevant employees will receive those contractual or other legal entitlements they are entitled to receive; and

b) upon acquiring a Relevant Interest in less than 90% of Realm Shares, it will seek to replace all current Realm Directors (other than those which it determines to retain following a review) with nominees of the Bidder.

Refer to sections 5.2(e) and 5.3(b) of the Bidder's Statement for further details.

10.5 Realm Share Price absent the Offer

Realm Shares are currently suspended from quotation on ASX, meaning that the Offer is not expected to have an impact on the price of Realm's Shares on ASX. It may however have an impact on the liquidity of Realm Shares.

Refer to section 8.2 of this Target's Statement and section 5.2 of the Bidder's Statement for more details.

10.6 Transaction Expenses

The Offer will result in Realm incurring fees and expenses that would not otherwise have arisen in the 2018 financial year. Based on the Offer proceeding and the current Offer Price of $0.90, the aggregate amount of fees and expenses to be incurred (or expected to be incurred) is currently estimated to be approximately $1,943,000 to $2,039,000 (exclusive of GST). These include:

a) fees payable to financial and legal advisers;

b) fees payable to the Independent Expert and in connection with the Independent Technical Expert's Report;

c) fees payable to members of the Sub-Committee; and

d) costs relating to printing and dispatch of this Target's Statement, the Shareholder information line, Shareholder communications and other matters incidental to the Offer.

10.7 Consents

a) Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

(i) Deloitte Corporate Finance – to being named in this Target's Statement as the Independent Expert, and to the inclusion of the Independent Expert's Report and statements said to be based on statements made in the Independent Expert's Report;

(ii) SKR Consulting (Australasia) Pty Ltd - to being named in this Target's Statement and to the inclusion of the Independent Technical Expert's Report and statements said to be based on statements made in the Independent Technical Expert's Report;

(iii) RSM Australia Pty Limited and RSM Australia Partners – to being named as Realm's Australian tax adviser and auditor, respectively and to the inclusion of statements made by them;

(iv) each Director – to being named in this Target's Statement as a Director and to the inclusion of statements made by them;

(v) Mr Theo Renard – to being named in this Target's Statement as Realm's company secretary and Chief Financial Officer;

(vi) Tod Mathews – to being named in this Target's Statement as the General Manager of Middlemount South;

(vii) Computershare – to being named in this Target's Statement as the Company's share registry;

(viii) Treadstone Resource Partners – to being named in this Target's Statement as financial advisers to Realm; and

(ix) Maddocks – to being named in this Target's Statement as legal advisers to Realm.

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b) Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Target's Statement:

(i) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Target's Statement with the consent of that person; and

(ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Target's Statement with the consent of that party.

c) As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules), including the Bidder's Statement. Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

d) Any Realm Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain statements which have been included pursuant to ASIC Class Order 13/521 may request a copy by contacting Realm's company secretary during the Offer Period and such documents will be provided free of charge within 2 Business Days of such request.

e) As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

(i) fairly representing a statement by an official person;

(ii) that are a correct and fair copy of, or extract from, what purports to be a public official document; or

(iii) that are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication,

provided the statement was not made, or published, in connection with the Offer or Realm or any business, property or person the subject of this Target's Statement.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains trading data and publications sourced from IRESS and Bloomberg without their consent.

10.8 Competent Persons' Statements

The statements of coal Resources and coal Reserves presented in this Target's Statement have been produced in accordance with the JORC Code, released as ASX Announcements and are set out in each of the:

a) Independent Geologist's Report dated 17 May 2017 which is included in the Notice of EGM;

b) Foxleigh Plains Updated JORC Statement released on 22 December 2017; and

c) Roper Creek Initial JORC Statement released on 13 September 2017.

The information contained in each of the Independent Geologist's Report in the Notice of EGM, the Foxleigh Plains Updated JORC Statement and the Roper Creek Initial JORC Statement, are based on, and fairly represent, information and supporting documentation prepared by Encompass Mining Services, McElroy Bryan Geological Services and Measured Group respectively on behalf of the Company. The information was reported in accordance with the JORC Code and the Listing Rules. Please refer to Appendix 4 of the Independent Geologist's Report which is included in the Notice of EGM, Appendix 4 of the Foxleigh Plains Updated JORC Statement and Appendix 2 of the Roper Creek Initial JORC Statement which is included in the Notice of EGM respectively for the Competent Persons Statements.

Except as set out in this Target's Statement, the Independent Geologist's Report in the Notice of EGM, the Foxleigh Plains Updated JORC Statement and the Roper Creek Initial JORC Statement, Realm confirms that it is not aware of any new information or data that materially affects the information included in each of the Independent Geologist's Report in the Notice of EGM, the Foxleigh Plains Updated JORC Statement and the Roper Creek Initial JORC Statement and, in the case of the coal Resources and coal Reserves, that all material assumptions and technical parameters underpinning the

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estimates in each of the Independent Geologist's Report in the Notice of EGM, the Foxleigh Plains Updated JORC Statement and the Roper Creek Initial JORC Statement continue to apply and have not materially changed.

For further details on the Foxleigh Coal Mine, please refer to the Independent Geologist's Report which is included in the Notice of EGM as well as the Foxleigh Plains Updated JORC Statement and the Roper Creek Initial JORC Statement which are available free of charge on Realms website http://www.realmresources.com.au. Refer to section 10.7d) for details on how to obtain copies of these documents free of charge.

10.9 ASIC declarations and Listing Rule waivers

Realm has not been granted any modifications or exemptions by ASIC under the Corporations Act in connection with the Offer.

Realm has not been granted any waivers from ASX in relation to the Offer.

ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including Realm, in relation to the operation of Chapters 6 and 6A of the Corporations Act. Amongst other things, Realm has relied on ASIC Class Order 13/521 to include references to certain statements in this Target's Statement without obtaining the consent of those persons, and ASIC Corporations (Consents to Statements) Instrument 2016/72 to include information sourced from publications and journals as well as trading data. Refer to sections 10.7 and of this Target's Statement for further information.

10.10 Continuous disclosure

Realm is a disclosing entity and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These require Realm to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for confidential information.

Copies of documents filed with ASX by Realm may be obtained from the ASX website at www.asx.com.au or from the Realm website at http://www.realmresources.com.au. Copies of documents lodged with ASIC in relation to Realm may also be obtained from, or inspected at, an ASIC office.

A list of documents filed with ASX since 31 December 2017 is set out at Attachment 3.

10.11 No other material information

a) Under the Corporations Act, this Target's Statement is required to include all the information that Realm Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

   (i) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

   (ii) only if the information is known to any Non-Affiliated Director.

b) In this context, the Non-Affiliated Directors are of the opinion that the information that Realm Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to reject or accept the Offer is:

   (i) the information contained in Bidder's Statement;

   (ii) the information which has been previously disclosed by Realm as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;

   (iii) the information contained in Realm ASX Announcements prior to the close of trading on ASX on 23 March 2018, being the last Business Day immediately before the Approval Date; and

   (iv) the information contained in this Target's Statement, including in the Independent Expert's Report at Attachment 1.

c) In deciding what information should be included in this Target's Statement, the Non-Affiliated Directors have had regard to:

   (i) the nature of the Realm Shares (being fully paid ordinary shares);

   (ii) the matters which Realm Shareholders may reasonably be expected to know;

   (iii) the fact that certain matters may reasonably be expected to be known to the professional advisers of Realm Shareholders; and

   (iv) the time available to Realm to prepare this Target's Statement.

d) The Non-Affiliated Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

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11. TARGET'S STATEMENT AUTHORISATION

11.1 Approval of Target's Statement

This Target's Statement has been approved by a resolution of the Non-Affiliated Directors on 24 March 2018.

Signed for and on behalf of Realm

James Beecher on behalf of the Non-Affiliated Directors
Director and Chairman of the Sub-Committee
Realm Resources Limited

Dated: 29 March 2018

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12. GLOSSARY

12.1 Defined terms

A$, $, or AUD	means the currency of Australia.
AAMCA	means Anglo American Metallurgical Coal Assets Pty Ltd ACN 081 022 246.
Alumicor	means Alumicor SA Holdings Proprietary Limited.
Approval Date	means the date that the Non-Affiliated Directors approved this Target's Statement in accordance with section 639(1)(a) of the Corporations Act, being 24 March 2018.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term in section 12(2) section 50AA of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691, and where the context requires, the Australian Securities Exchange.
ASX Settlement Operating Rules	means the operating rules of ASX Settlement which govern the administration of CHESS.
Base Case Mine Plan	refers to Realm's current financial model that considers the development of Foxleigh Plains and One Tree mining areas only over a 15 year mine life.
BCM	means Bank Cubic Metres, a cubic metre of rock or material in situ before it is extracted.
Bidder	means the T2 Resources Fund Pty Limited ACN 624 330 696.
Bidder Group	means the Bidder and its Related Bodies Corporate.
Bidder's Statement	means the replacement bidder's statement dated 14 March 2018 (as amended by the second supplementary bidder's statement dated 15 March 2018) being the statement of the Bidder under Part 6.5 Division 2 of the Corporations Act (as amended by ASIC Class Order [CO 13/528]) relating to the Offer.
Board	means the board of Directors of Realm.

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Broker	means a person who is a share broker and a participant in CHESS.
Business Day	means a day on which banks are open for business in Sydney Time, excluding a Saturday, Sunday or public holiday.
CAML	means CAML Resources Pty Ltd ACN 080 649 029.
Cash Consideration	means the cash amount (if any) that a Realm Shareholder is entitled to receive under the Offer determined in accordance with paragraph 2 of the Offer Terms in Appendix 1 of the Bidder's Statement.
CGT	means capital gains tax.
CHESS	means the Clearing House Electronic Subregister System of ASX.
Competent Person	means a mineral industry professional who is a member or fellow of The Australian Institute of Mining and Metallurgy, or the Australian Institute of Geoscientists, or of a recognised professional organisation, as included in a list available on the JORC and ASX websites.
Conditions	means the conditions of the Offer set out in Appendix 2 of the Bidder's Statement.
Control	has the meaning given in section 50AA of the Corporations Act.
Controlling Participant	in relation to your Realm Shares, has the same meaning as in the ASX Settlement Operating Rules.
Corporations Act	means the *Corporations Act 2001* (Cth).
Director	means a director of the Company.
Employee Incentive Plans	means the Employee Share Plan and Employee Option Plan.
Employee Option Plan	means the Realm employee option plan last approved by Realm Shareholders on 31 May 2017.
Employee Options	means options issued under the Employee Option Plan last approved by Realm Shareholders on 31 May 2017.
Employee Share Plan	means the Realm employee share plan last approved by Shareholders on 31 May 2017.
Employee Share Plan Shares	means shares issued under the Employee Share Plan last approved by Realm Shareholders on 31 May 2017.
Encompass Mining Services	means Encompass Mining Services Pty Limited.
EPC	means Exploration Permits for Coal.
Foxleigh Coal	means Foxleigh Coal Pty Limited ACN 125 986 549.

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Foxleigh Coal Mine	means the Foxleigh coal mine located in Queensland's Bowen Basin coalfield, 12km South East of Middlemount and 272km northwest of Rockhampton.
Foxleigh Joint Venture	means the joint venture between Foxleigh Coal, POSCO and Nippon which owns and operates the Foxleigh Coal Mine in accordance with the Foxleigh Joint Venture Agreement.
Foxleigh Joint Venture Agreement	means the Foxleigh joint venture agreement between Foxleigh Coal, CAML and Nippon.
Foxleigh Plains	means the section of the operating Foxleigh Coal Mine located on ML70431 and ML70470.
Foxleigh Plains Updated JORC Statement	means the Company's ASX Announcement, "Updated JORC Statement of Coal Resources and Reserves for Foxleigh Plains Project, a subset of the Foxleigh Coal Mine" dated 22 December 2017.
Glossary	means this glossary of defined terms.
HCC	means hard coking coal.
Independent Expert	means Deloitte Corporate Finance Pty Limited ACN 003 833 127.
Independent Expert's Report	means the report prepared by the Independent Expert dated 23 March 2018, as set out in Attachment 1 to this Target's Statement.
Independent Geologist's Report	means the Independent Geologist's Report dated 17 May 2017 prepared by Encompass Mining Services on Foxleigh, which is included in the Notice of EGM.
Independent Technical Expert's Report	means the SRK Consulting Report attached as Appendix 3 of the Independent Expert's Report.
JORC Code	means the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" by the Australasian Joint Ore Reserves Committee.
Listing Rules	means the official listing rules of ASX as amended, varied, modified or waived from time to time.
LV PCI	means pulverised coal injection metallurgical coal.
Marketable Reserves	means Marketable Coal Reserves calculated in accordance with the JORC Code.
McElroy Bryan Geological Services	means McElroy Bryan Geological Services Pty Ltd ACN 053 807 926.
Measured Group	means Measured Group Pty Ltd ACN 166 493 063.
Mtpa	means million tonnes per annum.
New Holland Capital	means New Holland Capital ACN 124 626 295.

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Nippon	means Nippon Steel & Sumitomo Metal Australia Pty Ltd ACN 001 445 049.
Non-Affiliated Directors	means the directors of the Company that do not have interests in the Bidder Group and have provided recommendations in this Target's Statement comprising James Beecher, Staffan Ever and Michael Rosengren.
Notice of EGM	means the notice of extraordinary general meeting for Realm dated 15 June 2017 including its attached explanatory statement, Independent Geologist's Report and Solicitor's Tenement Report.
Offer	means the unsolicited, conditional, off-market takeover offer by the T2 Resources Fund to acquire all of the Realm Shares that it does not already own or control for $0.90 per Realm Share in cash.
Offer Period	means the period during which the Offer will remain open for acceptance in accordance with Bidder's Statement.
Offer Price	means the consideration offered under the Offer for each Realm Share. That consideration is A$0.90 in cash for each Realm Share held by a Realm Shareholder.
Officer	has the same meaning given to it in section 9 of the Corporations Act.
Official List	means the official list of ASX Limited.
Official Quotation	means official quotation by ASX Limited in accordance with the ASX Listing Rules.
One Tree West	means the One Tree West pit located at the Foxleigh Coal Mine.
Option	means an option to acquire a Realm Share.
Original Bidder's Statement	means the bidder's statement dated 23 February 2018 being the statement of the Bidder under Part 6.5 Division 2 of the Corporations Act (as amended by ASIC Class Order [CO 13/528]) relating to the Offer.
POSCO	means POSCO Australia Pty Ltd ACN 002 062 160.
PT Katingan Ria	means a foreign investment company incorporated in Indonesia, domiciled in Palangkaraya, pursuant to Deed No. 41/2017.
PTKR	means the Katingan Ria thermal coal project in Indonesia.
Realm or Company	means Realm Resources Limited ACN 008 124 025.
Realm Group	means Realm and each of its subsidiaries.
Realm Shareholder or Shareholder	means a person registered in the register of members of Realm as a holder of one or more Realm Shares as at the date of this Target's Statement.
Realm Shares or Shares	means fully paid ordinary shares in the capital of Realm.

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Re-compliance	means Realm's re-compliance with chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the Official List and received approval from ASX that its shares will be re-admitted to Official Quotation.
Related Bodies Corporate	has the meaning set out in section 50 of the Corporations Act.
Related Party	has the meaning given to that term in section 228 of the Corporations Act.
Relevant Interest	has the same meaning as given to it in sections 608 and 609 of the Corporations Act.
Relevant Subsidiary	means a subsidiary as that term is defined in the Corporations Act.
Reserves	has the meaning ascribed to it in Appendix 5A of the JORC Code. RNS – Remove Coal
Resources	has the meaning ascribed to it in Appendix 5A of the JORC Code.
ROM	means run-of-mine.
Roper Creek Initial JORC Statement	means the Company's ASX Announcement, "Initial JORC Statement of Coal Resources for Roper Creek Coal Project, Queensland" dated 13 September 2017.
RSM	means RSM Australia Pty Limited.
RSM Australia	means RSM Australia Partners.
Sub-Committee	means the sub-committee established by the Board to evaluate and respond to the Offer comprising non-executive Directors James Beecher and Staffan Ever as at the approval date.
T2 Fund	means the T2 LP and T2 Trust together.
T2 Resources Fund	means T2 Resources Fund Pty Limited ACN 624 330 696.
Target's Statement	means this document being the statement of Realm under Part 6.5 Division 3 of the Corporations Act relating to the Offer.
Taurus Funds Management	means Taurus Funds Management Pty Limited ACN 121 452 560, the trustee for the T2 Trust and manager of the T2 Fund.
Taurus Mining Finance Fund	means Taurus Mining Finance Fund L.P. and Taurus Mining Finance Annex Fund L.P.
Taurus Resources Fund No. 2	means Taurus Resources No.2 L.P and the Taurus Resources No.2 Trust together.
Taurus Resources No. 2 Trust or T2 Trust	means the Taurus Resources No. 2 Trust, acting through its trustee Taurus Funds Management.

Taurus Resources No. 2, L.P. or T2 LP	means Taurus Resources No. 2, L.P., acting through its general partner Taurus Resources Limited GP No. 2 LLC.
Taurus SM Holdings	means Taurus SM Holdings Pty Limited ACN 124 626 348.
Tax Advisor's Report	means the report prepared by RSM Australia Pty Limited, as set out in Attachment 2 to this Target's Statement.
VWAP	means the volume weighted average price.

12.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

a) the singular includes the plural and vice versa;

b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;

c) a reference to any gender includes all genders;

d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

e) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be;

f) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Target's Statement;

g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;

h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;

i) the words "including", "such as", "particularly" and similar expressions do not imply limitation; and

j) headings are for convenience of reference only and do not affect interpretation.

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ATTACHMENT 1: INDEPENDENT EXPERT'S REPORT

Deloitte.

Realm Resources Limited

Independent expert's report and Financial Services Guide

23 March 2018

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Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) has been engaged by Realm Resources Limited (Realm) to prepare an independent expert's report (our Report) in connection with the proposed takeover by T2 Resources Fund Pty Limited of Realm Resources Limited (the Takeover Offer). Realm will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately $200,000 (Australian dollars) exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the Takeover Offer

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS).

FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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The Independent Directors
Realm Resources Limited
Level 6, Christie Corporate
3 Spring Street
Sydney
NSW, 2000

23 March 2018

Dear Directors

Re: Independent expert's report

Introduction

On 9 February 2018 (the Announcement Date), T2 Resources Fund Pty Limited (the Bidder), a special purpose vehicle wholly owned by Taurus Resources No 2 Trust (T2 Trust), announced a conditional offer to acquire all of the shares in Realm Resources Limited (Realm or the Company) that the Bidder, T2 Trust and Taurus Resources No 2, L.P (T2 LP) (collectively, the Bidder Group) does not already own (the Takeover Offer). Refer to Section 1.1 for further detail on the Bidder Group.

The cash consideration offered by the Bidder Group to holders of Realm shares other than the Bidder Group (Non-associated Shareholders) is AUD 0.90 cash per share (the Cash Consideration).

The full details of the Takeover Offer are included in the Bidder's Statement, which was initially issued by the Bidder Group on 23 February 2018 before a Supplementary and a Second Supplementary Bidder's Statement was released on 14 and 15 March 2018, respectively. An overview of the Takeover Offer is provided in Section 1 of our detailed report.

The directors of Realm are required to issue a Target's Statement in response to the Bidder's Statement, which will include their recommendation as to whether or not Non-associated Shareholders should accept the Takeover Offer.

Purpose of the report

The independent directors of Realm (the Independent Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Takeover Offer is fair and reasonable.

Under Section 640 of the Corporations Act 2001 (the Corporations Act) a Target's Statement given in response to a takeover offer must include, or be accompanied by, an independent expert's report if either the bidder's voting power in the target is 30% or more, or the bidder and target have one or more common directors, to assist Non-associated Shareholders in their decision whether to accept or reject the Takeover Offer. As at 14 March 2018, the Bidder Group holds 85.73% of the voting power and equity in Realm. An independent expert's report is therefore required under Section 640.

We have prepared this report having regard to Section 640 and Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 and ASIC Regulatory Guide 112.

This report is to be included in a Target's Statement to be sent to Realm shareholders and has been prepared for the exclusive purpose of assisting Non-associated Shareholders in their consideration of the Takeover Offer. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-associated Shareholders and Realm, in respect of this report, including any errors or omissions however caused.

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Basis of evaluation

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's reports, and ASIC Regulatory Guide 112, in respect of the independence of experts. These Regulatory Guides prescribes standards of best practice in the preparation of independent expert's reports pursuant to Section 640.

ASIC Regulatory Guide 111 provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. It refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

To assess whether the Takeover Offer is fair and reasonable to Non-associated Shareholders, we have adopted the tests of whether the Takeover Offer is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Definition of value

For the purpose of our opinion, we have referred to the concept of fair market value which is defined as the amount at which the shares in Realm would be expected to change hands in a hypothetical transaction between a knowledgeable, willing, but not anxious, buyer and a knowledgeable, willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

Summary and conclusion

In our opinion the Takeover Offer is neither fair nor reasonable. In arriving at this opinion, we have had regard to the following factors.

The Takeover Offer is not fair

According to ASIC Regulatory Guide 111, in order to assess whether the Takeover Offer is fair, the independent expert is required to compare the fair market value of a share in Realm on a control basis with the fair market value of the Cash Consideration offered by the Bidder. The Takeover Offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Realm share with the consideration offered by the Bidder Group.

Table 1: Fairness assessment

	Low (AUD)	High (AUD)
Estimated fair market value of a Realm share (on a control basis)	1.62	1.92
Cash Consideration offered	0.90	0.90

Source: Deloitte Corporate Finance analysis

The consideration offered by the Bidder Group is below the range of our estimate of the fair market value of a Realm share. Accordingly, it is our opinion that the Takeover Offer is not fair.

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Valuation of Realm

We have estimated the fair market value of Realm by applying a sum-of-parts approach. In doing so, we have had regard to the fair market value of the interest held by Realm in the Foxleigh coal mine, associated exploration assets and various other assets.

The table below summarises the results of our valuation and the valuation methods adopted.

Table 2: Valuation of Realm's interests in underlying assets[1]

	Realm's interest	Primary valuation method	Section	Fair market value (AUD'million)	
				Low	High
Coal assets					
Foxleigh coal mine	70%	Discounted cash flow	4.2.2	340	410
Exploration assets associated with the Foxleigh coal mine	70%-100%	SRK Consulting recommended value range	4.3.1	1	2
Katingan Ria	51%	Discounted cash flow	4.3.3	9	12
Other assets					
Alumicor	74%	Indicative offer / various evidence	4.3.4	2	4
Platinum Group Metals (PGM) Eastern Limb projects	74%	Net book value/ various evidence	4.3.5	-	-
Chrometco shares	45m shares	Market value	4.3.6	0	0
Corporate costs	100%	Discounted cash flow	4.3.2	(11)	(10)
Enterprise value of Realm on a sum-of-the-parts basis (control basis)				**342**	**417**

Source: Deloitte Corporate Finance analysis
Note:
1. The figures in the table above is subject to rounding.

The key driver underpinning our valuation of a share in Realm is the value we have attributed to its 70% interest in the Foxleigh coal mine.

Since acquiring its interest in the Foxleigh coal mine in August 2016, PCI coal prices have increased from USD 71 per tonne to average around USD 139 per tonne in CY17 resulting in Realm generating net cash flows from operating activities of c.AUD 124 million over the course of the subsequent five quarters (i.e. before debt repayments and capital expenditure).[1] Market reports indicate that contracts for premium LV PCI coal were recently settled at a price of USD 156 per tonne for Q1CY18 between some steel mills and some suppliers. We have assumed longer term prices (in real 2018 terms) are expected to stabilise in the range of USD 95 to USD 110 per tonne.

SRK Consulting (Australasia) Pty Limited (SRK Consulting) was engaged to provide advice on the operating assumptions adopted in our valuation of the Foxleigh coal mine and has advised us that there are significant opportunities for the operator to reduce the operating cost of the mine, specifically in relation to overburden removal and mining costs.

SRK Consulting also considers it reasonable to assume the current 15 year life of the Foxleigh coal mine is capable of being economically extended by mining the Daggers Tip, Pipeline, and Roper Creek areas, in addition to the primary Foxleigh Plains and One Tree pits, which support the current production schedule.

Reducing the cost base of the mine is not without risk. It will take time for an operator to bring costs down (we estimate between one and two years) and, until such time as the Company is able to demonstrate success against identified targets, we would not expect a potential purchaser of the mine to pay full value for these opportunities. Recognising this, we have not included all of the estimated upside in our value selection. Furthermore, our analysis suggests mining the outer pits beyond Foxleigh Plains

[1] Based on operating cash flows before investing cash flows in Q4 of CY16 and CY17 (before debt repayments), as reported in annual financial statements and quarterly statements. The vast majority of operating cash flow is attributable to Realm's interest in Foxleigh with Alumicor being the Company's only other income producing asset. Cyclone Debbie impacted operations in late CY17 resulting in 0.5 million tonnes of stockiples at year end. Accordingly, operating cash flows would have been higher than reported but for this event.

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and One Tree achieves only marginal additional value towards the upper bound of our long term prices, and therefore our valuation range accommodates only marginal value from this upside.

Our selected valuation range for 100% of the Foxleigh coal mine implies it will take between 12 and 24 months for an operator to reduce the cost base to benchmark rates, and a 50% to 75% probability that the Company will be able to reduce its costs as estimated by SRK Consulting over the life of mine. This range of probabilities is considered reasonable by SRK Consulting, which believes reducing the cost base of the mine is feasible and achievable.

The following table sets out our estimate of the fair market value of a share in Realm on a control basis, based on the enterprise value estimated above, cash on hand and the number of shares outstanding on a fully diluted basis.

Table 3: Valuation of a share in Realm on a control basis

	Unit	Low	High
Enterprise value for Realm (control basis)	**AUD'000**	**342**	**417**
Add: adjusted cash as at 28 February 2018[1]	AUD'000	69	69
Equity value of Realm (control basis)	**AUD'000**	**411**	**486**
Number of shares on issue on a fully diluted basis[2]	'million	253.5	253.5
Value per share in Realm (control basis)	**AUD**	**1.62**	**1.92**

Source: Deloitte Corporate Finance analysis
Notes:
1. Includes cash proceeds from assumed exercise of 200,000 options (refer Section 4.3.7), and adjusts for approximately AUD 25 million of historical tax liabilities currently owing by the Company as at 28 February 2018
2. Includes 200,000 options.

The Takeover Offer is not reasonable

We have considered the following factors in assessing the reasonableness of the Takeover Offer.

The Takeover Offer provides an immediate liquidity event for the Non-associated Shareholders

Trading in Realm's shares has been suspended since 13 September 2016 apart from a trading window between mid-June and mid-July 2017. As a consequence, Shareholders have not been able to trade their shares on-market for nine months.

Accordingly, the Takeover Offer provides an immediate liquidity event for Non-associated Shareholders, albeit at an unattractive price compared to our valuation of a share in Realm.

Alternative paths to liquidity for Non-associated Shareholders

We consider that there are several potential alternate paths to liquidity for Non-associated Shareholders:

- a relisting of shares on the Australian Securities Exchange (ASX)
- participate in a transaction with the Bidder Group as it exits its fund positions
- continue to hold unlisted shares and receive such dividends as the Directors may determine.

We recognise that is it not ideal, from the perspective of Non-associated Shareholders seeking liquidity, that there is no certainty on these potential paths to liquidity.

Relisting of shares

Realm has failed to re-comply with the ASX's minimum 20% free float requirement on account of the Bidder Group holding over 85% of the Company's share capital. In order to meet this free float requirement, the Independent Directors intend to continue to progress the capital raising and ASX re-compliance workstreams, so that in the event the Takeover Offer expires or is withdrawn, or regulatory relief is sought and received, the Company is in a position to conduct a capital raising, at a price to be decided at that point in time (the Equity Raising). Practically, however, the terms of any Equity Raising will ultimately need to satisfy the Bidder Group.

We understand that the Company is at an advanced stage of preparation for an Equity Raising, having secured advisers and paid ASX relisting fees. However, there is no certainty that the Equity Raising will be successful and that the Company will satisfy the re-listing conditions of the ASX, including the free float condition.

However, we understand the Bidder Group has disclosed its intentions for the Company in Sections 5 to 6 of the Supplementary Bidder's Statement issued on 14 March 2018, which includes actively

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encouraging the Board of the Company to apply for the removal of Realm from the official list of the ASX (subject to the fiduciary duties of any nominees of the Bidder Group on Realm's Board). Furthermore, the Bidder Group has stated that it is not supportive of the Equity Raising, which is necessary to lift the current suspension of the shares from trading on the ASX.

Notwithstanding the Bidder Group's intentions, we understand that for the Company to be removed from the official list of the ASX[2], subject to certain exceptions, the ASX will usually require shareholder approval, in this case from Non-associated Shareholders as the Bidder Group cannot vote as Realm has been the subject of a takeover bid from the Bidder Group in the previous 12 months.

Based on our valuation of a Realm Share (after allowing for a suitable minority interest and marketability discount), if Realm was re-listed, we would expect it to trade at values in excess of the Takeover Bid.

Bidder Group exit

The Bidder Group substantively comprises an eight year closed fund that was raised in March 2011 with a term until March 2019, which can be extended to March 2021 upon certain conditions. We would expect that the fund is, or is near to, commencing the process of realising investments, including its shareholding in Realm.[3]

Any purchaser of the Bidder Group's interest in Realm will need to make a takeover offer for Realm, given the size of the stake of the Bidder Group, which Non-associated Shareholders will have an opportunity to participate in.

If such a takeover offer emerges, it may provide an alternative liquidity event for Non-associated Shareholders at a price that is, at least, acceptable to the Bidder Group.

Receipt of dividends

If the Takeover Offer is not successful, Non-associated Shareholders may participate in the value arising from Realm's interest in the Foxleigh coal mine by dividends paid as the Company's Directors may determine.

The Directors of the Company could potentially pursue the sale of the Company's underlying assets and return the proceeds to shareholders by way of dividend (with at least some proceeds being a capital return).

There is also a possibility of a special dividend, given the significant amount of cash presently held by the company (beyond projected requirements for capital expenditure).

There are risks associated with Realm's future prospects, especially in relation to a downturn in coal prices

The Foxleigh coal mine is a mid-cost PCI operation, with SRK Consulting estimating the mine to have a current FOB cash cost base (pre-royalties) of AUD 95 per product tonne.

Whilst the mine has benefited from the rise in coking coal prices since Realm acquired its 70% interest in the mine in August 2016, it is potentially vulnerable to a downturn in coal prices and unforeseen events that could affect its profitability at current prices. Such events include the failure of aged equipment, failure to contain overburden removal costs and other operating costs, unpredictable weather conditions and lower yields than forecast.

Conclusion on reasonableness

The Cash Consideration is 45% to 53% below what we consider to be the fair market value of a share in the Company on a control basis.

Although it is of genuine concern that the Non-associated Shareholders cannot sell their shares in Realm over time, there are potential alternatives available to Non-associated Shareholders to realise their investment in Realm, which we consider are more compelling than accepting the Takeover Offer.

Accordingly, in our opinion, the Takeover Offer is not reasonable.

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[2] Realm's shares are currently suspended from trading, but the Company remains on the official list of the ASX, subject to meeting the ASX's minimum free float requirements

[3] Per the Bidder's Statement issued by Northern Silica Corporation on 17 March 2017 in relation to the takeover of Heemskirk Consolidated Limited

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Opinion

In our opinion, the Takeover Offer is neither fair nor reasonable to Non-associated Shareholders. An individual shareholder's decision in relation to the Takeover Offer may be influenced by his or her particular circumstances. If in doubt, the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Stephen Reid

Authorised Representative
AR Number: 461011

Robin Polson

Authorised Representative
AR Number: 461010

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Glossary

Reference	Definition
2012 JORC Code	2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
ACPA	Average Coal Price Achieved
Alumicor	Alumicor SA Holdings Proprietary Limited
Anglo American	Anglo American plc
Announcement Date	Date on which the Takeover Offer was announced, 9 February 2018
AR	Authorised Representative
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUASB	The Auditing and Assurance Standards Board
AUD	Australian dollars
Base Case	Base case cash flow projections set out in the Foxleigh Model, with adjustments provided by SRK Consulting
bcm	Bank cubic metre
Bidder	T2 Resources Fund Pty Limited
Bidder Group	Refers to the Bidder, T2 Trust and T2 LP, collectively
Board	Board of Realm
CAGR	Compound annual growth rate
CAPM	Capital Asset Pricing Model
Cash Consideration	AUD 0.90 per share to be paid to Non-associated Shareholders if the Takeover Offer is accepted
CHPP	Coal handling and processing plant
Conditions	Conditions relating to the Takeover Offer
Corporations Act	Corporations Act 2001 (Cth)
CPI	Consumer Price Inflation
CY	Calendar year
DBCT	Dalrymple Bay Coal Terminal
DCF	Discounted cash flow
Deloitte	Deloitte Touche Tohmatsu
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Domestic Scenario	Cash flow scenario for Katingan Ria considering development of mine-mouth coal operation
Eastern Limb Projects	Platinum exploration projects in South Africa, in which Realm holds a 74% interest
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Employee Options	Existing options over Realm shares granted or agreed to be granted to employees and Directors of Realm
Employee Shares	Unvested rights to Realm shares granted or agreed to be granted to employees and Directors of Realm

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Reference	Definition
EMRP	Equity market risk premium
Enhanced Base Case	Cash flow projection scenario for the Foxleigh coal mine, with productivity enhancements and cost reductions in line with industry benchmarks
Equity Raising	The equity raising proposed by the Independent Directors to meet the minimum 20% free float requirement
EPC	Exploration Permits for Coal
EV	Enterprise value
Expanded Enhanced Case	Cash flow projection scenario for the Foxleigh coal mine, incremental to the Enhanced Base Case, assuming production from additional coal resources during 2032 to 2041
Export Scenario	Cash flow scenario for Katingan Ria considering development of export coal operation through Pegatan Anchorage
FOB	Free on board
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GCNewc	Global Coal Newcastle
Glencore	Glencore plc
ha	Hectares
HCC	Hard coking coal
Hulamin	Hulamin Limited
HV	High volatile
HVO	Hunter Valley Operations
Independent Directors	The independent directors of Realm
JV	Joint venture
Katingan Ria	Katingan Ria thermal coal project
K_d	Cost of debt capital
K_e	Cost of equity capital
km	kilometres
LV	Low volatile
MDP	Mitsubishi Development Pty Ltd
Middlemount South	Middlemount South Pty Limited
Moz	Million ounces
MSCI Index	Morgan Stanley Capital International World Index
mtpa	million tonnes per annum
New Hope Corporation	New Hope Corporation Limited
Nippon	Nippon Steel & Sumitomo Metal Pty Ltd
Non-associated Shareholders	Shareholders of Realm other than the Bidder Group
NPAT	Net profit after tax
Offer Period	Period between the Announcement Date and 16 April 2018
PCI	Pulverized Coal Injection

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Reference	Definition
PGM	Platinum Group Metals
PLN	Perusahaan Listrik Negara or the Indonesian State-owned Electricity Corporation
POSCO	POSCO Australia Pty Limited
Realm Directors	Directors of Realm
Realm/the Company	Realm Resources Limited
Report, our	Independent expert's report in connection with the Takeover Offer
R_f	Risk free rate
RHS	Right hand side
Rio Tinto	Rio Tinto Limited
ROM	Run of mine
S&P	Standard & Poor's
Section 640	Section 640 of the Corporations Act 2001
Shareholders	Existing holders of Realm
SRK Consulting	SRK Consulting (Australasia) Pty Limited
SSCC	Semi-soft coking coal
T2 LP	Taurus Resources No 2, L.P
T2 Trust	Taurus Resources No 2 Trust
Takeover Offer	Offer to acquire remaining shares of Realm by Taurus
Target's Statement	Realm's proposed target's statement in respect of the Takeover Offer
TC	Thermal coal
TOP	Take-or-pay
UK	United Kingdom
USD	United States Dollars
VALMIN code	The code for Technical Assessment and Valuation of Minerals and Petroleum Assets and Securities for Independent Expert Reports
WACC	Weighted Average Cost of Capital
Whitehaven Coal	Whitehaven Coal Limited
Yancoal	Yancoal Australia Limited
ZAR	South African Rands

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1 Overview of the Takeover Offer

1.1 Summary

On 9 February 2018 (the Announcement Date), T2 Resources Fund Pty Limited (the Bidder)[4], a special purpose vehicle wholly owned by Taurus Resources No 2 Trust (T2 Trust), announced a conditional offer to acquire all of the shares in Realm Resources Limited (Realm or the Company) that the Bidder, T2 Trust and Taurus Resources No 2, L.P (T2 LP) (collectively, the Bidder Group) do not already own for AUD 0.90 cash per share (the Cash Consideration). The Cash Consideration will be reduced by any dividend paid to Shareholders during the offer period which closes on 16 April 2018 (Offer Period). The Company does not intend to pay any dividends in the near term.

Based on the number of Realm shares on issue as at the Announcement Date and the interest held by the Bidder Group as at 14 March 2018, the maximum amount of cash that would be payable by the Bidder if acceptances were received for all Realm shares is approximately AUD 33 million. Shareholders may only accept the Takeover Offer for all of their Realm shares, not for part holdings.

The Takeover Offer also extends to Realm shares that are issued before the end of the Offer Period as a result of the conversion of employee share options or the vesting of any employee shares.

The Takeover Offer is subject to customary conditions (the Conditions), the most significant being:

- before the close of the Offer Period, the Company is not to:
  - convert all or any of its shares into a larger or smaller number of shares
  - issue new shares, convertible notes or options over existing shares
- all existing options over Realm shares granted or agreed to be granted to employees of Realm and Realm Directors[5] (Employee Options) are required to be cancelled prior to the close of the Offer Period
- no unvested rights to Realm shares granted or agreed to be granted to Realm employees and Realm Directors (Employee Shares) are to remain by the close of the Offer Period
- there being no significant changes in Realm's business, ownership structure and net asset position during the Offer Period.

If the Conditions are not satisfied or waived by the Bidder, then the Takeover Offer will not proceed.

On 27 February 2018, the Company lodged an Appendix 3C announcing the buy-back and cancellation of 2.1 million employee plan shares in Realm, and also lodged an Appendix 3B announcing the issue of 500,000 new ordinary shares in Realm under its Director and Employees Incentive Plan. As a result, certain Conditions have been triggered. However, the Bidder Group has determined that it will waive these Conditions.

1.2 The Bidder Group's intentions if the Takeover Offer is accepted

The Bidder Group, which owned 85.73% of Realm's shares as at 14 March 2018, has announced its intention to compulsorily acquire the remaining shares in the Company where it is entitled to do so.

Potential scenarios that may arise as a consequence of the Takeover Offer are outlined below.

If the Bidder Group becomes the holder of at least 96.4% of Realm's shares

Under Part 6A.1 of the Corporations Act, a bidder is entitled to compulsorily acquire any outstanding shares where it acquires more than 90% of the target's share capital and at least 75% of the shares subject to its offer. Accordingly, based on the current shareholding structure of Realm, the Bidder Group is entitled to compulsorily acquire any remaining outstanding shares upon the acquisition of approximately 96.4% of the Company's share capital.

If the Bidder Group successfully acquires 100% of Realm shares, it intends to rationalise corporate functions and roles, sell certain non-core assets and actively encourage the Board of the Company to apply for the removal of Realm from the official list of the ASX.

[4] The Bidder owns 1.88% of the outstanding shares in Realm in its own right, however the collective voting power of the Bidder and its associates (which we refer to as the Bidder Group in this report for simplicity) is 85.73% as at 14 March 2018

[5] The Realm Directors comprise: Michael David Rosengren, Michael Neill Macgregor Davies, Gordon Thomas Galt, Staffan Ever and James David Beecher

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If the Bidder Group becomes the holder of at least 90% of the shares but does not acquire at least 75% of the shares the subject of the Takeover Offer

According to the Supplementary Bidder's Statement issued on 14 March 2018, if the Bidder Group becomes the holder of at least 90% of the shares but does not acquire at least 75% of the shares subject to its offer, and the Conditions are satisfied or waived, the Bidder Group intends to give notices to compulsorily acquire any outstanding Realm shares in accordance with Part 6A.2 (general compulsory acquisition) of the Corporations Act. In these circumstances, an independent expert's report will be prepared which will state whether, in the expert's opinion, the terms proposed in the compulsory acquisition notice give a fair value for the securities concerned.

Provided that the Bidder Group meets the requirements of the Corporations Act (including a favourable expert's report), the Bidder Group will be entitled to compulsorily acquire the remaining shares not accepted under the Takeover Offer if:

- no Realm shareholder objects to the compulsory acquisition, or the number of objecting Realm shareholders represents less than 10% of the value of those remaining securities at the end of the objection period; or
- the Court approves the acquisition.

If the Bidder Group acquires less than 90% of Realm's shares

If the Bidder Group acquires less than 90% of Realm's capital, then it will not be able to compulsorily acquire the Realm shares which have not been accepted into the Takeover Offer. In this circumstance, the Bidder Group has stated its intentions are as follows:

- the Bidder Group will nonetheless seek to implement its intentions set out above (i.e. rationalise corporate functions, etc.);
- the Bidder Group will seek to replace all current Realm Directors (other than those which it determines to retain following a review) with nominees of the Bidder Group;
- as the Bidder Group is not supportive of the Company's continued listing on the ASX (or the capital raising necessary to lift the current suspension of the shares from trading on the ASX), it intends to actively encourage Realm to apply for removal of the Company from the official list of the ASX, to the extent it is able to do so, in a manner that is consistent with ASX guidance (as set out in ASX Guidance Note 33) and subject to the fiduciary duties of any nominees of the Bidder Group on Realm's Board). However, the decision to apply for the removal of Realm from the official list of the ASX lies with the Board of Realm.

  If, following the takeover, the number of shareholders in Realm (excluding the Bidder Group) having holdings with a value of at least AUD 500 is not fewer than 150, it is uncertain what conditions would be imposed by the ASX in circumstances where (at least in the Bidder Group's opinion) there is currently no reasonable prospect of the suspension of the Company's shares being lifted.

  In the context of a company which is not suspended, the ASX generally imposes the condition that shareholder approval is required for the removal (and for 12 months after a takeover bid, any votes cast by the bidder and its associates are to be excluded).

  ASX guidance on this issue also notes that an unacceptable reason for requesting removal from the official list is if the company is doing so solely or primarily to deny minority shareholders a market for their securities in order to coerce them into accepting an offer from a controlling shareholder to buy their securities. Even if shareholder approval is not obtained or the ASX otherwise does not wholly agree to the request for removal from the official list, the ASX's policy is to remove from the official list any entity whose securities have been suspended from trading for a continuous period of three years.

  If, following the takeover, the number of Realm shareholders (excluding the Bidder Group) having holdings with a value of less than AUD 500 is fewer than 150, then the ASX would be expected to delist Realm without conditions;[6] and
- the Bidder Group will continue to deal with its stake in Realm with a view to maximising its returns.

[6] In considering the Bidder Group's prospects of succeeding with these intentions, in the Bidder's Statement, the Bidder Group points out to Realm shareholders its stated intention regarding the ongoing appointment of the Realm Directors. According to Section 5.3 of the Bidder's Statement, "any nominee directors that the Bidder Group appoints may be supportive of an application for Realm's removal from the official list of the ASX, subject to their fiduciary duties to act in the best interests of Realm".

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2 Basis of evaluation

2.1 Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of experts' reports and ASIC Regulatory Guide 112 in respect of the independence of experts. The Regulatory Guides prescribes standards of best practice in the preparation of independent experts' reports pursuant to Section 640 of the Corporations Act.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent experts' reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of Section 611, a selective capital reduction or a selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company.
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer, in the absence of any higher bids before the close of the offer.

To assess whether the Takeover Offer is fair and reasonable to Non-associated Shareholders, we have adopted the tests of whether the Takeover Offer is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Fairness

We have assessed whether the Takeover Offer is fair by comparing the Cash Consideration offered with our estimate of the value of a share in Realm on a control basis. In assessing the value of each Realm share, we have estimated the current value of Realm on a control basis and divided this value by the number of shares on issue.

The Realm shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a Realm share has not been premised on the existence of a special purchaser.

Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Takeover Offer we considered the following significant factors in addition to determining whether the Takeover Offer is fair:

- alternatives for the Non-associated Shareholders to realise the value of their shares
- the significant shareholding held by the Bidder Group in Realm
- other implications associated with Non-associated Shareholders rejecting the Takeover Offer.

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3 Profile of Realm

3.1 Company overview

Realm Resources Limited (Realm or the Company) is an independent Australian coal producer, the key asset of which is its 70% operated-interest in the Foxleigh PCI coal mine located in the Bowen Basin in Queensland.

Realm acquired its interest in Foxleigh in August 2016 from a subsidiary of Anglo American plc (Anglo American) for approximately AUD 75 million, including AUD 47 million in cash and contingent royalties estimated by management at AUD 28 million. The contingent royalties are capped at AUD 75 million.

POSCO Australia Pty Limited (POSCO) and Nippon Steel & Sumitomo Metal Pty Ltd (Nippon) hold the remaining interest in the Foxleigh Joint Venture (JV), with 20% and 10% interests, respectively, and are also the key offtakers of Foxleigh's output.

The acquisition of Foxleigh precipitated a series of events pursuant to which the ASX formed the view that the transaction was a backdoor listing and that, as a result, Realm had not complied with certain Listing Rules and Guidance Notes. The ASX accordingly exercised its discretion to suspend Realm shares from trading on the ASX on 13 September 2016. Whilst the Company was able to reinstate share trading from 15 June 2017 to 14 July 2017 ahead of the extraordinary general meeting (EGM) to approve the Foxleigh acquisition, the Company's shares were suspended again as the Company was required to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were applying for admission to the official list. The Company has not yet been able to satisfy the minimum free float requirements on account of the Bidder Group's collective shareholding exceeding 80%.

Realm's shares remain suspended, having last traded at $0.85 per share on 14 July 2017.

3.2 Portfolio of assets and investments

Realm's portfolio of assets and investments consist of the following:

- the 70% interest in the Foxleigh JV, and 100% interests in the Exploration Permits for Coal (EPC) 855 and 1669, also located in the Bowen Basin in Queensland
- a 51% interest in the Katingan Ria thermal coal project (Katingan Ria) located in Indonesia
- a 74% interest in Alumicor SA Holdings Proprietary Limited (Alumicor), an aluminium dross plant in South Africa
- a 74% interest in its subsidiary, Realm Resources Pty Limited, incorporated in South Africa which owns platinum group metals exploration assets located in South Africa (the Eastern Limb Projects)
- 45 million shares in Chrometco Limited (representing c.16% of the total shares on issue), a company listed on the Johannesburg Stock Exchange, which operates mining projects is South Africa.

Each of Realm's assets are set out in further detail in the following sections.

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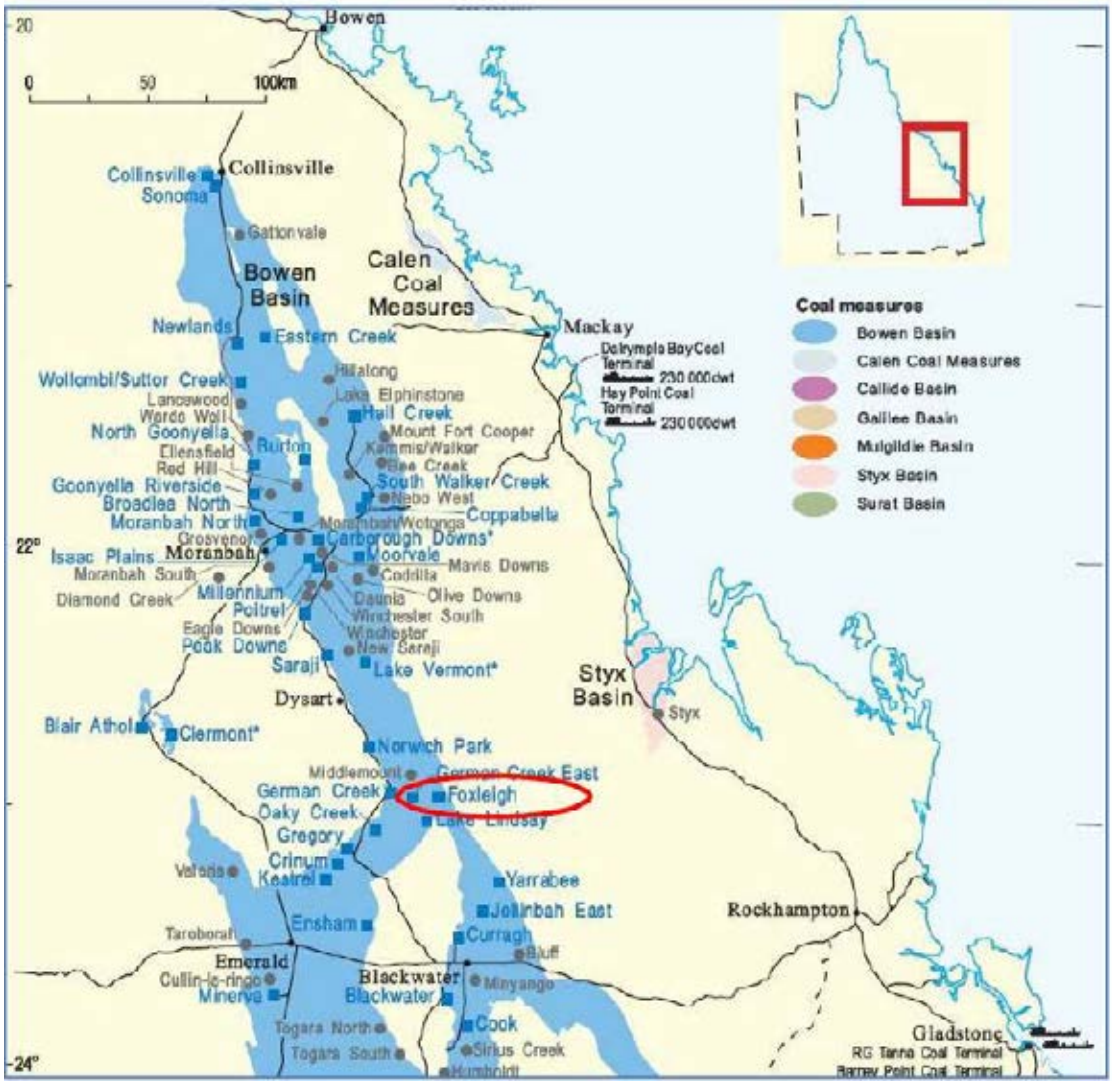
3.2.1 The Foxleigh coal mine

Overview

Foxleigh is a c.3 million tonne per annum (mtpa) (saleable production) open cut, truck and excavator operation, producing low volatile (LV) PCI metallurgical coal. Foxleigh is located in the Bowen Basin in Queensland, approximately 12 kilometres (km) south of Middlemount, as shown in Figure 1 below.

Figure 1: Location of Foxleigh



Source: Realm company website

Mining and processing operations are carried out using capital intensive infrastructure and equipment, including:

- a fleet of 69 trucks, excavators, dozers, haul trucks, graders and loaders. These include 25 leased haul trucks
- a coal handling and processing plant (CHPP), comprising a run of mine (ROM) area, dump station, ROM coal sizing equipment, processing facilities, a product bin and reject management area.
- haul roads, which include a dedicated product management area, skyline tripper conveyor and coal reclaim system at the train loadout area owned by Anglo American's Capcoal mine[7].

[7] The Capcoal coal mine is operated as a JV between Anglo American and Mitsui Coal Holdings. The load out facility located on the Capcoal rail loop is owned by the Capcoal JV and is used to load coal from both the Foxleigh and Capcoal mines. The Foxleigh JV uses the Capcoal facilities pursuant to an agreement between the JVs.

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Since acquiring its interest in the Foxleigh JV, the Company has invested an additional AUD 29 million in CY17 on equipment upgrades, including the commissioning of two excavators. A third excavator was commissioned during early CY18.[8]

The raw coal is hauled via dump truck to the on-site CHPP where it is washed to yield saleable coal at an approximate yield of c.70%[9]. The washed coal is then hauled 27km to a dedicated loading facility at the Capcoal coal mine before being transported approximately 280 km on the Goonyella rail system to the Dalrymple Bay Coal Terminal (DBCT) at the Port of Hay Point.

The Goonyella Rail System is a 924 km rail system in central Queensland that connects 30 coal mines in the northern Bowen Basin largely to DBCT and Hay Point Coal Terminal. Foxleigh's below-rail track access is held on its behalf by the haulage provider, Pacific National.

Foxleigh's tenure covers c.58 thousand hectares (ha) (gross), (52,621 ha considering overlaps between some tenements) including an additional 3,788 ha covered by the 100% owned EPC 855 and EPC 1669, extending over a length of c.40 km. Seven individual mining leases have been secured for the full term of Foxleigh's current mine plan with all applicable landowner compensation agreements in place for those mining leases.

Details of the mining leases and EPCs are presented in the tables below, together with reserves and resources estimated for particular areas held by Realm in accordance with the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code).

Table 4: Foxleigh's mineral rights

Tenure type	Number	Grant date	Expiry date	Holders
Mining lease	70171	04-Nov-1999	30-Nov-2034	Foxleigh JV
Mining lease	70309	28-Oct-2004	30-Nov-2034	Foxleigh JV
Mining lease	70310	02-Oct-2015	30-Nov-2034	Foxleigh JV
Mining lease	70429	22-Sep-2014	30-Nov-2034	Foxleigh JV
Mining lease	70430	22-Sep-2014	30-Nov-2034	Foxleigh JV
Mining lease	70431	22-Sep-2014	30-Nov-2034	Foxleigh JV
Mining lease	70470	13-Nov-2012	30-Nov-2034	Foxleigh JV
EPC	1139	07-Aug-2007	06-Aug-2022	Foxleigh JV
EPCs (Roper Creek)	855	20-Oct-2003	29-Oct-2022	Realm
	1669	11-Nov-2009	10-Nov-2019	Realm
Total area				

Source: Management information (2018 Plan of Operations)

Table 5: Foxleigh – Reserves and Resources (shown on a 100% basis, all LV PCI coal)

Area	Marketable Reserves (mt)			Resources (including Reserves) (mt)			
	Proved	Probable	Total	Measured	Indicated	Inferred	Total
Foxleigh Plains	22.6	11.7	**34.3**	28.5	24.5	10.0	**63.0**
One Tree / Pipeline	6.7	3.0	**9.7**	9.8	6.6	4.1	**20.5**
Far South	1.8	3.2	**5.0**	4.2	6.1	2.3	**12.6**
Daggers Tip	0	0.1	**0.1**	0	0.7	9.5	**10.2**
Total[1]	**31.1**	**18.0**	**49.1**	**42.5**	**37.9**	**25.9**	**106.3**
Roper Creek	-	-	**-**	-	42.0	6.0	**48.0**
Total	**31.1**	**18.0**	**49.1**	**42.5**	**79.9**	**31.9**	**154.3**

Source: JORC Reserve and Resource Statements of the Company (at various dates; with differing economic assumptions underpinning reserve estimates)
Note:
1. Realm's interest in the Foxleigh JV's reserves and resources is 70%.

According to the financial model for the Foxleigh coal mine (which is based on input provided by SRK Consulting), approximately 47 mt of marketable reserves are projected to be mined over a period

[8] According to the Quarterly Report for period ending 31 December 2017
[9] Based on management's current forecasts; historical yields have ranged between 70% and 77% according to internal management information

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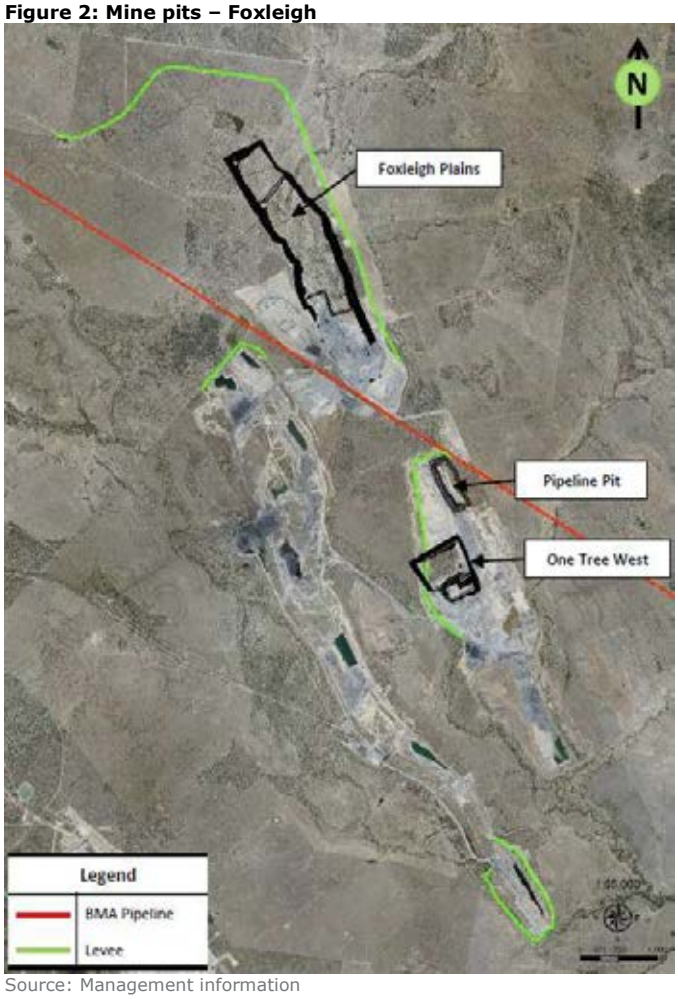
of 15 years, from 2018 to 2032, with mining focusing on the Foxleigh Plans and One Tree West pits, as shown in the figure below.[10]

Figure 2: Mine pits – Foxleigh



Source: Management information

We understand, based on discussions with SRK Consulting, that the reserves associated with the Pipeline, Far South and Daggers Tip areas are not currently incorporated in the financial model for the mine.

The Roper Creek tenements are located adjacent and to the northwest side of Foxleigh. Both EPCs were recently renewed for a further five-year period. These tenements are yet to be developed, and additional exploration activities are being undertaken in order to assess their commercial potential.

Further details on the reserve profile and the mine plan of the Foxleigh coal mine are set out in SRK Consulting's report (Appendix 3).

Acquisition by Realm

Realm acquired its 70% interest in Foxleigh JV on 29 August 2016 through Middlemount South Pty Limited (Middlemount South), a subsidiary in which Realm holds a 99.9% interest, with the remaining 0.1% stake being held by the Bidder Group. Middlemount South replaced Anglo American as the operator of the Foxleigh JV following the transaction.

As disclosed in the financial statements, Realm paid approximately AUD 75 million to Anglo American for the 70% interest in Foxleigh JV and 100% of EPCs 855 and 1669 (i.e. Roper Creek), AUD 47 million of which was settled in cash and financed through a bridge loan from a related party to the Bidder Group.

[10] The difference between the 47mt of saleable production in the financial model and the reserves reported for the Foxleigh Plains and One Tree pits is due to the different economic assumptions underpinning the calculations underpinning the different models

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The remaining AUD 28 million reflected management's estimate of the net present value of future royalty payments, contingent on the price at which the Foxleigh coal is sold.

The acquisition occurred shortly after the inflection point at which coal prices surged after more than five years of declining prices. Since the acquisition of Foxleigh, LV PCI coal prices have averaged approximately USD 139 per tonne in CY17[11], compared with USD 71 per tonne in the month of acquisition. The increase in prices has driven significant free cash flow generation from operating activities for Realm, estimated at AUD 124 million[12] over the course of the subsequent five quarters between October 2016 and December 2017, well in excess of the purchase price.

As part of the transaction, Realm agreed to pay Anglo American royalties on a semi-annual basis where the coal price achieved by the Foxleigh JV exceeds particular thresholds as follows:

- where the Average Coal Price Achieved (ACPA) is greater than AUD 105 per tonne (in 2016 real dollars, to be escalated at an agreed index), royalties are calculated at a fixed rate of AUD 1 per tonne of coal sold
- where the ACPA is greater than AUD 115 per tonne, royalties are calculated at a fixed rate of AUD 2 per tonne of coal sold
- where the ACPA is greater than AUD 130 per tonne, royalties are calculated at a fixed rate of AUD 3 per tonne of coal sold.

These thresholds (but not the payments) are escalated every six months by Table 11 (Coal Mining) of the Producer Price Index published from time to time by the Australian Bureau of Statistics. The royalty payments are capped at AUD 75 million in aggregate, with the royalty agreement itself expiring after 12.5 years from the acquisition date.

Acquisition financing by related parties of the Bidder Group

The Foxleigh acquisition was funded by an AUD 50 million unsecured bridge loan facility provided by Taurus Resources Fund No. 2, which was fully repaid in August 2017. The loan attracted interest at a rate of 10% per annum and Realm paid an upfront arrangement fee calculated as 2.5% of the loan proceeds. Taurus Mining Finance Fund, a related entity, provided a performance guarantee facility to primarily cover financial assurances required by the State Government for rehabilitation commitments (then amounting to AUD 85 million). Any drawn amounts attract interest at a rate of 9% per annum.

The facilities were amended in December 2017 as follows:

- the approved purpose of the Performance Guarantee Facility was amended to permit the use of up to USD 20 million for the working capital requirements of the Company (allowing a total of USD 40 million to be drawn under the Working Capital Facility)
- the termination date of the agreement was extended to 31 January 2019
- Realm is now permitted to redraw any part of the Performance Guarantee Facility or Working Capital Facility that has been repaid or prepaid.

As at 31 December 2017, USD 48.9 million of the Performance Guarantee Facility had been drawn down by Realm.

As part of the funding arrangement for the Foxleigh acquisition, Realm also agreed to pay Taurus Mining Finance Fund an annual royalty equivalent to 1% of Realm's share of the gross revenues generated by the Foxleigh JV (Realm: 70%) and the Roper Creek EPCs (Realm: 100%).

Infrastructure entitlements

As Australia exports the majority of its coal production, access to rail and port infrastructure is critical for producers in the coal industry. Over the past 15 years, during periods of sustained increases in coal demand, Australian producers were faced with the prospect of insufficient coal loading terminal capacity and poor rail infrastructure, resulting in large queues of ships forming at coal loading terminals (which attracts significant demurrage costs for miners). These infrastructure constraints have eased with the successful commissioning of new capacity over the past few years. However, as a result of subdued demand and oversupply in the region, which served to significantly depress prices from 2012 until recently, many Australian producers are now burdened with the costs of excess capacity as a result of

[11] Actual prices based on Foxleigh management reports

[12] Based on operating cash flows before investing cash flows in Q4 of CY16 and in CY17 (before debt repayments), as reported in annual financial statements and quarterly statements. The vast majority of operating cash flow is attributable to Realm's interest in Foxleigh with Alumicor being the Company's only other income producing asset. Alumicor generated approximately AUD 0.14 million in free cash flow in CY17.

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the fixed term nature of the take-or-pay (TOP) contracts by which they secured capacity with terminal operators.

Realm's acquisition of its interest in the Foxleigh JV was structured to limit the Company's exposure to rail and port TOP liabilities via an Excess Capacity Agreement with Anglo American, and to simultaneously provide it with the flexibility to use more rail and port capacity where expanding production levels demand it.

Under the existing arrangements with Anglo American, in substance, the Foxleigh JV pays for contracted levels of 3.5 mtpa for rail and 3.3 mtpa for port. However, under the Excess Capacity Agreement between Middlemount South and Anglo American, Anglo American rebates to Middlemount South, in proportion to its 70% interest in the Foxleigh JV, the amount of capacity that is not actually used by the Foxleigh JV between 2.4 mtpa and the contracted rail (3.5 mtpa) and port (3.3 mtpa) levels. The Excess Capacity Agreement is an asset held by Middlmount South, not the other Foxleigh JV participants.

The table below summarises the relevant port and rail agreements.

Table 6: Relevant rail and port agreements

Agreement	Provider	Expiry date	Original contracted volume	Foxleigh JV minimum contracted volumes per the Excess Capacity Agreement
Below rail track	Aurizon	30 June 2024[1]	Up to 3.5 Mtpa	2.4 Mtpa
Above rail haulage	Pacific National	31 December 2021[2]	Up to 3.5 Mtpa	2.4 Mtpa
Port access	DBCT	30 June 2024[3]	3.3 Mtpa	2.4 Mtpa

Source: Management information, Deloitte analysis

Notes:

1. Pacific National, on behalf of the Foxleigh JV, has an access agreement with Aurizon Network for rail track capacity equivalent to up to 3.5 Mtpa, expiring in June 2024, with 'first rights' of renewal thereafter
2. At expiry in 2021, management expects that a new contract will be negotiated with either Pacific National or Aurizon for above rail capacity
3. The DBCT agreement was signed in 2014 and now expires in June 2024, however is evergreen in nature, with rolling five-year renewal options from June 2024.

Foxleigh operational highlights

Key operational metrics for Foxleigh are summarised in the table below.

Table 7: Key operational metrics

KPI	Unit	2014	2015	2016	2017
ROM strip ratio	bcm / ROM t	8.1	9.2	7.0	8.4
Saleable product	Kt	2,906	2,658	3,182	2,963
Yield	%	71%	69%	73%	74%

Source: Management information

During the site visit conducted in February 2018, SRK Consulting identified several opportunities to reduce operating costs and improve productivity, thereby lowering unit costs.

The gross majority of Foxleigh sales is contracted. The financial model for the Foxleigh coal mine assumes a 3% discount to the PCI benchmark price over the life of mine for various commercial reasons.

3.2.2 Katingan Ria

Overview

Realm owns a 51% interest in the Katingan Ria Coal Project (Katingan Ria) in Central Kalimantan, Indonesia (shown in the figure below). Katingan Ria is a low rank, sub-bituminous thermal coal deposit, likely to be mined as an open cut operation. Management's pre-feasibility studies suggest annual output of 2.5 mtpa to 3 mtpa over a life of mine of approximately 15 years.

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Figure 3: Location of Katingan Ria

Source: Realm Annual Report 2016

The table below sets out Katingan Ria's reserves and resources estimated in 2017 in accordance with the 2012 JORC Code.

Table 8: KCP – Reserves and Resources (shown on a 100% basis)

	Marketable Reserves (mt)			Resources (including Reserves) (mt)			
	Proved	**Probable**	**Total**	**Measured**	**Indicated**	**Inferred**	**Total**
Thermal coal	-	27.4	**27.4**	6.5	44.0	37.0	**87.5**

Source: JORC Reserve and Resource Statements as at 9 May 2017
Note:
1. Realm's interest in the Katingan Ria's reserves and resources is 51%.

Katingan Ria is currently in a pre-operational stage, with management of Katingan Ria considering different development alternatives. The most likely option constitutes an integrated supply operation to a domestic power station, rather than an export operation involving barging down the Katingan River, given the variability of the river's annual water levels. Notwithstanding this, the reserves and resources

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have been estimated with reference to export model assumptions, namely benchmark FOB Kalimantan export thermal coal[13] prices of USD 40 per tonne and FOB cash costs of USD 32 per tonne (which include mining and barging costs).

Management continues to engage with potential partners and Perusahaan Listrik Negara (PLN, being the Indonesian State-owned Electricity Corporation) to pursue developing the deposit as an integrated power station, however sovereign risk remains a key factor potentially impeding progress. Under this operating model, the mine is expected to earn a fixed margin over production costs.

3.2.3 Alumicor

Realm owns a 74% equity interest in Alumicor, an aluminum dross, scrap re-smelting and toll treatment plant located in Pietermaritzburg, South Africa. Currently, Alumicor has an exclusive contract with Hulamin Limited (Hulamin), an aluminum smelting company listed on the Johannesburg Stock Exchange, which owns a smelting plant located nearby. Realm is actively looking to exit its interest in Alumicor.

Alumicor's processing plant has three oxyfuel fired rotary tilting furnaces with a resmelting capacity of 2,100 tonnes per month and operates exclusively for Hulamin.

The contract with Hulamin was renewed in July 2017.

During 2017, Alumicor processed 17,884 tonnes with an average recovery rate of 60.4%, and generated EBITDA[14] of approximately ZAR 11 million (approximately AUD 1 million).

3.2.4 Platinum group metals interests

Realm has interests in a series of PGM exploration assets in South Africa, on the Eastern Limb of the Bushveld Igneous Complex (BIC) located in the northern part of the country.

In addition, Realm holds 45 million shares in Chrometco, a mining company incorporated in South Africa.

Realm is actively looking to exit these non-core assets.

Eastern Limb PGM assets

Realm owns controlling interests in three exploration assets, namely Kliprivier, Tinderbox, and Ghost Mountain. The projects are held in Masedi Platinum Pty Ltd (Realm: 70.3%) and Nkwe Platinum (Scarlet) Pty Limited (Realm: 74%).

The projects are in pre-operational stages, and early exploration work has been undertaken in order to determine the commercial potential of the projects. Kliprivier is the highest priority project with defined resources, while the other two have exploration targets. Estimated resources for the three projects amount to 7 million ounces (Moz) (3PGE+Au)[15].

Realm fully impaired the book value of the Eastern Limb PGM assets in December 2016. Applications are currently in progress with the relevant South African authorities to renew the leases for these areas.

Chrometco Holding

Chrometco has chrome and platinum exploration tenements and operations in South Africa.

On 13 August 2012, Realm entered into an agreement with Chrometco Limited and Nkwe Platinum Rooderand (Proprietary) Limited to vend its Rooderand PGM assets into Chrometco Limited in exchange for 45 million shares in the company. The shares have a face value of ZAR 4.95 million based on the current share price of Chrometco Limited of ZAR 0.11.

[13] 4,200 kilocalories per kilogram, gross as received
[14] Earnings before interest, tax, depreciation and amortisation; Directors' estimate
[15] 3PGE – three platinum group elements; Au – gold

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3.3 Capital structure and ownership

As at 1 March 2018, Realm had 253,259,495 ordinary fully paid shares on issue[16], including 4.2 million restricted shares issued to employees[17]. The largest shareholdings as at 1 March 2018 are set out in the table below.

Table 9: Realm's shareholders

	Number of shares ('millions)	% of total shares issued
Bidder Group[1]	217	85.73%
M Resources Pty Limited	3	1.14%
Nine One Four Pty Ltd (Super Vida Fund A/C)	2	0.84%
Theo Noel Renard	2	0.61%
Peter Graham Briggs	1	0.39%
CFO Advisers Pty Limited	1	0.39%
Staffan Ever	1	0.39%
Latimore Family Pty Limited	1	0.39%
Richard David Rossiter	1	0.39%
Andrew Martin Matheson	1	0.38%
Other shareholders	24	9.33%
Total shares on issue as at 1 March 2018	**253**	**100.00%**

Source: Realm management
Note:
1. The Bidder Group's interest was revised to 85.73% as at 14 March 2018 from 85.71%. All other interests are as at 1 March 2018.

The Bidder Group collectively holds 85.73% of Realm's share capital as at 14 March 2018. The remainder of Realm's outstanding shares are held by key management personnel and other investors.

In addition to the above, Realm also has 200,000 options on issue, which are held by Company personnel. The options have a strike price of AUD 0.615 and expire on 21 March 2020.

[16] Based on the Supplementary Bidder's Statement, issued 14 March 2018
[17] The restricted shares may not be transferred, or otherwise dealt with, until any loan in respect of the shares has been repaid and a period from one to three years has passed since the date of issue.

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3.4 Financial performance

Realm's financial performance for the calendar years ended 31 December 2015, 31 December 2016 and for the half year ended 30 June 2017 is summarised below.

Table 10: Historical financial performance of Realm

AUD'000	Audited CY15	Audited CY16	Reviewed H1CY17
Revenue	4,559	115,552	202,850
Other income	42	55	680
Operating expenses	(5,069)	(72,888)	(117,562)
EBITDA	**(468)**	**42,719**	**85,968**
Impairment losses	(2,280)	(5,765)	-
Depreciation and amortisation	(335)	(2,030)	(2,732)
EBIT	**(3,083)**	**34,924**	**83,236**
Net finance income / (expense)	147	(15,925)	(10,367)
Tax paid	(90)	767	(22,685)
NPAT	**(3,026)**	**19,766**	**50,184**
EBITDA margin	(10.3%)	37.0%	42.4%
EBIT margin	(67.6%)	30.2%	41.0%

Source: Annual and interim reports for Realm

Key observations on Realm's recent financial performance are summarised as follows:

- revenue has grown during CY16 as a result of the acquisition of the 70% interest in the Foxleigh JV, which contributed AUD 111 million and AUD 200 million to Realm's total revenue during CY16 and H1CY17, respectively. The balance reflects revenue earned from Realm's 74% interest in Alumicor
- cash costs consist of operating costs (mining, maintenance, processing, technical services and exploration costs) and selling costs (including port and rail, royalties and marketing costs)
- the impairment losses related to the South African PGM exploration assets, driven by consistently subdued platinum commodity prices
- the net finance costs reflect interest payable on the loans provided by Taurus Resources Fund No. 2 to finance the Foxleigh acquisition, and on the performance guarantees provided by Taurus Mining Finance Fund to support future environmental obligations.

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3.5 Financial position

We have summarised in the table below the recent reported financial position of Realm.

Table 11: Historical financial position of Realm

AUD'000	Audited CY15	Audited CY16	Reviewed H1CY17
Cash and cash equivalents	333	69,160	107,153
Trade and other receivables	435	17,351	39,514
Inventories	63	25,644	19,919
Current tax assets	255	234	200
Other assets	21	1,725	5,465
Total current assets	**1,107**	**114,114**	**172,251**
Trade and other receivables	37	1,546	1,249
Available for sale financial assets	105	121	120
Property, plant and equipment	1,354	2,931	13,733
Deferred tax assets	24	995	995
Exploration and evaluation assets	12,835	67,204	63,845
Total non-current assets	**14,355**	**72,797**	**79,942**
Total assets	**15,462**	**186,911**	**252,193**
Trade and other payables	(797)	(38,940)	(70,504)
Provisions	-	(16,414)	(16,277)
Borrowings	(1,167)	(48,667)	(49,268)
Total current liabilities	**(1,964)**	**(104,021)**	**(136,049)**
Trade and other payables	-	(21,480)	(21,480)
Provisions	-	(28,038)	(11,217)
Total non-current liabilities	**-**	**(49,518)**	**(32,697)**
Total liabilities	**(1,964)**	**(153,539)**	**(168,746)**
Net assets	**13,498**	**33,372**	**83,447**

Source: Annual and interim reports for Realm

Realm's financial position has improved over the course of the past two years as a direct result of the acquisition of the Foxleigh operations, which have underpinned strong cash generation over the period. Key assets and liabilities are summarised as follows:

- inventories comprise coal in production and finished goods, along with stocks of spares and consumables
- trade receivables relate to coal production and aluminium production sold, and typically amount to 25 days of revenue
- available for sale financial assets represent the investment in Chrometco Limited
- property, plant and equipment comprise land, buildings, work in progress assets, plant and equipment, motor vehicles and office equipment
- exploration and evaluation assets comprise those relating to Foxleigh, Katingan Ria, Alumicor and PGM projects, net of any impairment losses
- non-current trade payables reflect the Company's estimate of future royalties payable to Anglo American pursuant to the terms of the acquisition of the 70% interest in the Foxleigh coal mine in 2016
- current and non-current provisions mainly represent estimated rehabilitation obligations for disturbed areas
- borrowings comprise the bridge loan facility provided by Taurus Resources Fund No. 2 to finance the Foxleigh acquisition, which was repaid in full during the third quarter of CY17.

As at 28 February 2018, the Company had cash reserves of AUD 93.7 million and an estimated income tax liability of approximately AUD 25 million.

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4 Valuation approach

4.1 Introduction

For the purpose of our opinion, we have referred to the concept of fair market value, which is defined as the amount at which the subject assets would be expected to change hands in a hypothetical transaction between a knowledgeable, willing, but not anxious, buyer and a knowledgeable, willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of the shares in Realm, and the underlying assets within the Company's portfolio, has not been premised on the existence of a special purchaser.

We have adopted the discounted cash flow methodology to value the Foxleigh coal mine, including the Roper Creek resources (Realm: 100%), as is customary for operating mining assets. Key assumptions underpinning the discounted cash flow valuation are set out in Section 4.2 below.

We have assumed a valuation date of 28 February 2018, and have incorporated working capital and cash balances as at that date for consistency.

We have used the following methodologies to value the other assets held by Realm:

- Exploration assets associated with the Foxleigh coal mine: valued based on SRK Consulting's recommended value range
- Realm corporate costs: valued using the discounted cash flow method
- Katingan Ria: valued using the discounted cash flow method based on inputs provided by SRK Consulting
- 74% interest in Alumicor: valued with reference to indicative offers received for the interest and other available evidence
- Eastern Limb PGM assets: valued at nil, based on factors set out in Section 4.3
- shares in Chrometco: valued with reference to on-market trading in the company's shares, taking into account any discounts for lack of marketability, as set out in Section 4.3
- adjusted cash on hand: based on the book value as at 28 February 2018, incorporating the hypothetical proceeds from exercising in-the-money options, net of tax liabilities owed by the Company as at that date.

4.2 Valuation of the Foxleigh coal mine

The discounted cash flow method estimates fair market value by discounting an asset's future cash flows to their net present value.

4.2.1 The Foxleigh Model

Overview

Realm management prepared detailed cash flow projections for the Foxleigh coal mine on a 100% basis. The Foxleigh Model includes projections of real, post-tax cash flows for the Foxleigh coal mine over the life of mine from 1 January 2018 which we have converted into USD. We have adopted USD-denominated nominal cash flows for the purposes of our valuation because, in our experience, potential purchasers for mining assets typically negotiate in USD.

The Foxleigh Model was prepared based on:

- historical costs and production profiles of the Foxleigh coal mine, as appropriate, and advice from management of Middlemount South
- the latest reserves statements for the Foxleigh Plains and One Tree mining areas, which are certified in accordance with 2012 JORC standards
- the life of mine plan for the Foxleigh coal mine and the three-year plan approved by the Board in December 2017
- access to road, rail and port infrastructure, consistent with contractual rights held.

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The analysis we have undertaken in respect of the Foxleigh Model includes:

- engaging a technical expert, SRK Consulting, to review and provide input into the technical and operating assumptions underpinning the Foxleigh Model
- holding discussions with management of Realm concerning the preparation of the projections in the Foxleigh Model and their views regarding the assumptions on which the projections are based
- limited analytical procedures regarding the mathematical accuracy of the Foxleigh Model.

Deloitte Corporate Finance engaged SRK Consulting, an independent mining expert, to prepare a report providing a technical review of certain assumptions (reserves, resources, production volumes, operating costs and capital expenditure) underpinning the future cash flows of the Foxleigh coal mine. SRK Consulting has visited the Foxleigh coal mine site, held discussions with management of Realm and Middlemount South, and reviewed data, reports and other information that is either publicly available or made available to them by Realm. SRK Consulting prepared its technical review having regard to the code for Technical Assessment and Valuation of Minerals and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN code). The scope of SRK Consulting's work was controlled by Deloitte Corporate Finance. A copy of SRK Consulting's report is provided in Appendix 3.

Based on advice from SRK Consulting, we have made adjustments to yield, operating and capital cost assumptions in the Foxleigh Model. In addition, we have made other adjustments to certain assumptions in the Foxleigh Model, including, but not limited to, pricing, foreign exchange rates, inflation, depreciation, tax and discount rate assumptions.

SRK Consulting provided us with additional cash flow scenarios in addition to the base case (Base Case) cash flow projections for the Foxleigh coal mine. The scenarios that we have included in our valuation are summarised as follows:

- an **Enhanced Base Case**, which incorporates productivity enhancements, cost reductions (to bring the operation in line with industry benchmarks) and the acquisition of additional mining equipment, as the total rail and port capacity is not utilised. For the most part, these enhancements manifest in lower costs to remove overburden and lower mining, CHPP and product haul and trail loadout costs
- an **Expanded Enhanced Case** (which is incremental to the Enhanced Base Case), which incorporates production from coal resources at the Daggers Tip, Pipeline and Roper Creek pits from 2032 to 2041.

Our work did not constitute an audit or review of the projections in accordance with the standards issued by the Auditing and Assurance Standards Board (AUASB) and accordingly we do not express any opinion as to the reliability of the projections or the reasonableness of the underlying assumptions. However, nothing has come to our attention as a result of our limited work that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis unless specified otherwise.

Since projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the projections are based. Accordingly, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material.

The key assumptions underpinning our analysis are described in the following sections. All figures are quoted on a 100% basis.

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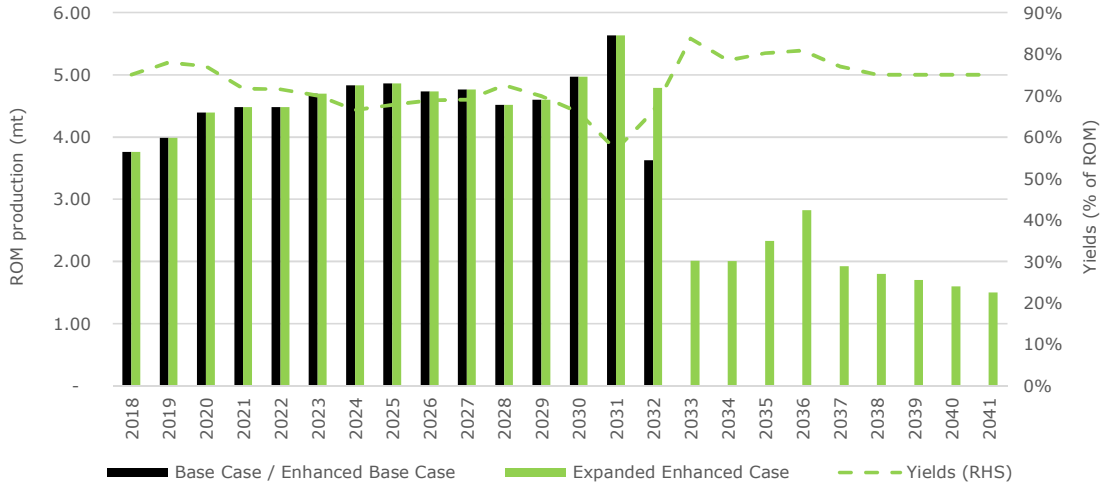
Production assumptions

The Foxleigh coal mine produces LV PCI and the Base Case assumes production from the Foxleigh Plains and One Tree pits only.

The figure below shows the annual projected ROM coal to be mined under the three cases, together with annual yields projected over the period.

Figure 4[1]



Source: The Foxleigh Model; SRK Consulting; Deloitte Corporate Finance analysis
Note:
1. RHS – right hand side.

The total saleable coal production projected in the Foxleigh Model is 47 mt under the Base Case and the Enhanced Base Case, which is slightly higher than total marketable reserves of 44 mt for the Foxleigh Plains and One Tree West pits. Despite the difference between reported reserves and production assumed under the Foxleigh Model, SRK Consulting is of the view that the production assumptions are reasonable.

The total saleable coal production under the Expanded Enhanced Case is 62 mt, which incorporates production from the Daggers Tip, Pipeline and Roper Creek pits.

The current rail and port contracts expire progressively between December 2021 and June 2024, however we consider the risk of rolling over these contracts for projected levels of saleable production to be low.

Coal pricing assumptions

Australian coking coals, particularly hard coking coal (HCC) and semi-soft coking coal (SSCC), are known for their high quality coking characteristics and are generally low in contaminants such as sulphur and phosphorous. Global demand for steel is the ultimate driver of demand for coking coal, as approximately 90% of coking coal produced worldwide is used in steel production.

Australia is one of the world's largest metallurgical coal exporters, benefitting from its geographical proximity to key export markets including China, India, Japan and South Korea, where China accounts for approximately half of global steel production. Approximately 80% of metallurgical coal demand is concentrated in the Pacific region and Australia is responsible for 60% of the global supply of metallurgical coal.

After almost five years of a decreasing trend, coking coal prices rallied in the last quarter of 2016 to recent highs of USD 237 per tonne, driven by expanding worldwide steel production. On the supply side, reforms in the Chinese coal mining industry have had a significant impact on global coal supply and short term prices. China has restricted working days in its coal mines and has put in place other actions aiming to rationalise excess capacity by shutting down inefficient mines. Locally, Cyclone Debbie hit Queensland in the first quarter of 2017 impacting metallurgical coal supply from Australia (including from the Foxleigh coal mine) and consequently supporting higher prices during the first half of the year. Prices remained high during the second half of 2017 as a result of strong demand.

Strong economic growth globally in 2017 and positive growth prospects for economic and industrial activities over the next two years are expected to provide ongoing support for coal prices, as global demand for metallurgical coal is expected to remain strong. Notwithstanding this, rising supply due to

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the return of previously idle capacity and the commissioning of new projects is expected to more than offset strong demand. Accordingly, prices are expected to ease in late 2018 and 2019, but are expected to remain above the low levels observed from 2014 to mid-2016.

In the long term, structural changes in the steel making industry are expected to impact demand for metallurgical coal. Chinese hot metal production is expected to decline in the long term, as a result of a slowdown in China's economic and urbanisation growth rates as well as the use of scrap metal as a substitute for hot metal. Lower demand and excess capacity is likely to favour larger and more efficient steel making operations, increasing the demand for higher quality metallurgical coal as well as changes in coal blends. This trend is also likely to be reinforced by the intention of the Chinese government to reduce pollution rates. However, growing demand from alternative markets, such as India and South Korea, may offset the impact of declining Chinese demand for metallurgical coal.

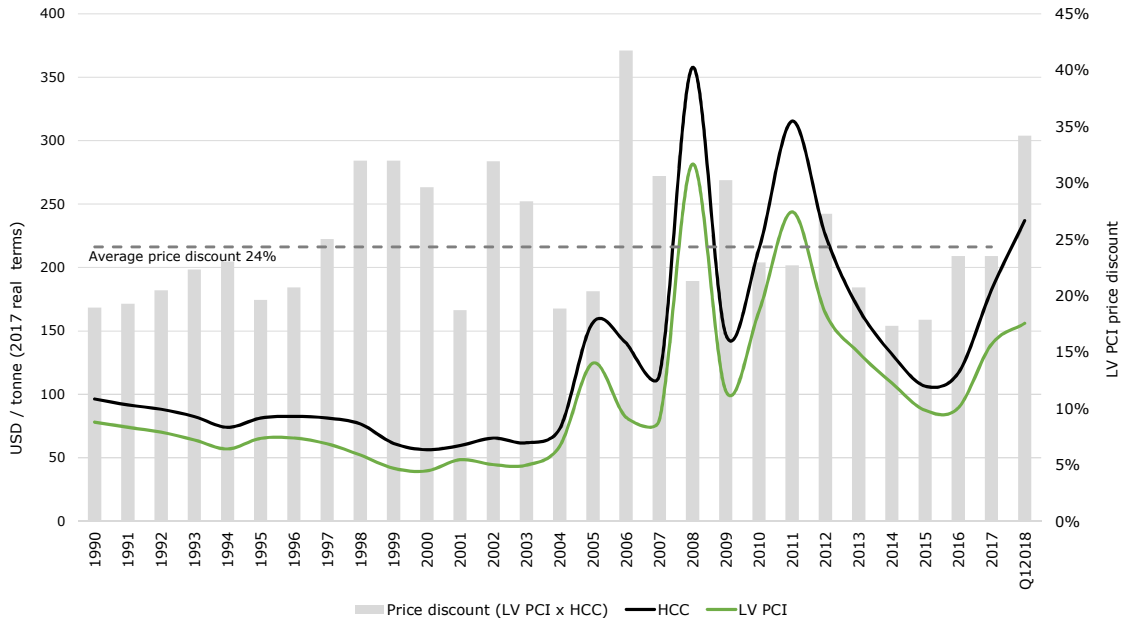
Overall, whilst demand for metallurgical coal is likely to decrease due to lower finished steel demand in the long run, a shift towards higher quality coal is expected. Australia and its coal producers are well positioned to benefit from higher demand for high quality coal, taking into account the country's abundant reserves, cost efficient mining operations and mature infrastructure.

There is currently no viable substitute for HCC in the production of coke. PCI coal is crushed into fine powder and is injected into blast furnaces as a replacement for coke in steel making. The demand for steel is also the key driver for PCI coal demand. In particular, LV PCI coal has been proven to be a more efficient substitute for coke than HV PCI due to its higher energy and carbon content.

There has been a trend towards using PCI coal in steel making as a partial substitute for coke in recent years. The stimulus behind this has been the spread between PCI coal and HCC prices.

The figure below summarises historical prices for HCC and LV PCI, and the LV PCI discount relative to HCC implied by historical prices. As set out below, LV PCI coal has, on average traded at a 24% discount to HCC prices since 1990. Generally, the discount has temporarily expanded with spikes and dips in HCC prices.

Figure 5: Historical coal prices – HCC and LV PCI coal



Source: SNL, Deloitte Corporate Finance analysis

Market reports indicate that contracts for premium LV PCI coal were recently settled at a price of USD 156.50 per tonne for Q1CY18 between some steel mills and some suppliers, representing a 23% quarter-on-quarter increase, and an approximate 34% discount to the quarterly HCC negotiated contract price of USD 237 per tonne. Other market reports indicated a settlement of USD 159 per tonne for the Foxleigh coal mine for the same period.

In selecting forward prices for LV PCI coal, we have had regard to recent price negotiations, forecasts prepared by various brokers and independent industry analysts for HCC and PCI coal prices. We have also taken into account the historical relativity between LV PCI coal and HCC prices.

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Our selected PCI price assumptions are set out below.

Table 12

USD per tonne (real, 2018 dollars)	2018	2019	2020	2021	2022	LT
PCI coal prices	145	125	105	100	100	95 to 110

Source: Deloitte Corporate Finance analysis

Our long term price range of USD 95 to USD 110 per tonne compares to independent benchmarks as follows:

- three industry mining analysts project increasing long term LV PCI prices (in real 2017 USD) in the range of approximately USD 97 to USD 125 per tonne from 2023 until 2035
- we were able to observe two broker estimates for LV PCI coal, which are in the range of USD 95 to 100 per tonne (in real 2017 USD). Other forecasts were available for high volatile (HV) PCI coal, although HV PCI coal typically sells at a discount to LV PCI
- we have observed various broker estimates in the range of USD 110 to 130 per tonne (in real 2017 USD) for benchmark HCC.

All of the Foxleigh coal mine's output is sold with reference to benchmark prices. The Foxleigh Model also applies adjustments to benchmark prices for various commercial reasons.

Operating cost assumptions

The Foxleigh Model includes projections of operating costs in real terms, denominated in AUD. The Base Case assumptions are summarised as follows (in real 2017 AUD):

- overburden removal costs are projected at a rate of AUD 4.02 per bank cubic metre (bcm)
- coal mining costs are projected at a rate of AUD 3.56 per ROM tonne
- CHPP costs are projected at a rate of AUD 4.80 per ROM tonne of plant feed
- site haulage and train loading costs are projected at a rate of AUD 4.40 per tonne of product coal sold
- transport costs, including freight, port and demurrage costs, are projected based on cost per saleable tonne of coal at contracted rates. Rail and port costs also consider contractual commitments versus actual throughput. The Foxleigh coal mine is committed to TOP rail and port volumes of 3.5 mtpa and 3.3 mtpa, respectively, up until 30 June 2024 (above rail until 31 December 2021), after which point these volumes are assumed to be renegotiated[18]
- Queensland State Government royalty payments are calculated based on tiered royalty rates applied to revenue earned
- royalties are assumed to be paid to Anglo American based on the terms set out in Section 3.2.1
- royalties are assumed to be paid to Taurus Mining Finance Fund based on the terms set out in Section 3.2.1
- marketing fees payable by the Foxleigh JV are calculated as a percentage of sales revenue based on existing contractual arrangements.

We have converted operating costs from real terms to nominal terms using our selected inflation assumptions, before converting into USD using our selected exchange rates set out below.

Under the Enhanced Base Case, the Foxleigh coal mine is assumed to strip waste, mine and process coal at lower costs, reflecting SRK Consulting's view that the Base Case currently assumes above market rates for such activities. According to SRK Consulting, further operational productivity enhancements and cost reductions are available to be achieved within the current mining areas by an operator of the mine.

The revised assumptions under the Enhanced Base Case are as follows:

- overburden removal costs are projected at a rate of AUD 3.26 per bcm
- coal mining costs are projected at a rate of AUD 3.27 per ROM tonne
- CHPP costs are projected at a rate of AUD 4.60 per ROM tonne of plant feed

[18] The rebates payable by Anglo American under the Excess Capacity Agreement are separately incorporated in the corporate costs valuation, set out in Section 4.3.2

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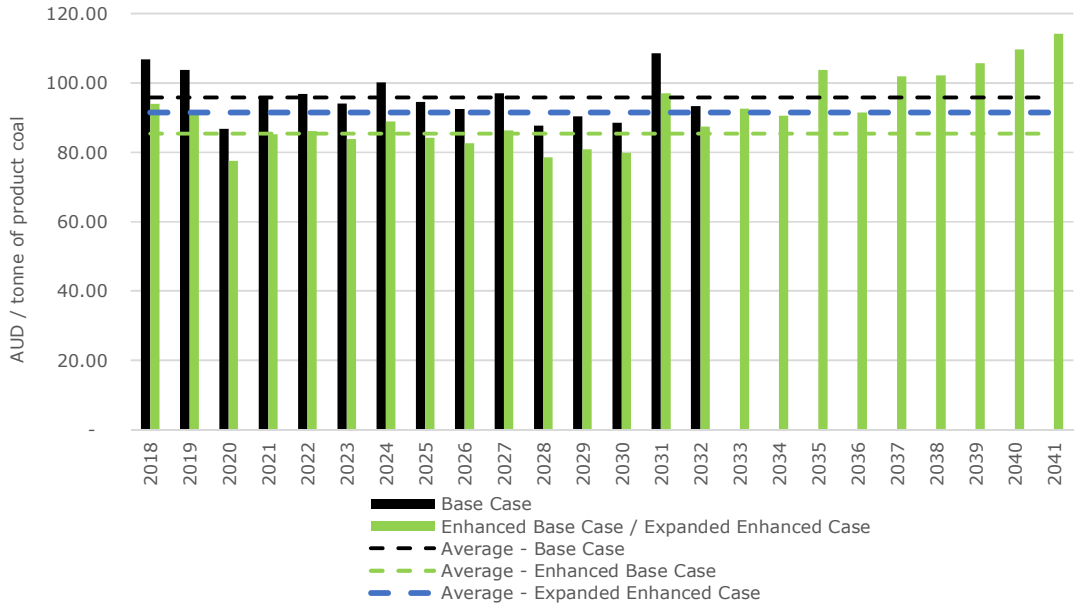
- site haulage and train loading costs are projected at a rate of AUD 4.10 per tonne of product coal sold

These unit costs reflect current Bowen Basin coal mining industry benchmarks, along with rates recently quoted by independent contractors to Realm management.

The Enhanced Expanded Case assumes the same assumptions as those of the Enhanced Base Case.

Annual FOB costs (excluding royalties) on a unit of saleable production basis (in real 2017 AUD terms) under each of the cases are set out in the figure below.

Figure 6



Source: The Foxleigh Model; SRK Consulting; Deloitte Corporate Finance analysis

Capital expenditure assumptions

The Foxleigh Model incorporates capital costs of approximately AUD 128 million (in real 2017 AUD terms) from 2018 to 2029 under the Base Case for the following:

- AUD 34 million in CY18, AUD 8.5 million of which had been incurred by 28 February 2018
- capital expenditure for the ongoing maintenance of the fleet and CHPP. Based on advice from SRK Consulting, we have included additional capital expenditure of AUD 5 million in CY23 for upgrades to the CHPP
- heavy capital costs in the initial years for replacement of the fleet until 2024, beyond which the majority of the fleet is assumed to be leased.

Based on advice from SRK Consulting, limited further capital expenditure is required to support the assumptions underpinning the Enhanced Expanded Case and annual capital investment at a rate of AUD 2 per product tonne (in real 2017 terms) from 2033 is reasonable.

The Foxleigh Model also assumes average discretionary exploration costs of AUD 4.5 million per annum (in 2017 real terms) between 2018 and 2028.

Rehabilitation assumptions

The Foxleigh Model incorporates total rehabilitation costs of approximately AUD 127 million (in real 2017 terms) under the Base Case and Enhanced Base Case as follows:

- progressive payments of AUD 6 million, on average, between 2018 and 2029
- significant rehabilitation in the last three years of the life of mine of AUD 54 million.

Under the Expanded Enhanced Case, we have assumed additional annual rehabilitation activities amount to AUD 6 million (in real 2017 terms) between 2033 and 2041.

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As set out in Section 3.2.1, Taurus Mining Finance Fund provided financial assurance to the State Government (via an intermediary bank) on behalf of Realm, at a cost of 9% per annum on the drawn amount of AUD 77 million as at 31 December 2017 (as per the terms of the Peformance Guarantee).

The Performance Guarantee expires on 31 January 2019. The Company believes it is reasonable, and we concur, to assume that it will be able to refinance the guarantee with other parties at more attractive rates than those currently paid under the terms of the Performance Guarantee.

On 15 February 2018, a draft Bill (Mineral and Energy Resources (Financial Provisioning) Bill 2018) was introduced into Parliament after the Queensland Government announced its intention to introduce a new framework for the regulation of mine rehabilitation, including a new system to replace the current financial assurance system. The Bill has not yet been enacted, however the implementation of the proposed new framework may have several consequences for Foxleigh, including:[19]

- it will necessitate the preparation of a new mine closure plan, with legally binding rehabilitation outcomes and milestones
- it will require an operator to pay annual, non-recoverable contributions to a rehabilitation fund. The amount of the contributions will depend upon the operator's assessed financial risk and may range between 0.5% and 2.75% of the asset retirement obligation in any assessment period
- it will significantly modify the way in which financial sureties for mine rehabilitation and closure are managed.

The new framework will not directly affect Foxleigh's rehabilitation provisioning because the total estimated closure and rehabilitation provisions in the Foxleigh Model are based on actual forecasts, and are considered reasonable by SRK Consulting. However, we consider it provides guidance on the rate at which the Company may be able to secure bank guarantees (including via cash-collateralisation) for the purposes of providing financial assurance to the Queensland Government.

Taking the above into account, the significant cash reserves on hand as at December 2017 and from discussions with SRK Consulting, we have assumed the Company will pay a non-refundable annual cost to the Queensland Government at a rate of 1.5% the full amount of the remaining rehabilitation costs (based on an assumed credit rating of c.BBB for the Company)[20]. The annual rehabilitation provision is assumed to decrease in line with the rehabilitation costs contributed each year over the life of the mine (i.e. c.AUD 6 million per annum, in 2017 real terms).

Working capital assumptions

We have adjusted the model to reflect annual movements in working capital, where the opening net working capital balance as at 1 March 2018 was estimated based on the following:

- debtors and creditors based on 15 and 30 payment days, respectively, calculated with reference to forecast revenues and operating costs between 1 January and 28 February 2018
- product stockpiles at month end of 0.185 mt.[21]

Year-end net working capital positions were calculated on a consistent basis.

Tax assumptions

Corporate tax is assumed to be paid on a cash basis at a rate of 30% of taxable income based on the current legislation in Australia, where taxable income is calculated inclusive of tax-deductible depreciation having regard to the tax written down value of fixed assets as at 31 December 2017, and future capital additions assumed over the life of the mine.

Economic assumptions

Inflation

To express the cash flows on a nominal basis, we have adjusted the cash flow projections to include the impact of inflation. In selecting our inflation rate assumptions, we have considered the following:

- the monetary policy adopted by the Reserve Bank of Australia and the US Federal Reserve to maintain inflation within a target range of 2.0% to 3.0% for Australia and 2.0% for the US
- forecasts prepared by economic analysts and other publicly available information including analyst consensus.

[19] Review of Queensland's Financial Assurance Framework, prepared by Queensland Treasury Corporation, April 2017
[20] As set out in the Queensland Treasure Corporation's "Review of Queensland's Financial Assurance Framework", which suggests the rate applicable to companies depending on their assessed credit rating.
[21] Actual balances as at 28 February 2018 were 0.18 mt in product stockpiles

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Based on our analysis, we have selected the following inflation assumptions (on a calendar year basis):

Table 13

	2018	2019	2020	2021	2022	Long term
USD	2.1%	2.2%	1.9%	2.1%	2.1%	2.0%
AUD	2.0%	2.4%	2.4%	2.4%	2.4%	2.5%

Source: Deloitte Corporate Finance analysis

Foreign exchange rates

To convert the AUD-denominated costs (i.e. operating and capital costs) in the Foxleigh Model to USD, we have had regard to the following:

- historical and current AUD to USD exchange rates
- the AUD to USD exchange rate forward curve
- forecasts prepared by Deloitte Access Economics, economic analysts and other publicly available information, including broker consensus.

We have adopted the following foreign exchange rate assumptions (on a calendar year basis):

Table 14

	2018	2019	2020	2021	2022	Long term
AUD:USD	0.77	0.76	0.76	0.76	0.76	0.75

Source: Deloitte Corporate Finance analysis

We have adjusted the long term exchange rate by the inflation rate differential between the USD and the AUD to reflect the principles of purchasing power parity.

Selected discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a USD-denominated, nominal, post-tax discount rate in the range of 9% to 10% to discount the future cash flows of the Foxleigh coal mine to their present value.

In selecting this discount rate range we considered the following:

- the required rates of return for comparable listed Australian and international mining companies
- the debt to equity ratios of comparable listed Australian and international mining companies.

A detailed consideration of these matters is provided in Appendix 2.

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4.2.2 Selected value for the Foxleigh coal mine

We set out below the outputs from the Foxleigh Model based on a range of long term benchmark coal price, operating cost, capital expenditure and discount rate assumptions under the Base Case cash flow projections. We have also set out the outputs derived from the cash flow projections assumed under the Enhanced Base Case and the Expanded Enhanced Case.

Values are shown on a 100% interest basis.

Table 15

	Discount rate			
USD'000	11%	10%	9%	8%
BASE CASE				
Long term benchmark PCI coal prices				
USD 90 per tonne	200	207	213	221
USD 95 per tonne	241	251	262	274
USD 100 per tonne	280	293	308	324
USD 105 per tonne	320	337	355	376
USD 110 per tonne	356	376	398	422
USD 115 per tonne	396	420	445	474
Operating expenses (mid-point prices)				
Increase in costs – 5%	231	243	255	269
Selected assumptions	300	315	332	350
Decrease in costs – 5%	368	387	408	431
ENHANCED BASE CASE				
Long term benchmark PCI coal prices				
USD 90 per tonne	355	370	386	403
USD 95 per tonne	393	412	431	453
USD 100 per tonne	432	453	477	503
USD 105 per tonne	472	497	525	555
USD 110 per tonne	508	536	567	601
USD 115 per tonne	548	580	614	653
Delay in implementing lower costs (mid-point prices)				
No delay	452	475	501	529
Delay of one year	438	462	487	515
Delay of two years	420	443	468	496
EXPANDED ENHANCED CASE				
Long term benchmark PCI coal prices				
USD 90 per tonne	345	358	373	389
USD 95 per tonne	393	412	433	455
USD 100 per tonne	441	465	491	520
USD 105 per tonne	490	519	552	587
USD 110 per tonne	535	569	607	649
USD 115 per tonne	584	623	666	714

Source: Deloitte Corporate Finance analysis

We have adopted a fair market value in the range of USD 375 million to USD 450 million for a 100% interest in the Foxleigh coal mine.

Reducing the cost base of the mine is not without risk. It will take time for an operator to bring costs down (we estimate between one and two years) and, until such time as the Company is able to demonstrate success against identified targets, we would not expect a potential purchaser of the mine to pay full value for these opportunities. Recognising this, we have not included all of the calculated upside in our value selection. Furthermore, our analysis suggests mining the outer pits beyond Foxleigh Plains and One Tree achieves only marginal additional value towards the upper bound of our long term prices, and therefore our valuation range accommodates only marginal value from this upside.

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Our selected valuation range for 100% of the Foxleigh coal mine implies it will take between one and two years for an operator to reduce the cost base to benchmark rates, and a 50% to 75% probability that the Company will be able to mine at benchmark rates over the life of mine. This range of probabilities is considered reasonable by SRK Consulting, who believes reducing the cost base of the mine is feasible and achievable.

Our selected valuation range results in a value of approximately AUD 340 million to AUD 410 million for Realm's 70% interest in the Foxleigh coal mine based on the current exchange rate of 1 AUD: 0.77 USD.

4.2.3 Valuation cross-check

We have cross-checked our discounted cash flow valuation of the Foxleigh coal mine using reserve multiples implied by trading and transactions in comparable companies and assets, along with EBITDA multiples implied by trading in certain ASX-listed coal companies.

Reserve multiples

The reserve multiple rule of thumb has emerged from market transactions as it can be calculated by analysts based on limited publicly available information, however there are limitations in its use due to the following:

- the multiples may be affected by issues such as quality and coal composition, development risk, projected levels of capital expenditure, long term favourable / unfavourable contracts and synergies and special value attributed to strategic benefits that only the acquirer could achieve
- Proved and Probable Reserve ratio calculations do not make allowance for the relative proportions of Measured, Indicated and Inferred resources as a percentage of total resources attributable to an asset, nor do they allow for different cost structures of the resources
- Proved and Probable Reserve ratio calculations derived from transactions are static and are generally influenced by the economic environment surrounding the transaction, which may not reflect the current environment.

The Proved and Probable (marketable) Reserve multiples implied by our valuation of the Foxleigh coal mine are set out in the table below.

Table 16

	Unit	Low	High
Enterprise value of the Foxleigh coal mine (100% basis)	**USD'm**	**375**	**450**
Marketable Proved and Probable Reserves	mt	49.1	49.1
Proved and Probable Reserve ratio	**USD / mt**	**7.6**	**9.2**

Source: Deloitte Corporate Finance analysis

There have been five notable transactions completed over the course of the past two years in coal assets located in Australia, along with the recently announced transaction involving Rio Tinto Limited's (Rio Tinto) Hail Creek mine in Queensland (not yet completed).

These transactions are as follows:

- **Bengalla / New Hope Corporation (completed in March 2016**): Rio Tinto sold its 40% interest in the Bengalla Joint Venture for AUD 865 million (USD 617 million).

  Bengalla is an open-cut mine located near Muswellbrook that produced approximately 8.6 mtpa of high quality thermal coal at the time of the transaction, with permitted production capacity of up to 12.0 mtpa

- **Mount Pleasant / MACH Energy Australia Pty Limited (completed in August 2016):** Rio Tinto sold its 100% interest in the Mount Pleasant project for USD 221 million plus royalties. Specifically:

  - USD 221 million, comprising USD 196 million on completion of the transaction and a conditional payment of USD 25 million; plus
  - contingent royalties payable quarterly at 2% of gross free on board revenue for coal sold from the first 625 mt of run of mine (ROM) coal when prices exceed USD 72.50 per tonne.

  Mount Pleasant is a development stage, greenfield, thermal coal asset with approved production capacity of 10.5 mtpa and, at the time of the transaction, was the largest undeveloped project in the Hunter Valley

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- **Coal & Allied / Yancoal Australia Limited (Yancoal) (completed in August 2017):** Rio Tinto sold its 100% interest in Coal & Allied to Yancoal for total non-contingent, staged consideration of USD 2.69 billion plus contingent royalty payments. Specifically:
  - USD 2.45 billion on completion of the transaction plus USD 240 million in non-contingent royalty payments over five years
  - contingent royalties payable at USD 2 per tonne of attributable saleable production for ten years starting from the third anniversary of completion, if the GCNewc benchmark thermal coal price exceeds USD 75 per tonne (subject to annual CPI adjustments).

  The key Coal & Allied assets comprise:
  - 67.6% interest in the Hunter Valley Operations (HVO)
  - 80% in the Mount Thorley mine
  - 55.6% in the Warkworth mine, plus an option to acquire MDP's 28.9% interest for USD 230 million, exercisable at any point up to 31 December 2018
  - a 30% interest in Port Waratah Coal Services.

  The transaction also resulted in Glencore plc (Glencore) directly acquiring the 32.4% interest held by Mitsubishi Development Pty Ltd (MDP) in HVO for USD 710 million after MDP exercised its tag-along rights.

  Subsequent to the MDP tag-along transaction, Glencore also acquired a further 16.6% interest in HVO from Yancoal for:
  - USD 429 million
  - 27.9% of the USD 240 million non-contingent royalty payments payable by Yancoal to Rio Tinto
  - 49% of the HVO contingent royalty payments by Yancoal to Rio Tinto.

  Coal & Allied produces mostly high quality, thermal coal for export markets
- **Warkworth Joint Venture / Yancoal (completed in March 2018):** Further to the acquisition of HVO from Rio Tinto as discussed above, in March 2018 Yancoal exercised an option to acquire a further 28.9% stake in the Warkworth coal joint venture for a consideration of USD 230 million, increasing its stake to 84.5%. The Warkworth mine is part of the broader Mount Thorley Warkworth operation and produces mainly thermal coal
- **Curragh coal mine / Coronado Coal Group (Binding agreement in December 2017, with expected completion in March 2018):** Coronado Coal, a US-based company agreed to acquire a 100% interest in the Curragh coal mine for AUD 700 million (USD 540 million). The Curragh coal mine is located in Queensland and produces lower quality coking coal mainly for export, with an expected remaining mine life of around 17 years. Westfarmers Limited, the seller, will continue to receive royalties on coal export revenues for two years where the benchmark price exceeds AUD 145 per tonne
- **Hail Creek mine and Valeria development project / Glencore (announced on 20 March 2018):** Rio Tinto announced on 20 March that it had sold the 9.4 mtpa Hail Creek mine (referring to 2017 production volumes) to Glencore for USD 1.7 billion. Hail Creek is a high quality coking and thermal coal mine, whereas Valeria is expected to produce high energy, low ash thermal coal and coking coal products when developed.

These transactions are considered the most appropriate reference points at which to benchmark our valuation of the Foxleigh coal mine given the subject assets are all located in Australia, they all produce coal for export markets, and the transactions completed between early 2016 and the present day, at a time when coal prices were in recovery. However, none of the subject assets are considered directly comparable with the Foxleigh coal mine due to their different characteristics, including coal mix, mine capacity and mine lives. As a PCI asset, we would expect Foxleigh's coal multiple to reflect the comparably better prospects for coking coal assets compared to thermal coal assets (i.e. manifesting in a higher multiple for the Foxleigh coal mine). For the same reason, we would expect the Foxleigh coal mine's multiple to be lower than those of premium coking coal assets.

In addition to transactions, we have also consideration the multiples implied by trading in the following companies' shares:

- Whitehaven Coal Limited: the company's major assets comprise its 75% interest in Maules Creek (c.10mtpa, predominantly thermal coal mine), 70% interest in Narrabri (c.7mtpa thermal coal mine) and various interests in open cut coal mines located in the Gunnedah Basin in New South Wales (total FY17 production of c.6mtpa of a mix of thermal, PCI and other coal)

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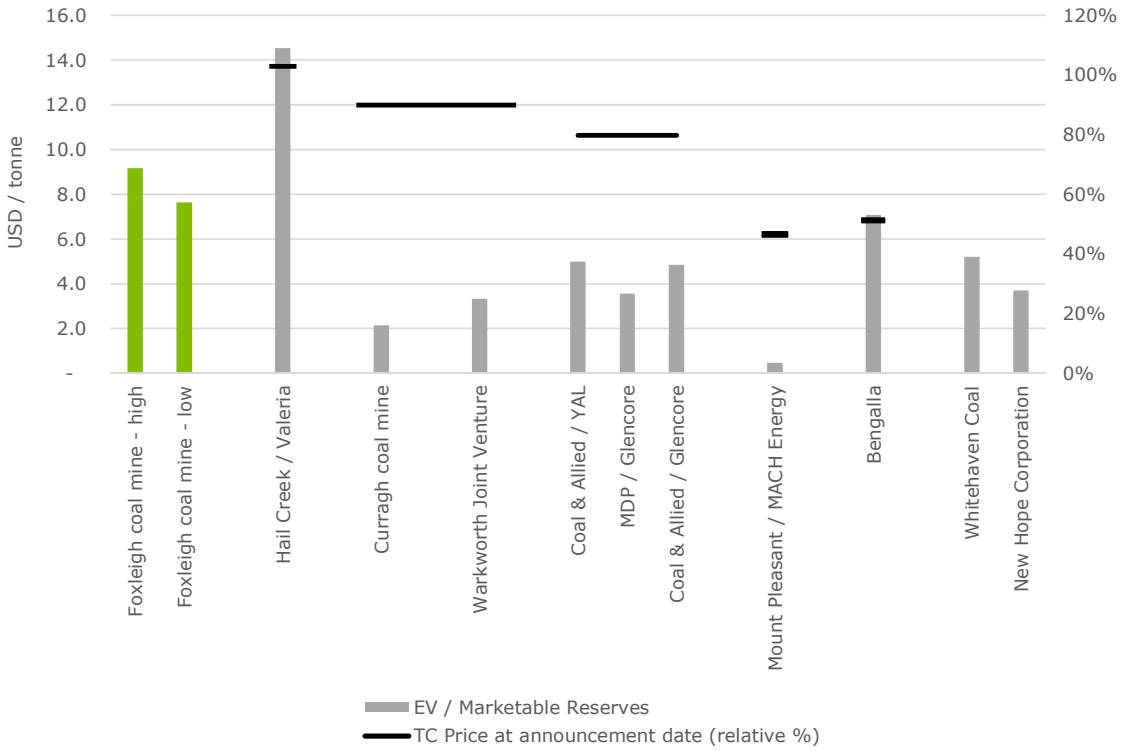
- New Hope Corporation Limited: the company owns interests in two thermal coal mines in Queensland (New Acland and Jeebropilly mines), a 40% interest in the Bengalla thermal coal mine in New South Wales, along with several exploration tenements prospective for coal and oil and gas.

The reserve multiples discussed above, together with the multiple implied by our valuation of the Foxleigh coal mine, are set out in the figure below. We have also compared the ratio implied by the transactions with the relative change in the spot thermal coal price (anchored to the date of this report). We have used the thermal coal price as a proxy for general coal price performance given both thermal and coking coal prices have increased in recent years and because the majority of the transactions involved thermal coal assets.

Figure 7[1,2,3]



Source: ASX and company announcements; SNL; Deloitte Corporate Finance analysis
Notes:
1. EV – enterprise value
2. The multiple for the Curragh transaction is calculated based on total reserves, rather than marketable reserves
3. The enterprise values for Whitehaven Coal and New Hope Corporation have been adjusted for a control premium of 30%
4. TC – thermal coal.

The ratio implied by our valuation of the Foxleigh coal mine is generally higher than those observed from comparable benchmarks, with the exception of the recently announced Hail Creek / Valeria transaction.

The figure above exhibits a wide range of multiples, which we attribute to stage of development, available production capacity, mine lives and general market sentiment at the time of the transaction:

- Mount Pleasant is a significant, but greenfield, project that is yet to commence production; the purchase price likely reflects development risk and the small pool of potential purchasers for a development stage asset of Mount Pleasant's magnitude, particularly given lower market appetite for greenfield assets relative to brownfield assets. As a result, we would expect the required rate of return attributable to Mount Pleasant to be significantly higher currently than an established, producing asset. The multiple is also likely to reflect the thermal coal nature of the asset
- the reserve ratios implicitly reflect the time value of extracted reserves. Mines with longer lives may generate a lower ratio because production is constrained to Government-approved limits and / or by infrastructure limitations. Ultimately the relationship between the size of the reserve portfolio and the practical capacity of mines is not linear (i.e. a mine with a larger reserve portfolio will not necessarily have significantly greater approved production capacity).

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The current mine life for the Foxleigh coal mine is shorter than most of the comparable assets, with the exception of the Curragh coal mine. As a result, due to the time value of money, it is not unreasonable that the value per tonne of reserve is greater for the Foxleigh coal mine

- the Curragh transaction exhibits a low multiple. This may be due to the asset's significant TOP exposure to the Wiggins Island Coal Export Terminal, along with other issues. On the other hand, the Hail Creek / Valeria multiple is comparably very high, likely reflecting the significant resource base of the assets the subect of the transaction and the quality of the underlying coal
- despite each of these transactions occurring in the last two years, the coal price environment has changed substantially. Coal prices are currently at their highest point when compared to benchmark thermal coal prices observed over the course of the last five years. The impact of prices is perhaps most notable for the Mount Pleasant transaction, which was announced when the spot price was almost half current levels. Development projects are highly sensitive to coal prices due to their high capital requirements.

EBITDA multiples

We have also compared the CY18 EBITDA multiples implied by our selected valuation range of the Foxleigh coal mine with those implied by trading in the shares of Whitehaven Coal and New Hope Corporation. We have also considered the multiple implied by Glencore's announced acquisition of Hail Creek (and Valeria).

Table 17

	Unit	Low	High
Enterprise value of the Foxleigh coal mine (100% basis)	**USD'm**	**375**	**450**
CY18 EBITDA (Base Case)	USD'm	102	102
CY18 EBITDA multiple	**times**	**3.7**	**4.4**

Source: Deloitte Corporate Finance analysis

After adjusting the market capitalisation of Whitehaven Coal and New Hope Corporation for a 30% control premium, the companies' current (i.e. 2018 financial year) EBITDA multiples are calculated to be 6.1 times and 4.5 times, respectively. The multiples for the Foxleigh coal mine implied by our valuation are, therefore, lower. They are, however, in line with the multiple implied by the Glencore / Hail Creek transaction, which was estimated to be approximately 4.2 times 2017 EBITDA by market commentators.

EBITDA multiples suffer from many of the same limitations as reserve multiples, however potentially better accommodate the current commodity outlook, along with the capacity constraints placed on production levels.

Conclusion

Based on the analysis above, we consider these cross-checks provides some support for our discounted cash flow valuation of the Foxleigh coal mine.

4.3 Valuation of Realm's other assets

4.3.1 Exploration assets associated with the Foxleigh coal mine

The following coal assets were not incorporated within the discounted cash flow valuation of the Foxleigh coal mine:

Table 18

	Development stage
Eagles Nest, Foxleigh West, Foxleigh Central, South Creek, Foxleigh East, Eagles Nest South, Foxleigh South	Exploration

Source: Deloitte Corporate Finance analysis

SRK Consulting attributed a value of AUD 1.2 million to AUD 2.3 million for these assets (representing a 100% interest) based on the methodologies and assumptions set out Section 3 of its report (included as Appendix 3). Realm generally holds 70% interests in these assets. Accordingly, SRK Consulting's valuation range translates into a value of AUD 0.8 million to AUD 1.7 million at the Realm interest level.

4.3.2 Realm corporate costs

Corporate costs forecast to be incurred by the Realm corporate vehicle have been separately valued using the discounted cash flow method, assuming a discount rate of 9% to 10%, consistent with the rate adopted to value the Foxleigh coal mine.

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Net corporate costs (in 2017 AUD real terms) include:

- JV income of c.AUD 1.8 million per annum for managing the Foxleigh JV
- various overheads totalling approximately AUD 4 million per year, including AUD 0.2 million in ongoing ASX listing fees
- rebates payable by Anglo American under the Excess Capacity Agreement, pursuant to which Anglo American compensates Middlemount South for the difference in its share of volumes sold by the mine and the agreed TOP throughput volumes (3.5 mtpa for rail; 3.3 mtpa for port) (refer to Section 3.2.1).

We have valued corporate assets at USD (7.4) million (high end of the valuation range) to USD (8.5) million (low end of the valuation range) under the above assumptions, which converts into a range of AUD (9.6) million to AUS (11.0) million based on the current exchange rate of 1 AUD: 0.77 USD.

4.3.3 51% interest in Katingan Ria

We have selected a value of USD 7 million to USD 9 million for Realm's 51% interest in the Katingan Ria coal project.

SRK Consulting has provided the following assumptions for the purposes of a discounted cash flow analysis:

- the first scenario considers the development of a mine-mouth coal operation to support an adjacent power station (Domestic Scenario). Although there is no certainty as to when or if this scenario will reach a stage of financial investment decision, we have assumed that production would commence within two years.

  Under the Domestic Scenario:

  - the current reserve estimates are assumed to support a mine life of 25 years (in light of the Indonesian Government's requirement for a minimum 25 year mine life in support of a power station), with mining undertaken using truck and excavator open pit techniques, at an annual ROM production rate of up to 1.5 mtpa. Coal is assumed to be sold as mined, with minimal processing
  - operating costs are estimated at rate of USD 14.2 per tonne comprising mostly of waste removal and mining costs
  - initial capital investment of c.USD 14 million is required, together with ongoing annual maintenance capital expenditure of USD 0.4 million per tonne, and initial working capital investment of c.USD 3 million
  - revenues are calculated based on the operator receiving a fixed 15% to 20% margin over costs (including initial capital outlays), based on legislative guidance
- the second scenario assumes the coal will be exported from Pegatan Anchorage by barging the coal down the Katingan River (Export Scenario), at an additional cost of USD 20 per tonne, and for additional capital outlay of USD 10 million to develop transport-related infrastructure.

  Under the Export Scenario, revenues are calculated as a proportion (50%) of Global Coal Newcastle (GCNewc) prices[22]. We have assumed a long term price of USD 65 per tonne for GCNewc-specification coal based on various publicly available evidence. We note, however, that the derived price assumption is subject to risk given the calorific value of the Katingan Ria coal is expected to reduce over the mine's life, meaning the project's coal would like attract a higher discount than initially realised.

We adopted a post-tax, nominal, USD-denominated discount rate in the range of 14% to 16% to value 100% of Katingan Ria. This discount rate has been estimated with reference to the discount rate selected for the Foxleigh coal mine (of 9% to 10%), and factors in a specific risk premium to account for development and sovereign risk.

Under the above assumptions, the value of a 100% interest in Katingan Ria is calculated as being in the range of nil up to USD 9 million. Our calculations suggest it would not be economic to develop the project under the Export Scenario.

At the 51% Realm interest level, the value under the Domestic Scenario is implied to be USD 7 million to USD 9 million, or AUD 9.1 million to AUD 11.7 based on the current exchange rate of 1 AUD: 0.77 USD.

[22] GCNewc Index is a reference price for thermal coal delivered on an FOB basis at Newcastle Port in New South Wales, Australia. Standard thermal coal contracts traded on the GCNewc Index refer to benchmark coal quality with a net calorific value of 6,000 kilocalories per kilogram.

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Accordingly, we have included this valuation range within our sum-of-the parts enterprise valuation of Realm.

4.3.4 74% interest in Alumicor

We have selected a value of AUD 2.0 million to AUD 4.0 million for Realm's 74% interest in the Alumicor operations.

We have considered the following in selecting a value for Realm's interest in the Alumicor operations:

- EBITDA over the course of the past few years has averaged approximately AUD 1 million per annum
- a call option (albeit now expired) provided for Hulamin to acquire Realm's interest in Alumicor for approximately AUD 4.5 million (ZAR 42 million converted at current rates)
- recent confidential, non-binding and incomplete offers received for the interest do not exceed the strike price set out in the Hulamin call option agreement.

4.3.5 Eastern Limb PGM assets

We have selected a value of nil for Realm's Eastern Limb PGM assets based on the following:

- the book value of the assets was nil as at 31 December 2017
- Realm has attempted to sell the assets over the course of the past few years with no success
- the leases are in the process of being renewed by the relevant South African authorities. There is no definitive timeframe over which the renewal will be completed.

4.3.6 Shares held in Chrometco

We have selected a value of AUD 0.4 million to AUD 0.45 million for the 45 million shares in Chrometco based on the current share price of ZAR 0.11 per share, and a discount for lack of marketability in the range of 15% to 30%. Our analysis suggests that, based on daily trading volumes, over one year of trading days is required to liquidate a shareholding of 45 million shares in Chrometco.

4.3.7 Adjusted cash on hand

Cash on hand was AUD 93.7 million as at 28 February 2018. We have adjusted the Company's cash position as at February 2018 for the following:

- there are 200,000 options on issue as at 1 March 2018 with a strike price of AUD 0.615, which are therefore currently in the money. Accordingly, we have included the hypothetical proceeds from exercising the options in our calculation of the total cash held by the Company
- as at 28 February 2018, the Company had an estimated income tax liability of approximately AUD 25 million, which we have deducted from the Company's cash on hand to calculate an adjusted position.

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Appendix 1: Context to the report

Individual circumstances

We have evaluated the Takeover Offer for Non-associated Shareholders as a whole and have not considered the effect of the Takeover Offer on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Takeover Offer from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Takeover Offer is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of Realm and is to be included in the Target's Statement to be given to shareholders for approval of the Takeover Offer in accordance with Section 640. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Target's Statement in their assessment of the Takeover Offer outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-associated Shareholders and Realm, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Takeover Offer. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Takeover Offer is fair and reasonable in relation to Section 640. Deloitte Corporate Finance consents to this report being included in the Target's Statement.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Realm Resources and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Realm Resources management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Realm and its officers, employees, agents or advisors, Realm has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Realm may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Realm and its officers, employees, agents or advisors or the failure by Realm and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Takeover Offer.

Deloitte also relied on the valuation reports prepared by SRK Consulting. Deloitte assessed the professional competence and objectivity of SRK Consulting and believe the work performed is appropriate and reasonable. Deloitte has received consent from this expert for our reliance on and inclusion of their opinion in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of Realm Resources personnel, analytical procedures applied to the financial data and engaging SRK Consulting to review specific assumptions underpinning future cash flow projections. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for Realm included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Realm referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

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Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid, Director, M App. Fin. Inv., B.Ec, CA; and Robin Polson, Director, B.Com, Grad. Dip. App. Fin. Inv. Stephen and Robin have many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Realm proposes to issue a Target's Statement in respect of the Takeover Offer (the Target's Statement)
- the Target's Statement will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Target's Statement (draft Target's Statement) for review
- it is named in the Target's Statement as the 'independent expert' and the Target's Statement includes its independent expert's report in Attachment 1 of the Target's Statement.

On the basis that the Target's Statement is consistent in all material respects with the draft Target's Statement received, Deloitte Corporate Finance consents to it being named in the Target's Statement in the form and context in which it is so named, to the inclusion of its independent expert's report in Attachment 1 of the Target's Statement and to all references to its independent expert's report in the form and context in which they are included, whether the Target's Statement is issued in hard copy or electronic format or both.

Deloitte Corporate Finance has not authorised or caused the issue of the Target's Statement and takes no responsibility for any part of the Target's Statement, other than any references to its name and the independent expert's report as included in Attachment 1.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- various transaction documents, including the Bidder's Statement and the Target's Statement
- audited financial statements for Realm for the year ending 31 December 2016, and the reviewed financial statements for the half year ended 30 June 2017
- the Realm company website
- various internal management information
- publicly available information on comparable companies and market transactions published by ASIC, Thomson Research, Thomson Reuters Financial markets, CapitalIQ and Mergermarket
- other publicly available information, media releases and brokers reports on comparable companies and the metallurgical coal industry / sectors.

In addition, we have had discussions and correspondence with certain directors and personnel in relation to the above information and to current operations and prospects, including:

- Michael Rosengren – Managing Director
- Theo Renard – Chief Financial Officer and Company Secretary
- Richard Rossiter – Executive General Manager – Business Development
- Colin McLelland – Business Development Manager
- James Beecher – Director, Realm Resources Sub-Committee
- Staffan Ever – Director, Realm Resources Sub-Committee.

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Appendix 2: Discount rate for the Foxleigh coal mine

We have valued the Foxleigh coal mine using the discounted cash flow methodology. Our valuation has been undertaken in USD, using our selected AUD / USD exchange rate assumptions on the basis that

- we would expect a number of the potential purchasers for the Foxleigh coal mine would adopt USD as their functional currency
- projected revenues are generated in USD, as PCI coal is traded with reference to USD-denominated benchmark prices
- the financing facilities provided by Taurus Mining Finance Fund to Realm relating to the guarantees for rehabilitation obligation and working capital requirements are denominated in USD.

As a result, we have determined a discount rate denominated in USD to apply to the projected cash flows of the Foxleigh coal mine. The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued. Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

Whilst the discount rate is in practice normally estimated based on a fundamental ground up analysis using one of the available models for estimating the cost of capital (such as the Capital Asset Pricing Model (CAPM)), market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment type or region or vary over economic cycles.

Since our definition of fair market value is premised on the estimated value that a knowledgeable willing buyer would attribute to the asset or business, our selection of an appropriate discount rate also needs to consider that buyers incorporate other alternatives to the typical CAPM approach in estimating the cost of capital.

For ungeared cash flows, discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC).

$$\mathbf{WACC} = \left(\frac{E}{V} \times K_e\right) + \left(\frac{D}{V} \times K_d \times (1 - t_c)\right)$$

The WACC can be derived using the following formula:

The components of the formula are:

K_e	=	cost of equity capital
K_d	=	cost of debt
t_c	=	corporate tax rate
E/V	=	proportion of enterprise funded by equity
D/V	=	proportion of enterprise funded by debt

The adjustment of K_d by (1- t_c) reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 30%, in line with the Australian corporate tax rate.

Cost of equity capital (K_e)

The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

We have used the CAPM to estimate the K_e for the Foxleigh coal mine. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$\mathbf{K_e = R_f + \beta\,(R_m - R_f) + \alpha}$$

The components of the formula are:

K_e	=	required return on equity
R_f	=	the risk free rate of return

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R_m = the expected return on the market portfolio

β = beta, the systematic risk of a stock

α = specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term Government bond rate. In determining this risk free rate, we have identified the yield on the 20-year United States Treasury Bond as at 31 January 2018 of 2.83%. This rate represents a nominal rate and therefore includes inflation.

Equity market risk premium (EMRP)

The EMRP (R_m – R_f) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations.

The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered both the historically observed and prospective estimates of EMRP. Based on our analysis, we have selected an EMRP of 6.00%.

Beta estimate (β)

Description

The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers or energy and resources companies), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

They can also be influenced by the index against which they have bene calculated, the time period over which they were calculated and the level of trading in the share of the relevant company. As such, in a market like Australia, care must be taken in the assessment of the appropriate beta.

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

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Market evidence

In estimating an appropriate beta for the Foxleigh coal mine we have considered the betas of listed companies that are comparable to the project. These betas, which are presented below, have been calculated based on weekly / monthly returns, over a two / four-year period, compared to the Morgan Stanley Capital International World Index (MSCI Index).

Table 19: Analysis of betas for listed companies with comparable operations to the Foxleigh coal mine

				MSCI Index (4 years monthly)			MSCI Index (2 years weekly)		
Company name	**Domicile**	**EV[1] (USD'm)**	**Debt to EV (%)**	**Levered beta**	**Unlevered beta**	**R^2**	**Levered beta**	**Unlevered beta**	**R^2**
Australian coal producing companies									
Whitehaven Coal Limited	Australia	3,394	3%	2.75	2.06	0.20	0.89	0.71	0.03
New Hope Corporation Limited	Australia	1,037	0%	1.24	1.24	0.17	nm	nm	0.01
Average			**2%**	**1.99**	**1.65**		**0.89**	**0.71**	
International coal producing companies									
China Shenhua Energy Company Limited	China	81,310	4%	1.21	1.13	0.20	0.97	0.93	0.07
China Coal Energy Company Limited	China	23,381	47%	1.19	0.71	0.14	1.19	0.70	0.10
Yanzhou Coal Mining Company Limited	China	18,966	35%	1.95	1.19	0.19	1.32	0.82	0.07
Average			**29%**	**1.45**	**1.01**		**1.16**	**0.82**	
Major diversified mining companies									
BHP Billiton Limited	Australia	125,018	13%	1.06	0.90	0.11	1.43	1.20	0.15
Rio Tinto Limited	Australia	113,213	3%	0.92	0.84	0.16	1.01	0.95	0.12
Glencore Plc	Switzerland	105,555	30%	2.39	1.41	0.21	2.00	1.29	0.24
Anglo American plc	UK	43,405	10%	1.33	1.03	0.05	2.00	1.62	0.16
Average			**14%**	**1.42**	**1.05**		**1.61**	**1.26**	
Overall average			**15%**	**1.62**	**1.24**		**1.22**	**0.93**	
Overall median			**14%**	**1.45**	**1.05**		**1.16**	**0.82**	

Source: S&P Capital IQ, Deloitte Corporate Finance analysis
Notes:
1. EVs as at 19 March 2018
2. R^2 – reflects statistical significance.

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The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as those of the Foxleigh coal mine. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

Selected beta (β)

In selecting an appropriate beta for the Foxleigh coal mine we have considered the following:

- coal mining assets have varying risk profiles depending on the maturity of the asset and the stage of their development. The Foxleigh coal mine is a single producing mine in Queensland with open cut operations. The product mined by the Foxleigh coal mine is PCI coal which is exported to Asia
- the Foxleigh coal mine, with a current FOB cash cost base of AUD 95 per product tonne (as estimated by SRK Consulting) suggests the mine is broadly mid-range on the production cost curve for Australian coking coal mines, which is estimated to be broadly in the range of AUD 75 per tonne to AUD 120 per tonne (based on analysis conducted by the Reserve Bank of Australia on 2014 mining costs)
- there are no listed Australian companies holding a single operating coal asset for which we have observed meaningful data, with Whitehaven Coal and New Hope Corporation holding a diversified portfolio of assets:
    - Whitehaven Coal's major assets comprise its 75% interest in Maules Creek (c.10mtpa, predominantly thermal coal mine), 70% interest in Narrabri (c.7mtpa thermal coal mine) and various interests in open cut coal mines located in the Gunnedah Basin in New South Wales (total FY17 production of c.6mtpa of a mix of thermal, PCI and other coal)
    - New Hope Corporation owns interests in two thermal coal mines in Queensland (New Acland and Jeebropilly mines), a 40% interest in the Bengalla thermal coal mine in New South Wales, along with several exploration tenements prospective for coal and oil and gas.

  The unlevered betas observed for these companies are very disparate, ranging between 0.71 and 2.06, which makes benchmarking against the Foxleigh coal mine problematic
- the international coal producing companies, which are all located in China (after a number of US-based miners filed for bankruptcy in recent years), are significantly larger than the Foxleigh coal mine, and produce a variety of coal products for largely domestic markets in China. These companies are observed to have comparably lower unlevered betas of 1.01 and 0.82, on a four-year and two-year basis, respectively
- for the purpose of this analysis, we have also considered the betas of major diversified mining companies. The scale, product and geographic diversification of these businesses are of a different magnitude compared to the Foxleigh coal mine. Their larger scale of operations and number of producing assets generally serve to limit exposure to short term market fluctuations, as indicated by their comparably lower unlevered betas of 1.02 and 1.26, on a four-year and two-year basis, respectively.

We consider it preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the inherent difficulties in measuring the beta of the underlying company being valued. The beta evidence above also reflect the significant volatility experienced in the mining sector in the medium term (i.e. four year betas are higher than two year betas, in general). We have focused on longer term betas in estimating a beta for the Foxleigh coal mine, reflecting the mid-cost nature of the mine, and the potential for it to be more exposed to commodity price fluctuations than lower cost mines, and companies with diversified portfolios.

We have selected an unlevered beta in the range of 1.20 to 1.30 for the Foxleigh coal mine. We have then adjusted this measure to reflect a debt to equity ratio in the range of 20% debt and a tax rate of 30% in line with the Australian corporate tax rate. The resulting relevered beta (including the Blume adjustment) for the Foxleigh coal mine is calculated as 1.27 to 1.35.

Specific company risk premium (α)

The specific company (or asset) risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as company size, depth and quality of management, reliance on key personnel, ramp-up risk, etc.

The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not

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have regard to specific company risks (often referred to as unsystematic risk). There are several empirical studies that demonstrate that the investment market does not ignore specific company risks.

Based on the size of the Foxleigh coal mine and the (adjusted) cash flows in the Foxleigh Model, we have not adjusted the discount rate for a specific risk premium.

Cost of debt capital (K_d)

The cost of debt is the return required by debt investors on capital invested and is often estimated with reference to the long term, normalised risk free interest rate plus a long term debt premium which is commensurate with the credit risk.

We have estimated the pre-tax cost of debt to be 5.5% to 6.5%. This range has been estimated after consideration of the following:

- although the Performance Guarantee facilities currently attract interest at a rate of 9%, given the significant changes in operations since Realm acquired its interest, and the demonstrated cash generating capacity of the mine, we would expect the company could secure longer term debt more in line with market rates
- the average current yield of 5.30% on USD-denominated corporate bonds in the metals and mining industry, with a maturity greater than ten years
- our assessed level of gearing for the Foxleigh coal mine, as discussed below.

Debt and equity mix

We have adopted a target debt to enterprise value ratio of 20% for the Foxleigh coal mine. In selecting this gearing assumption, we have considered the recent volatility in coal prices, the 15 year remaining life of the Foxleigh coal mine (assuming it is not extended past 2032) and what we consider to be a reasonable long-term gearing structure for mature mining companies based on comparable company analysis.

Conclusion on WACC

Based on the selected inputs, we arrive at a WACC as follows:

Table 20

	Low	High
Risk free rate (R_f)	2.83%	2.83%
Equity market risk premium (EMRP)	6.00%	6.00%
Beta (ungeared β)	1.20	1.30
Beta (geared β)	1.27	1.35
Calculated K_e	**10.47%**	**10.94%**
Net debt / enterprise value	20.00%	20.00%
Tax rate	30.00%	30.00%
K_d (pre-tax)	5.50%	6.50%
K_d (post-tax)	**3.85%**	**4.55%**
WACC (post-tax)	**9.15%**	**9.66%**
Selected WACC	**9.00%**	**10.00%**

Source: Deloitte analysis

Appendix 3: The SRK Consulting Report

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23 March 2018

DTT003_Deloitte_Realm_Shortform ISR

Deloitte Corporate Finance Pty Limited
550 Bourke Street
MELBOURNE VIC 3000

Attention: Stephen Reid

Dear Stephen

Short-form report on certain mineral assets held by Realm Resources Limited

On 9 February 2018, T2 Resources Fund Pty Limited (the Bidder), a special purpose vehicle wholly owned by Taurus Resources No.2 Trust (T2 Trust) announced a conditional offer to acquire all of the shares in Realm Resources Limited (Realm) (ASX Code: RRP) that the Bidder, T2 Trust and Taurus Resources No 2 L.P (collectively the Bidder Group) do not already own. The cash consideration offered by the Bidder Group to holders of Realm shares other than the Bidder Group is A$0.90 cash per share (Proposed Offer).

Deloitte Corporate Finance Pty Limited (Deloitte) was engaged by Realm to prepare an Independent Expert Report (IER) in relation to the Proposed Offer.

Deloitte has subsequently commissioned SRK Consulting (Australasia) Pty Ltd (SRK) to assist Deloitte on certain specialist matters and in the preparation of its IER. According to our mandate from Deloitte, SRK's scope of work comprises:

- Input and advice on the appropriateness of the technical assumptions adopted in the financial models for the Foxleigh coal mine and the Katingan Ria Coal Project, namely those relating to:
- The level of reserves and resources
  - Production profiles (including production profiles or potential production cases)
  - Operating expenditure, including rehabilitation and abandonment costs
  - Capital expenditure
  - Any other assumptions SRK consider relevant
- Provide an opinion as the fair market value of the exploration assets associated with the Foxleigh Coal Mine and the Katingan Ria Coal Project, if any
- Assist with the assessment of the reasonableness of the assumptions for additional development scenarios for the Foxleigh Coal Mine and the Katingan Ria Coal Project, in the event that more than one development scenario is considered by Deloitte
- Prepare a short-form report summarising our findings, including our opinion as to the fair market value of the exploration potential outside of the defined Coal Resources and Reserves at Foxleigh Coal Mine and the Katingan Ria Coal Project and our findings relating to the underlying assumptions for each financial model.

In accordance with its mandate, SRK has not undertaken any analysis of coal markets or pricing, on the understanding that these aspects are to be covered by Deloitte as part of its IER.

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This Independent Specialist Report has been prepared in accordance with the "Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets" - VALMIN Code (2015) which incorporates the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves" - JORC Code (2012).

SRK has relied on documents and information available in the public realm and made available by Realm through an online data room containing numerous technical files relating to the Company's projects.

The information in this report that relates to the Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions drawn by technical consultants under the supervision of Mr Jeames McKibben, who is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy, a Member of the Australian Institute of Geoscientist and a Chartered Valuation Surveyor and Registered Valuer of the Royal Institution of Chartered Surveyors. Mr McKibben is a full-time employee of SRK Consulting Australasia Pty Ltd. Mr McKibben has sufficient experience relevant to the Technical Assessment and Valuation of Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Representative Specialist as defined in the 2015 edition of the "Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets".

This assessment was conducted by Gerry McCaughan, Adriaan Benson, Darren Mathewson, Lisa Chandler, Dragan Radojcic, and Jeames McKibben. Peer review of this short-form report was conducted by Anthony Stepcich. In preparing this report, Mr McKibben and Mr Benson visited the Foxleigh site on 28 February 2018. Details of the experience and qualifications of SRK's team are presented in Appendix A.

All monetary figures used in this short-form report are expressed in either Australian dollar (A$) or United States dollar (US$) terms, unless otherwise stated. The final valuation is presented in Australian dollars. The conclusions expressed in this report are appropriate as at the date of this report. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing mining, development and exploration results.

Key Assets

Realm holds extensive tenement portfolios targeting pulverised coal injection (PCI) quality coals in Australia and thermal quality coals in Indonesia as set out below:

- A 70% interest in the Foxleigh Coal Mine (Foxleigh), located in the Bowen Basin of central Queensland, Australia. Foxleigh is a circa 4 million tonne run-of-mine (ROM) per annum (Mtpa) open cut, truck and excavator operation, producing low volatile PCI coal. The coal is transported by truck and rail to Dalrymple Bay near Mackay, from where it is shipped to Asian steel mill customers.
- A 51% interest in the Katingan Ria Coal Project (Katingan Ria), located in central Kalimantan, Indonesia. Katingan Ria is a development project with low rank, sub-bituminous thermal coal which has been studied to a feasibility study level previously. It is currently envisaged by Realm that Katingan Ria will be developed as a mine mouth operation supporting a nearby as yet to be constructed power station.

In addition to these assets, Realm also holds interests in Alumicor (a South African aluminium waste toll treating business) and Chrometco (a Johannesburg listed entity operating in the South African Chrome and Platinum Group Metals industry), as well as certain mineral rights situated in the Eastern Limb of the Bushveld Igneous Complex.

As per our mandate, only Realm's Queensland and Indonesian coal assets are considered in this report.

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1 Foxleigh Coal Mine

1.1 Physical setting

The Foxleigh Coal Mine is located in the centre of the Bowen Basin coalfields in central Queensland, at latitude 22°56'42" S, longitude 148°46'00" E and an altitude of approximately 135 m above mean sea level (amsl). Foxleigh is situated approximately 650 km north-northwest of Brisbane, 100 km northeast from the regional centre of Emerald and 12 km south of the town of Middlemount. The nearest cities are Mackay some 240 km to the northeast and Rockhampton 272 km to the southeast. Nearby mines include Capcoal (German Creek, Grasstree, Lake Lindsay, Oak Park, Bundoora amongst others), Curragh, Yarrabee, Middlemount and Jellinbah.

Transport infrastructure in the surrounding region is good and includes the Gregory and Capricorn Highways and Dysart-Middlemount, Middlemount-Capella, Lilyvale and Fitzroy Development Roads, as well as the access to both the Blackwater and Goonyella rail systems with connections to coastal ports near Gladstone and Mackay. Drive time from Emerald is approximately 1.5 hours.

Middlemount is the nearest town to Foxleigh located in the Isaac Regional Council local government area which supports a population of approximately 21,563 (according to the 2016 census). It is the main commercial centre in the area and has a full range of services including schools, banks, post office, shopping centres and medical services. The town was established in the 1980s to support the local coal mining industry. Anglo American Metallurgical Coal Assets Pty Ltd (Anglo Coal) owns most of the housing and operate and maintain some of the town infrastructure.

Foxleigh has both electrical connection and water supply to service the mine.

The topography of the areas is flat to undulating. Foxleigh mine is located within the Mackenzie River catchment in the Fitzroy River basin and is traversed by three ephemeral creeks; Cockatoo Creek, Roper Creek and Carlo Creek. Carlo Creek and Cockatoo Creeks have major diversion channels directing waterflow around the open pits and through the lease. All creeks eventually flow into Roper Creek before entering the Mackenzie River upstream of the Bingegang Weir.

The region experiences a sub-tropical climate with hot wet summers and cool dry winters. Temperatures range from an average high of 34°C in January to average low of 9°C in July. Rainfall is seasonal, with an average of 90 mm in January and 18 mm in July. Rainwater run-off generally flows from northwest to southeast across the site. Coal production and exploration activities are typically continuous throughout the year, although heavy summer rains may result in localised flooding which can disrupt coal production and rail transport. Vegetation of the region comprises mostly cleared grass land that supports pastures for cattle grazing.

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Figure 1-1: Foxleigh project location

Source: 2018 Plan of Operations

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1.2 Ownership

The Foxleigh Mine is owned by the Foxleigh Joint Venture which currently consists of POSCO Australia Pty Ltd (20%), Nippon Steel & Sumitomo Metals Australia Pty Ltd (10%) and Middlemount South Company Pty Ltd (Middlemount South) (70%). Middlemount South is the operator of the Foxleigh Mine, while POSCO and Nippon are longstanding customers of Foxleigh.

On 30 August 2016, Realm announced to the Australian Securities Exchange (ASX) that its 99.9% owned subsidiary company, Middlemount South had completed the Foxleigh transaction with Anglo Coal. The transaction comprised acquisition of:

- A 100% interest in Foxleigh Coal Pty Ltd (FCL) which holds a 70% interest1 in the Foxleigh Coal Mine and a 100% interest in EPC855
- A 100% interest in EPC1669.

1.2.1 Tenure

Mining tenure related to the Foxleigh Coal Mine extends over a north-south strike length of 40 km, covering some 52,621 ha and comprising seven granted Mining Leases (ML) and three granted Exploration Permits for Coal (EPC) as listed in Table 1-1 and illustrated in Figure 1-2. The registered title holders are CAML Resources Pty Ltd, Foxleigh Coal Pty Ltd and Middlemount South Pty Ltd, which are related companies of Realm. An application for a Mineral Development Licence (MDL) was lodged with the Queensland Government over EPC1699 and part of EPC855 (MDL3028 'Roper Creek') in October 2017, which is currently pending approval.

Table 1-1: Foxleigh Mine – summary of mineral claims

Permit	Registered Holder	Area (ha)	Grant date	Expiry date	Realm's beneficial interest
ML70171	CAML Resources Pty Ltd	2,495.0	04/11/1999	30/11/2034	70%
ML70309	CAML Resources Pty Ltd	2,042.0	28/10/2004	30/11/2034	70%
ML70310	CAML Resources Pty Ltd	171.0	02/10/2015	30/11/2034	70%
ML70429	CAML Resources Pty Ltd	1,038.0	22/09/2014	30/11/2034	70%
ML70430	CAML Resources Pty Ltd	123.1	22/09/2014	30/11/2034	70%
ML70431	CAML Resources Pty Ltd	2,636.0	22/09/2014	30/11/2034	70%
ML70470	CAML Resources Pty Ltd	4354.8	13/11/2012	30/11/2034	70%
EPC855	Foxleigh Coal Pty Ltd	2,841.0	20/10/2003	19/10/2022	100%
EPC1139	CAML Resources Pty Ltd	45,064.1	07/08/2007	06/08/2022	70%
EPC1669	Middlemount South Pty Ltd	946.8	11/11/2009	10/11/2019	99.9%
MDL3028	Foxleigh Coal Pty Ltd	2,898	Application lodged 12/10/2017		100%

Source: Queensland Government, MinesOnLine

A number of petroleum exploration tenures (Authorities to Prospect and potential commercial area) exist over the same area as the Foxleigh tenures.

The following areas are impacted by strategic cropping land:

- A small portion of the southeastern portion of ML70309 (but as we understand it does not affect mining operations)
- The central and southern portions of EPC1139.

The Foxleigh Mine lies within the registered Native Claim area of the Barada Kabalbara Yetimarala People (QC2013/004; Fed Court No QUD383/2013). The claim has not yet been determined (as at 7 March 2018).

[1] As a result of the transaction, Middlemount South Pty Ltd has a 30% direct interest in the Foxleigh Coal Mine via its ownership of Foxleigh Coal Pty Ltd (FCL) and an indirect 40% interest via FCL's shareholding in CAML Resources Pty Ltd (CAML).

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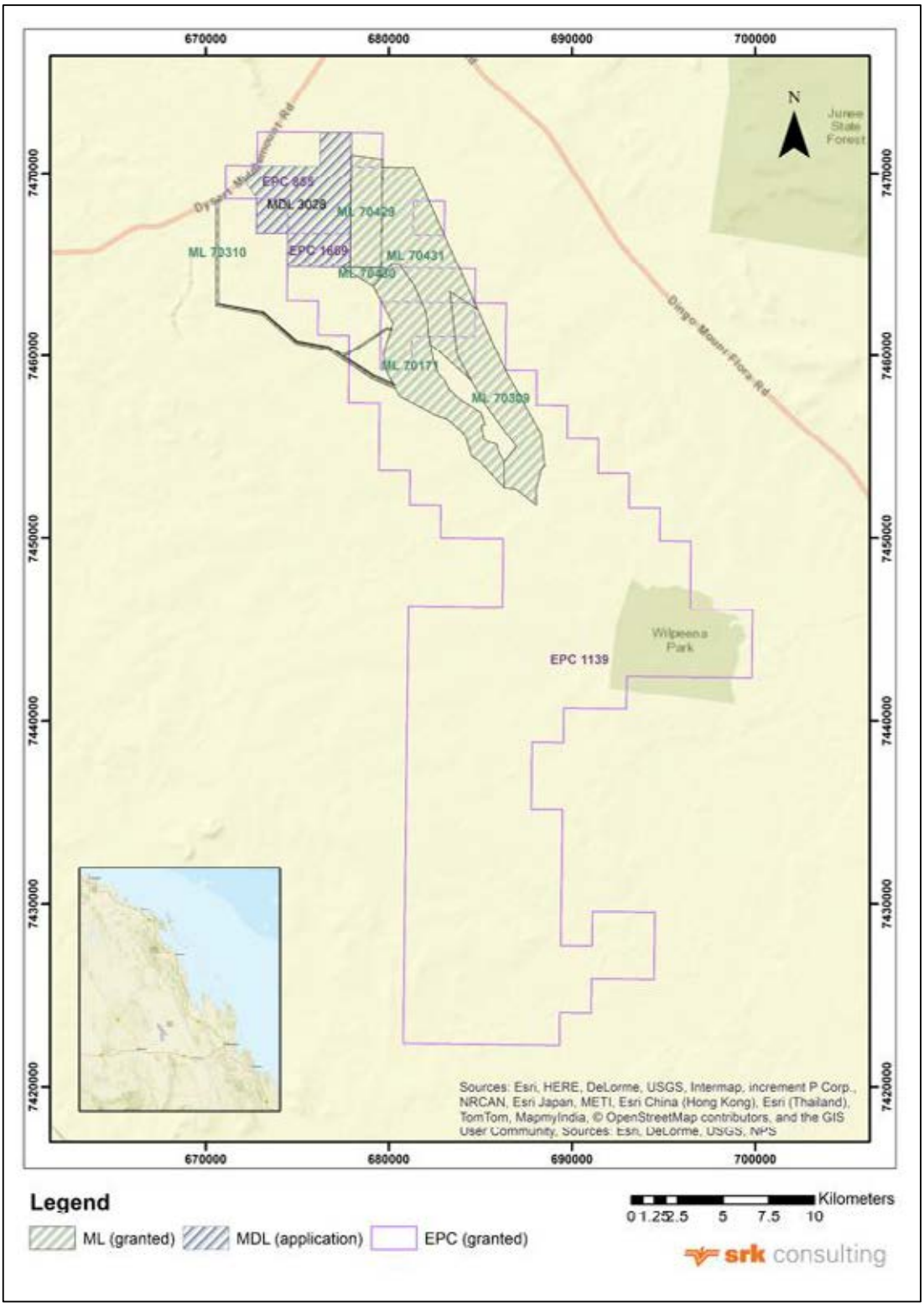

Figure 1-2: Location of Realm's Foxleigh mineral interests

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1.2.2 Agreements

The Foxleigh Coal Mine is governed by the Foxleigh Joint Venture Agreement (JVA) to which FCL, CAML (Middlemount South & POSCO) and Nippon are counterparties. Under the JVA, upon a change in control of a joint venturer, the other joint venturers have the option (within 60 days) to elect to acquire the joint venture interest for the participant, which is the subject of a change of control. The option can only be exercised for all of the joint venture interest. The valuation of the interest is to be determined after the option is exercised – either by agreement or, failing that, by independent valuation.

Under a separate Operating Agreement, Middlemount South is the manager and operator of the Foxleigh Coal Mine via its 100% ownership of Foxleigh Management Pty Ltd.

Under the CAML shareholder arrangements in place, POSCO has the option to acquire some or all of the shareholdings of FCL in CAML at an independent valuation on a change in control of CAML. Furthermore, under these agreements, POSCO and Nippon have certain rights in respect of EPC855 and EPC1669 (covering the Roper Creek Coal Resource) as outlined below.

	Nippon	**POSCO**
EPCs	Notice to negotiate If any one or more mining leases (or equivalent tenements) is granted in respect of all, or any part of, EPC855 or 1669 (whether or not in respect of any other areas) ("New Mining Leases"), FCL shall promptly notify [Nippon] may (within 10 days of such notice) give notice that it wishes to acquire an interest in such New Mining Leases equal to its Participating Interest. Negotiation process The parties will in good faith negotiate for a period of up to 60 days from the date of Nippon 's notice (or until earlier agreement): Negotiation process The parties will in good faith negotiate for a period of up to 60 days from the date of NSSMA's notice (or until earlier agreement):	(a) Middlemount South is the owner of EPC1669 and FCL is the owner of EPC855. (b) Subject to and upon a resulting mining lease being granted in respect of EPC855 and EPC1669, Middlemount South and FCL shall offer to POSCO the right to farm-in to the resulting mining lease from EPC1669 and EPC855 respectively, and earn an interest in them: (i) that is the same percentage as POSCO's interest in the FJV (directly or indirectly through a shareholding in CAML) at the time of the offer; (ii) at a price which is to be agreed between the parties, acting reasonably, taking into account the estimated quality and volume of recoverable coal at EPC1669 and EPC855 at the time of the farm-in; and (iii) on such other terms to be agreed between the parties.

Source: Realm

In addition to these agreements, contracts are also in place for labour hire, supply of contractor fleet and maintenance, production drilling, explosive supply and blasting, power, water fuel, coal processing, site haulage, rail (both above and below rail), port, coal marketing and facilities management.

1.2.3 Royalties

In addition to State *ad valorum* royalties, FCL will pay Anglo Coal a semi-annual royalty on its 70% share of coal extracted and sold from the assets acquired for a period of 12.5 years. The royalty payments are based on the Average Coal Price Achieved (ACPA) in each 6-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.

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These thresholds (but not the payments) are escalated every six months by Table 11 (Coal Mining) of the Producer Price Index published from time to time by the Australian Bureau of Statistics. Royalty payments are capped at A$75.0 M in aggregate.

Furthermore, as part of Realm's acquisition of Foxleigh, Taurus Mining Finance Fund was granted a 1.0% gross revenue royalty on Realm's share of the saleable coal production.

In addition, there is a royalty payable to Millennium Coal Pty Ltd (previous holder of EPC855) for any ROM tonnes produced from EPC855 (excluding a northern section).

1.3 History

Foxleigh Coal Mine has been the subject of numerous phases of exploratory drilling programs extending back to the early 1960s. In brief, Foxleigh was evaluated as follows:

- In 1966, the current Foxleigh area was explored as part of a regional campaign by Utah Development Company under ATP6C.
- From 1983 to 1996, Capcoal was the successful tenderer for the Roper Creek Areas (EPC414) which resulted in the discovery of the German Creek East deposit (ML1998) and in the discovery of high quality PCI coal in EPC470 further to the east in part of what is now referred to as Foxleigh.
- In 1996, Ribfield (subsequently Excel Coal) was granted EPC597 followed shortly thereafter by EPC617 and 692. Peabody subsequently acquired the current Foxleigh area through the purchase of Excel Coal in late 2003 and formed EPC855 under Millennium Coal.
- Mining commenced at Foxleigh in December 1999, originally as a contract operation before transferring to an owner/ operator model in October 2003.
- Anglo Coal completed the acquisition of its interest in Foxleigh from private owners on 29 February 2008 and took over as operator of the mine. From acquisition to 2016, Anglo Coal focussed on increasing geological confidence and knowledge within the existing mining areas but also evaluating new areas such as Foxleigh Plains, Far South, Roper Creek and Eagles Nest. A combination of rotary holes and cored holes (slim core and medium diameter) were used to investigate the Foxleigh area.
- Realm acquired Anglo Coal's 70% interest in August 2016. Since acquiring the mine, Middlemount South has focused on the Foxleigh Plains area with the aim of increasing the defined resources and validating historical drilling results, as well as re-opening the One Tree West pit.

Key milestones since 1997 are shown in Figure 1-3.

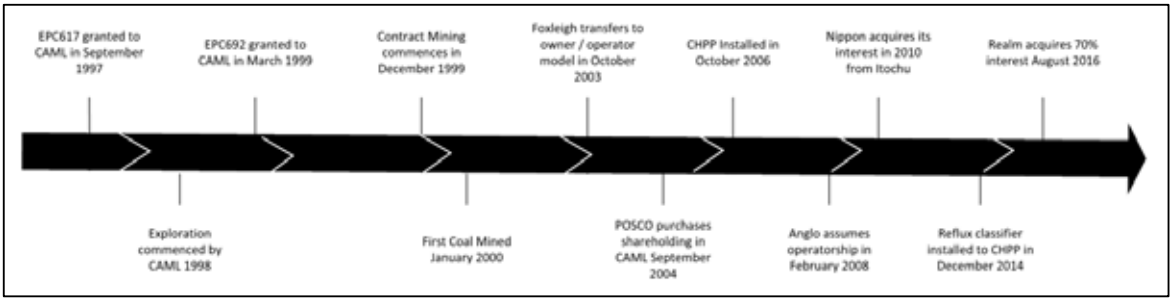

Figure 1-3: Key milestones since 1977

1.3.1 Current Project

The principal components of the current Foxleigh coal mining and processing operation are as follows:

- Foxleigh is an open cut coal mine producing low volatile pulverised coal injection (PCI) coal for the export market.

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- Coal Reserves of 69.6 Mt[2] (44.2 Mt Proven and 25.4 Mt Probable) and Marketable Coal Reserves of 49.1 Mt (31.1 Mt Proven and 18 Mt Probable).
- Coal Resources of 154.3 Mt (42.5 Mt Measured, 79.9 Mt Indicated and 31.9 Mt Inferred)
- Open pit operations mining from two pits, Foxleigh Plains (in the north) and One Tree West (in the south) using terrace truck and excavator methods with both out-of-pit and in-pit dumping of overburden into the advancing mined out void before rehabilitation. Targeted mine life from both Foxleigh Plains and One Tree West is approximately 15 years.
- Historically, Foxleigh targeted the Middlemount Seam, but more recently mining has transitioned to a multi-seam approach targeting the Roper, Tralee and Pisces Seams in addition to the Middlemount Seam.
- Raw coal is loaded into rear dump trucks and delivered to Foxleigh's coal handling and preparation plant (CHPP) for washing. The CHPP has processing capacity of up to 4.8 Mtpa of raw coal. Bypass and product coal is conveyed to a 700-t truck loadout bin for loading into 200 t road trains (contract haulage operation).
- Product coal is transported 27 km via a privately-owned haul road using road trains to the Capcoal train loadout facility, for subsequent railing 280 km to the Dalrymple Bay Coal Terminal (DBCT) at the Port of Hay Point near Mackay.
- Foxleigh has a diversified base of longstanding customers in key export markets including South Korea, Japan and Taiwan.
- The current production schedule exploits all four seams to provide approximately 68.3 Mt of run-of-mine (ROM) coal to the CHPP for the production of 47.3 Mt of saleable coal over the 15-year mine life. Average saleable production is 3.15 Mtpa PCI coal with prime waste relatively constant averaging some 37.6 Mbcm per year.
- Operating costs of approximately A$94.84/t of coal processed, comprising overburden stripping (A$4.02/t), coal mining (A$3.56/t), processing (A$4.60/t), General and Administration (A$8.20/t).
- Mine infrastructure includes power distribution, fuel storage and distribution, water treatment and distribution, wastewater collections and treatment, compressed air, service buildings, surface water management, waste handling facility and landfill, train load out, on-site laboratory, haul roads and communication and information systems.

1.4 Geology

Geologically, the Foxleigh Coal Mine is located in the central part of the Permo-Triassic aged Bowen Basin. The Mine is located within an asymmetric, north-northwest oriented syncline bounded by the regionally significant Jellinbah Fault to the west and the Foxleigh/ Yarrabee Fault to the east (Figure 1-4). The deposit within Realm's current tenure extends over a length of some 22 km and width of 6 km. Within this strip, strikes of both strata and structure are north-northwest to northwest oriented. Strata on the eastern limb of the syncline are steeply dipping to vertical whilst along the western limb strata dip shallowly (5 to 10 degrees to the northeast). The area is structurally complex, with extensive folding and thrust faulting resulting in seam repetition and thickening (Figure 1-5). The main faults are thrust faults with east over west displacements of up to 600 m.

The Foxleigh operation is primarily focused on the Rangal Coal Measures which comprise a 200 m thick sedimentary sequence of siltstone, fine-grained sandstone and mudstone containing several economically significant coal seams. The seams targeted by the mine are those of the Rangal Coal Measures which in descending order are locally known as the Roper, Middlemount, Tralee and Pisces Seams:

- **Roper Seam** occurs in up to three bands, with Roper 1 typically a bright coal with dull bands (0.8 - 1.5 m thick and density 1.3 - 1.5 g/cc). Roper 2 is a dull coal with bright bands of similar thickness, but with higher density (1.5 - 1.6 g/cc). Roper 3 occurs only in limited areas. There is limited coal quality data for the Roper seams.

[2] Differing economic assumptions for the Foxleigh Project reserve estimate and the later Foxleigh Plains reserve update

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- **Middlemount Seam** is a bright coal with dull bands (3 - 6 m thick and density of 1.32 - 1.45 g/cc). Along the eastern limb, the Middlemount seam is structurally enhanced often exceeding 20 m in thickness. The raw ash content ranges between 8% and 14% on an air-dried basis (adb). Total sulphur is typically between 0.45% and 0.70% (adb), with occasional isolated values above 1%. Phosphorous is variable, but generally between 0.05% and 0.10% (adb).
- **Tralee Seam** comprises two Tralee Seams which split locally into sub-seams. Tralee 1 Seam is generally thin, poorly developed dull coal, averaging 0.8 m in thickness. Tralee 2 is a thicker, more robust seam up to 3 m in thickness comprising mainly bright coal with some dull bands (density of 1.43 - 1.55 g/cc). The majority of quality samples are from the Tralee 2 Seam which generally has a raw ash content between 15% and 40% (adb). Total sulphur and phosphorous contents are higher than the overlying Middlemount seam and range between 0.5% and 1.0% and 0.01% and 0.20% respectively (adb).
- **Pisces Seam 1** is subdivided into the Pisces 1A, 1B and 1C Seams. Pisces 1A and 1B coalesce in some areas, but mostly remain discrete. Pisces 1A and 1C are relatively thin, averaging ~1 m in thickness and with densities >1.7 g/cc. Pisces 1B is the seam of economic interest and averages 2.0 - 2.5 m in thickness; it is a bright coal with a few dull bands with a density of 1.4 - 1.5 g/cc. Raw ash content of the Pisces 1B Seam ranges between 10% and 20% (adb) and has a total sulphur content of 0.5% - 1.0% (adb). The phosphorous content ranges between 0.04% and 0.65%.
- **Pisces Seam 2** comprises two seams – Pisces 2A and 2B seams, which are separated by the Yarrabee Tuff. Pisces 2A is a dull coal, typically 1.5 - 2.0 m thick and has a density of 1.5 g/cc. Pisces 2B is a dull coal with some thin tuffaceous bands, and a density of 1.7 - 1.8 g/cc. Coal quality data for the Pisces 2 Seam only exists in the Foxleigh Plains and Carlo Creek areas. The Pisces 2A Seam has a raw ash of ~24%, total sulphur of 0.44% and phosphorous of 0.09% (adb). The Pisces 2B seam has a raw ash of approximately 38% and Pisces 2C has a raw ash of approximately 49% (adb).

There is some evidence for igneous intrusions in the broader deposit area. An igneous sill has been defined in the Tralee 2 Seam by recent drilling in the northern sector of the Foxleigh Plains deposit. The heat effects of the intrusion have degraded the coal quality of the seam to varying degrees. The Tralee 2 Seam is also intruded by an igneous sill in the parts of the Roper Creek area. There is also reported evidence of occasional heat effects in other seams across the deposit, indicating the presence of other intrusive features.

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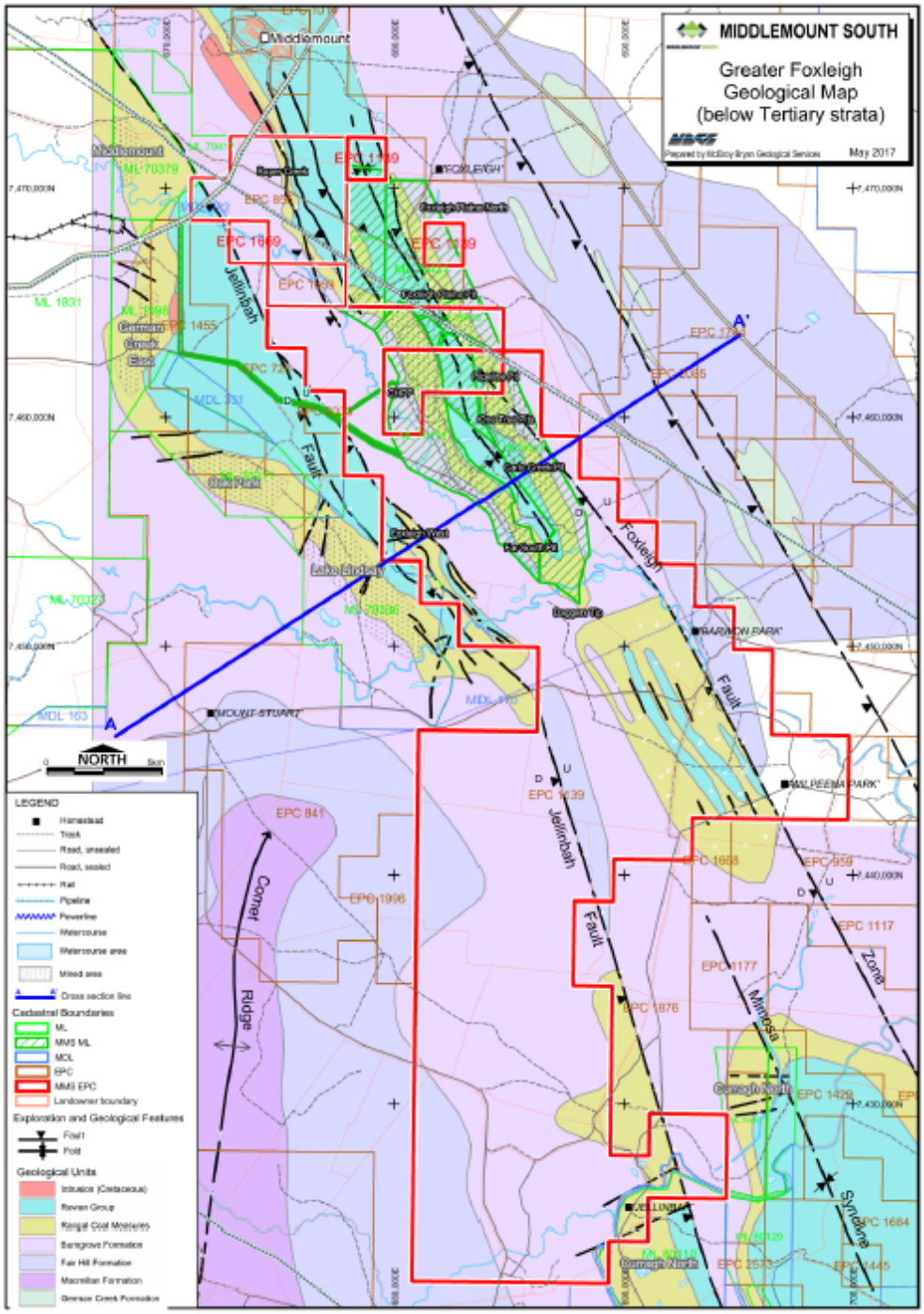

Figure 1-4: Regional geological map of Foxleigh (below Tertiary age strata)

Source: MBGS

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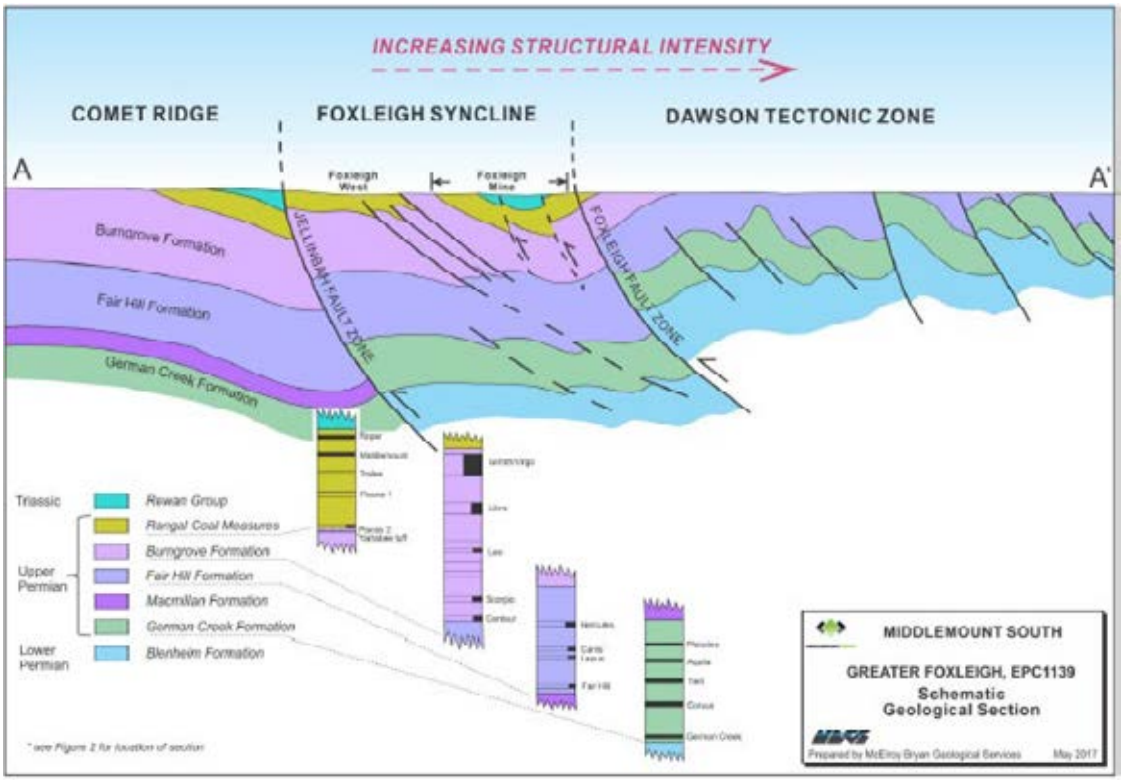

Figure 1-5: Schematic geological cross section of Foxleigh

Source: MBGS

1.5 Coal Resources and Reserves

1.5.1 Coal Resources

The last complete estimate of the Foxleigh Mine Coal Resource was undertaken in October 2016. A total Resource of 89.6 Mt was reported at that time, comprising 33.3 Mt Measured, 29.2 Mt Indicated and 24.4 Mt Inferred (Table 1-4). The Resource was reported separately across four areas – Foxleigh Plains, One Tree-Pipeline, Far South and Carlo Creek-Daggers Tip. The October 2016 estimate represented a 34 Mt increase in the total Coal Resource for the Project from the previous estimate by Anglo Coal on 31 December 2015. This increase is mainly attributed (Encompass Mining, 2016) to incorporation of substantial additional drilling information in the Foxleigh Plains and One Tree - Pipeline areas acquired during 2015-2016 and some changes to the 2016 Coal Resource classification criteria.

Table 1-2: Summary of Foxleigh Coal Resources as at 31 October 2016 (100% basis)

Resource Area	Coal Resource (Mt)				Raw Ash (%ad)			
	Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
Foxleigh Plains	19.3	15.8	8.5	43.6	14	16.4	16.1	15.3
One Tree-Pipeline	9.8	6.6	4.1	20.5	11.6	14.2	11.3	12.4
Far South	4.2	6.1	2.3	12.6	13.2	11.2	11.2	11.9
Carlo Creek-Daggers Tip	-	0.7	9.5	10.2	-	11.6	11.6	11.6
Foxleigh Total	**33.3**	**29.2**	**24.4**	**86.9**	**13.2**	**14.7**	**13.1**	**13.7**

Source: Encompass Mining (2016)

An update to the Foxleigh Plains Resource was subsequently reported in December 2017 (effective as at 30 September 2017). In addition, a maiden Resource estimate was reported for the Roper Creek area in EPC855 and EPC1699 in August 2017 (effective as at 30 June 2017). A summary of the most recent Coal Resource estimates reported for the Foxleigh project is presented in Table 1-3. The locations of the Resource areas are presented in Figure 1-6.

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The total reported Coal Resource inventory for the Foxleigh Project is currently 154.3 Mt, comprising 42.5 Mt Measured, 79.9 Mt Indicated and 31.9 Mt Inferred (inclusive of Coal Reserves). SRK understands that a review and revision of the geological models and Coal Resource estimates is currently being undertaken by MBGS.

Table 1-3: Summary of most recent Foxleigh Coal Resources (100% basis)

Effective Date	Resource Area	Coal Resource (Mt)				Raw Ash (%ad)			
		Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
31-Oct-16*	One Tree-Pipeline	9.8	6.6	4.1	**20.5**	11.6	14.2	11.3	**12.4**
31-Oct-16*	Far South	4.2	6.1	2.3	**12.6**	13.2	11.2	11.2	**11.9**
31-Oct-16*	Carlo Creek-Daggers Tip	-	0.7	9.5	**10.2**	-	11.6	11.6	**11.6**
30-Sep-17**	Foxleigh Plains	28.5	24.5	10	**63**	15.6	18.1	20.2	**17.3**
30-Jun-17***	Roper Creek	-	42	6	**48**	-	17.3	15.1	**17**
Total		**42.5**	**79.9**	**31.9**	**154.3**	**14.4**	**16.8**	**14.9**	**15.7**

Source: *Encompass Mining (2016), **Measured Group (2017), *** MBGS (2017)

SRK notes that Realm holds a 100% interest in the Roper's Creek Coal Resource, and a 70% interest in all other Coal Resources.

In respect of Roper Creek, SRK notes its eventual inclusion within the consolidated Resource and/or in any future mine plan is dependent on the successful conclusion of commercial agreements between Realm and the remaining joint venture partners for the inclusion of this Resource in the greater Foxleigh Project.

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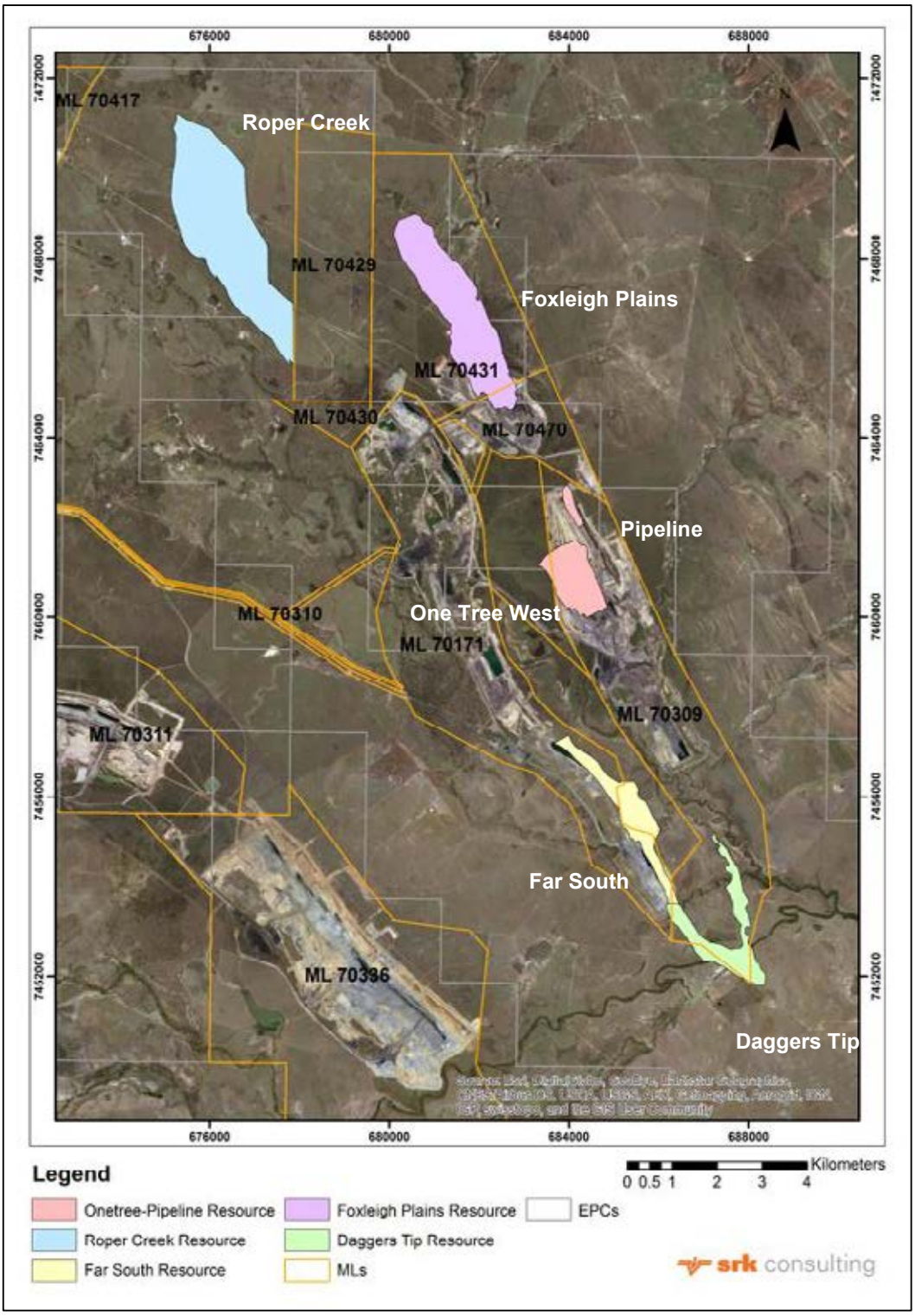

Figure 1-6: Location of Foxleigh Coal Resource areas

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The September 2017 estimate of the Foxleigh Plains Resource represents a 19.4 Mt (or 44%) increase from the previous estimate, mainly in the Measured and Indicated categories. This increase is attributed (Measured Group, 2017) partly to incorporation of an additional 80 drill holes, located mainly in the central and (previously sparsely drilled) northern sectors of the deposit, and partly to incorporation of the Pisces 2 Seam (previously not reported). The Pisces 2 Seam is stratigraphically the lowest seam in the sequence and is present as two coal intervals (Pisces 2A and Pisces 2B). The quality of the lower ply is considered marginal (average raw ash of 38% ad) however the majority of the Pisces 2 seam is present at a stripping ratio (in-situ) of less than 15:1 bcm/t.

The fault interpretation in the deposit area was also reinterpreted, based on the new drilling data and pre-existing 2D seismic geophysical survey information. The geological modelling, estimation and classification criteria are otherwise largely consistent with the previous estimate.

The Resource estimates for the One Tree-Pipeline, Far South, Daggers Tip and Foxleigh Plains areas are based on gridded seam models developed using ABB MineScape software, which is a widely used platform for the modelling and estimation of coal deposits. SRK has not reviewed the various geological models supporting the Resource estimates, however the modelling algorithms and gridding parameters adopted appear to be appropriate for the density and distribution of drill hole data and style of deposit. Due to the structural complexity of the deposit, drill holes are generally set out along lines perpendicular to the structure and strata strike to allow for easier correlation and structural interpretation. There is a predominance (96%) of geophysically logged open (non-core) drill holes in the deposit relative to cored drill holes (4%), reflecting the much higher variability of seam structure relative to coal quality. The density of drilling is highest around the eastern limb of the syncline, commensurate with the higher structural complexity in this region. Based on the available descriptions, the drill hole data supporting the estimates are expected to be reliable and fit for purpose. With the exception of the Far South area, the seam structure models are supported by an array of 2D seismic geophysical survey lines which generally appear to be of a high quality, providing good definition of coal seams and major discontinuities (i.e., faults).

The Resource classification is essentially based on the density and distribution of drill holes with reliable measurements of seam thickness, depth and/or coal quality information ('Points of Observation', or POB), supported where relevant by various interpretive data (e.g. 2D seismic geophysical surveys, geological mapping, existing open cut highwalls). POB for seam structure (i.e., thickness, elevation) are based on geophysically logged cored and non-cored drill holes. POB for coal qualities are based geophysically logged cored drill holes with raw ash, moisture and relative density analyses. SRK considers the drill hole spacing criteria adopted to classify the deposit structure and qualities to be reasonable based on a review of available documentation and our understanding of the deposit style. The results of a high level geostatistical analysis (variogram range analysis) of the Foxleigh Plains area completed by Measured Group in 2017 are also supportive of these spacing criteria. In general, extrapolation of seam structure and coal qualities is generally reasonable, particularly where supported by 2D seismic geophysical survey data. However, SRK considers that there is a risk that the Resource classification in the Far South area may be overstated. There are no seismic geophysical data to support the assessment of structural continuity and extrapolation of seam structure and coal qualities is less well supported in down dip sections of this deposit area.

The Roper Creek Resource estimate is based on a gridded seam model constructed using GEOVIA Minex software, which is a widely used platform for the modelling and estimation of coal deposits. The seam structure model is supported by cored and non-cored drill holes and six 2D seismic geophysical lines across the deposit area. Drill hole spacing is generally 200 to 250 m along the seam subcrop areas and 500 to 1000 m in down-dip areas. Coal Resources are estimated for the Roper 3, Middlemount and Tralee 1B Seams only, with the Pisces Seams excluded from the estimate due to unfavourable incremental stripping ratio and coal quality. Resource classification was based on a qualitative assessment of seam structure and coal quality POB in the deposit area, supported by 2D seismic geophysical survey data. No geostatistical studies have been undertaken to support the assessment. SRK considers that the density and distribution of sample points and supporting geophysical data are likely to be adequate to support the Resource classification. Coal Resources have not been classified beyond the last POB and there appears to be potential for extensions of the Resource to the north.

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1.5.2 Coal Reserves

The most recent Coal Reserve estimate for Foxleigh Plains deposit was prepared by Measured Group in December 2017 with an effective date of 30 September 2017 (Table 1-4). This estimate increases the previous estimate (dated 31 October 2016).

Table 1-4: Summary of most recent Foxleigh Coal Reserves (100% basis)

Effective Date	Reserve Area	ROM Reserve			Marketable Reserve		
		Proved	Probable	Total	Proved	Probable	Total
30-Sep-17*	Foxleigh Plains[3] (ML70431 & ML70470)	33.5	17.7	51.2	22.6	11.6	34.3
31-Oct-16**	Pipeline (ML70309)	0.6	0.0	0.6	0.4	0.0	0.4
	One Tree (ML70309)	7.8	3.7	11.5	6.3	3.0	9.3
	Far South (ML7171 & EPC1139)	2.3	3.8	6.1	1.8	3.2	5.0
	Daggers Tip (ML70171 & ML70309)		0.2	0.2	0	0.1	0.1
Total		**44.2**	**25.4**	**69.6**	**31.1**	**17.9**	**49.1**

Source: * Measured Group (2017), ** Encompass Mining (2016)

SRK notes that the economic assumptions for Coal Reserve estimates differ between the two effective dates. For further details please refer to Realm's ASX announcements dated 22 December 2017 (Foxleigh Plains) and 20 December 2016 (all other Coal Reserves).

Realm holds a 70% interest in all stated Coal Reserves.

For further details regarding the Coal Resources and Reserves at Foxleigh Plains refer to Realm's ASX announcement dated 22 December 2017. For details of all other Reserves refer to Realm's ASX announcement dated 20 December 2016.

Based on its review of the currently reported Coal Resources and Reserves and the associated modifying factors, SRK considers the stated global tonnages to be appropriate for valuation purposes.

1.5.3 Resources in Life of Mine Plan

The current Life of Mine Plan (LOMP) includes the Foxleigh Plains, One Tree, Pipeline, Eagles Nest and Daggers Tip pits. SRK understands that the Roper Creek area is currently being evaluated for inclusion in the LOMP. Figure 1-7 shows the current and proposed LOM pit areas with the currently reported Coal Resource footprints. SRK notes that both the Eagles Nest and Foxleigh West LOM pits currently do not have reported Coal Resources. Daggers Tip is likely to present the best medium-term option after Foxleigh Plains, One Tree/ Pipeline, due to more favourable stripping ratios around the syncline closure (and potentially lower Phosphorus levels). However, the subcrop areas in the southwest are outside the current ML and development of this Resource will require two creek diversions.

It is also noted that there is an apparent disconnect between the footprint of some Coal Resource areas and the LOM pits. This does not impact the short- to medium-term areas of the LOMP (Foxleigh Plains and One Tree), however the Pipeline, Daggers Tip and Roper Creek LOM pits will require further evaluation to ensure that they are adequately supported by a Coal Resource.

[3] Differing economic assumptions for the Foxleigh Project reserve estimate and the later Foxleigh Plains reserve update

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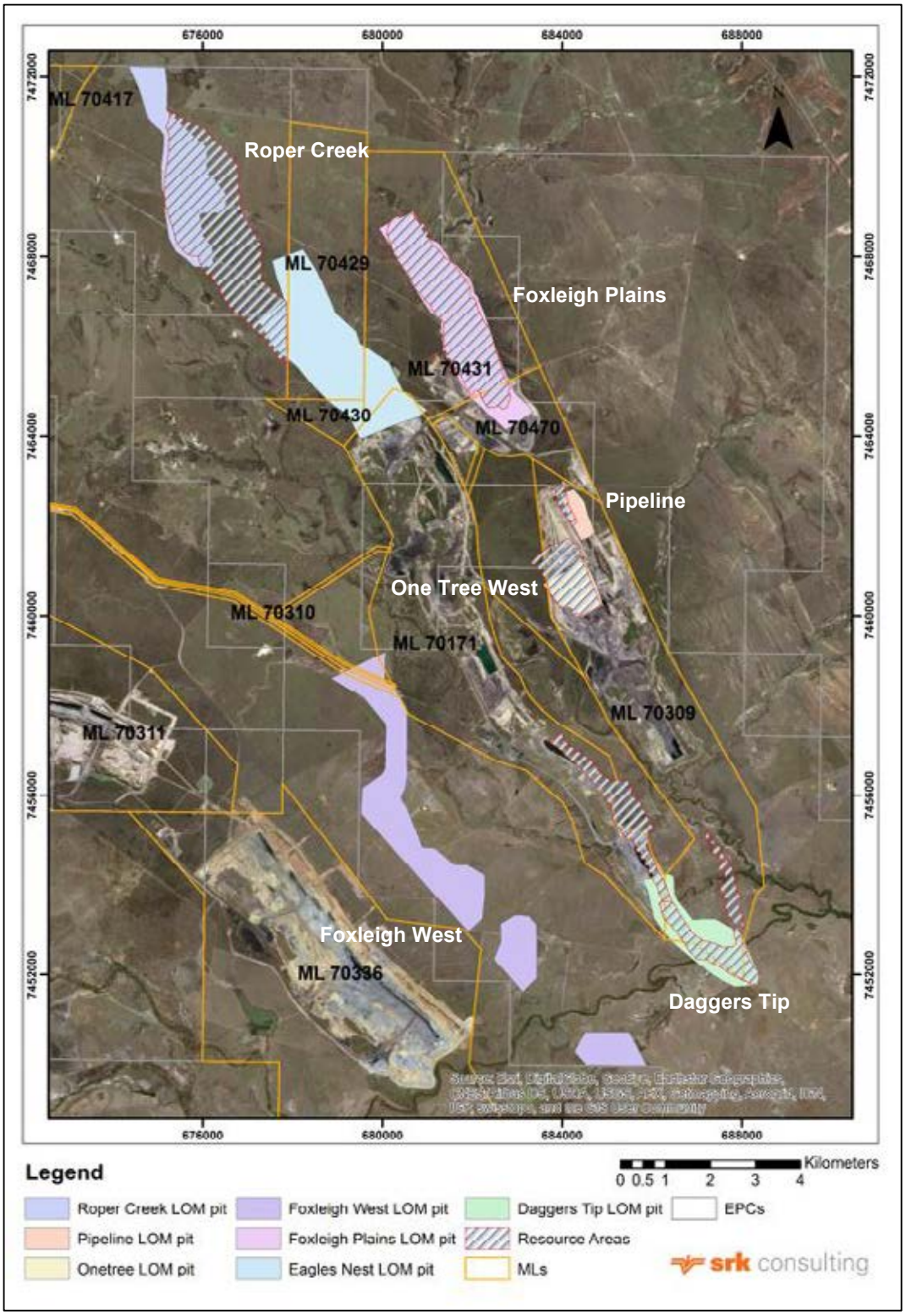

Figure 1-7: Foxleigh LOMP and Coal Resource areas

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1.5.4 Exploration Potential

SRK considers that there is good potential for the discovery of additional Coal Resources within the greater Foxleigh Project, both in near mine areas and across the broader EPC areas. There is potential for expansion of some existing Resource areas in near-mine areas, e.g. northern extension to Foxleigh Plains, northern extension to Roper Creek.

A number of exploration target areas have been identified both by Realm and previously by Anglo Coal. These target areas are variously supported by drilling and 2D seismic geophysical data. The target areas are presented in Figure 1-8 and summarised in Table 1-5. Most of the information below is taken from a geology review report for EPC1139 by MBGS.

Table 1-5: Summary of exploration targets in the broader Foxleigh tenement area

Target Area	Description
Eagles Nest	Northwest extension of (mined out) Foxleigh North deposit. Target is supported by broadly spaced drill holes and some 2D seismic geophysical data. Good potential.
Foxleigh West	West of Jellinbah Fault, contains up-thrusted Rangal Coal Measures at depths amenable for open cut mining. Structural interpretation is supported by some drilling and 2D seismic geophysical data, but sparse coal quality data currently exist. Good potential.
Foxleigh Central	South of Daggers Tip, covers an area of folded and structured strata observed on 2D seismic lines that may contain shallow occurrences of Rangal Coal Measures. Interpreted Rangal Coal seams need to be verified by drilling. Conceptual.
Scrub Creek	Potential for northern extension of Curragh North Resource. The Pollux seam, equivalent to the combined Middlemount and Tralee seams in the Foxleigh area is the main seam mined at Curragh North. Conceptual.
Foxleigh East	Conceptual target east of the Foxleigh Fault. Potential for shallow occurrences of the Rangal Coal Measures, upthrown by thrust faults east of main Foxleigh Fault.
Eagles Nest South	Conceptual target between the Roper Creek and Foxleigh West deposits. Major thrust faults that dissect Roper Creek may extend south into this area providing the potential mechanism for upthrown shallow occurrences of the Rangal Coal Measures on the eastern side of the thrusts.
Foxleigh South	Eastern flank of Comet Ridge where Burngrove and Fairhill Formations are present under thick Tertiary cover. Burgrove and Fairhill formations contain high ash coal seams but with some favourable coking properties. If these deposits do exist, they would need to be discovered in Permian paleo-hills hidden under the Tertiary cover. Conceptual.

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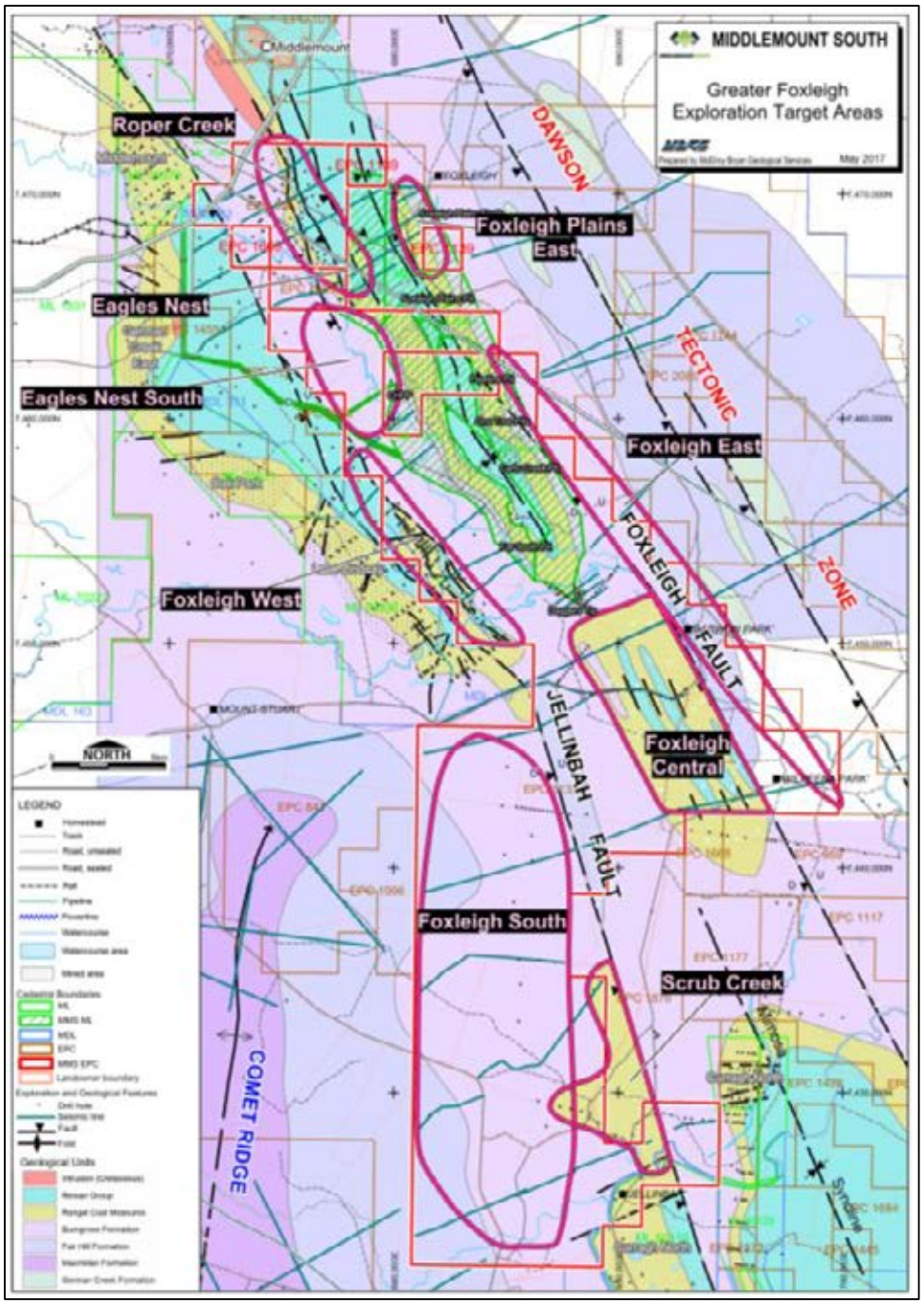

Figure 1-8: Broader Foxleigh area exploration targets and interpreted solid geology

Source: MBGS (2017)

1.6 Coal Quality

1.6.1 Raw Quality

The coals are low volatile bituminous coals with moderate ash contents. The Middlemount seam is the best developed of the deposit seams both in thickness and coal quality. Coal qualities for each of the Foxleigh Resource areas are summarised on a seam-by-seam basis in Table 1-6.

In general, coal qualities are reasonably consistent across the deposit for the target seams. The Middlemount seam is the most consistent seam across the broader Project area. The other seams are generally more variable.

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Phosphorus is a critical coal quality parameter in the Foxleigh Mine area. Phosphorus has a detrimental effect on the steel making process and levels below 0.1% are typically desirable for PCI coals. Phosphorus levels can be described as generally high (0.08 to 0.17%) in the Foxleigh Plains pit area, with slightly lower levels present in the One Tree pit area. Phosphorus is currently being controlled by the operations and involves blending of seams and areas, a strategy that necessitates close monitoring. Current management plans (including 3 years in detail shipment by shipment, and longer term forecast 15 years on an overall all basis) show that phosphorus will be managed in operations to not exceed current levels.

Table 1-6: Summary of raw seam qualities in Foxleigh Coal Resource areas

Project Area	Seam	IM	Ash	RD	VM	SE	TS	Phos
Foxleigh Plains*	Roper 1	1.6	14.3	1.43	10.6	30.05	0.71	0.129
Foxleigh Plains*	Middlemount	1.8	13.8	1.46	10.8	30.01	0.45	0.09
Foxleigh Plains*	Middlemount Lower	1.6	24.4	1.5	8.1	26.29	0.51	0.082
Foxleigh Plains*	Tralee 2	1.6	15.3	1.47	10.1	29.55	0.62	0.173
Foxleigh Plains*	Pisces 1B	1.7	13.6	1.46	10.7	30.01	0.62	0.103
One Tree/ Pipeline*	Middlemount	1.6	10.2	1.44	10.4	31.82	0.55	0.067
One Tree/ Pipeline*	Middlemount Lower	1.6	15.2	1.48	10.3	29.84	0.68	0.066
One Tree/ Pipeline*	Pisces 1B	1.4	13.9	1.45	11	28.8	0.75	0.136
Carlo Ck/ Daggers Tip*	Roper 1	0.9	10.8	1.44	12	-	0.96	0.064
Carlo Ck/ Daggers Tip*	Middlemount	1.4	13.4	1.47	11.9	29.92	0.55	0.094
Carlo Ck/ Daggers Tip*	Tralee 2	1	16.2	1.5	15.2	-	0.66	0.082
Carlo Ck/ Daggers Tip*	Roper 1	1.1	17.3	1.52	13.2	29.89	0.86	-
Far South*	Middlemount Upper	1.4	28.5	1.61	15.9	23.09	0.36	-
Far South*	Middlemount	1.5	13.2	1.44	13.9	30.37	0.57	-
Far South*	Middlemount Lower	1.7	26.4	1.54	13	26.32	0.62	-
Far South*	Tralee 2	1.5	19.6	1.48	11.8	28.06	0.78	-
Far South*	Pisces 1B	1.5	17.4	1.52	12.6	30.25	0.7	-
Roper Creek**	Roper 3	2	20	1.5	14	-	1.2	0.01
Roper Creek**	Middlemount	2	18	1.45	13	-	0.4	0.1
Roper Creek**	Tralee 1B	2	19	1.5	12	-	0.5	0.14
Roper Creek**	Pisces 1B*	2	41	1.4	10	-	0.3	-

Source: *Encompass Mining (2016), **MBGS (2017). Note Roper Creek Phosphorus data is based on clean coal analyses.

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1.6.2 Product Quality

Historically, mining was focused on the Middlemount seam (low ash and high yielding) but the mine has since converted to a multi-seam operation. Typical product specifications for each pit and the overall mine product are presented in Table 1-7.

Table 1-7: Anglo Foxleigh PCI Coal Quality by Pit

Air Dried Basis	PCI Spec	Foxleigh Plains (ML4)	One Tree/ Pipeline	Carlo Creek	Daggers Tip
Inherent Moisture (%)	1.5	1.5	1.3	1.49	1.46
Ash (% ad)	8.0	8.0	8.0	8.0	8.0
Volatiles (% ad)	12.5	10.9	10.9	11.1	12.0
Sulphur (% ad)	0.49	0.44	0.49	0.47	0.51
Calorific Value (MJ/kcal) GAR	7,801	7,610	7,735	7,727	7,844
Phosphorous (% ad)	0.07	0.082	0.067	0.082	0.069

Source: Anglo Coal 2015 Information Memorandum

NB: Based on the original mine product ash target of 8.0% instead of the current 9.0%

The main coal quality constraints at Foxleigh are ash and phosphorus contents with both being highly variable across the broader Project area. All seams and plies are washed to produce PCI. Phosphorus is typically not reduced by washing and so blending and coal quality tracking is critical.

As additional seams outside the Middlemount Seam have been mined, the PCI product yield and quality have reduced and become more variable as shown by Table 1-8. Product ash from the various pits/ seam vary significantly, from 7.6% to 15.4%, highlighting the need for careful mine scheduling and product blending.

Table 1-8: Anglo Foxleigh PCI Coal Quality Results

Pit	Seam	Quality	Feed (Tonnes)	Yield (%)	CR (%)	Feed Ash (%)	Feed Moisture (%)	Product Ash (%)	Product Moisture (%)	Product Tonnes
ML4	MM	Fresh	521,453	80.2	89.8	23.7	5.9	7.9	13.0	418,192
ML4	MML	Fresh	7,649	58.4	72.6	34.1	4.9	9.5	13.9	4,466
ML4	RO	Fresh	11,012	30.8	59.7	55.3	7.5	8.6	17.4	3,397
ML4	TR2	Fresh	147,578	62.0	77.8	32.5	5.8	9.1	11.8	91,487
ML4	P11b	Fresh	437,548	64.0	79.8	32.1	5.4	8.6	12.7	279,986
ML4	P12A	Fresh	166,736	65.0	78.6	31.1	5.3	10.9	11.2	108,356
ML4	P12B/C	Fresh	209,089	44.0	63.6	45.1	5.0	15.4	12.3	91,982
ML4	P12	Fresh	6,350	51.7	75.4	38.2	4.4	10.8	13.4	3,286
PL	MM	Fresh	206,289	84.6	90.4	19.0	5.2	7.6	11.0	174,462
OT	MM	Fresh	827,397	77.6	90.0	26.0	5.0	7.8	12.1	641,705
ML4	MM	OX	221,847	59.6	75.7	30.4	7.0	8.4	12.2	132,287
ML4	TR2	OX	94,810	53.8	71.3	35.5	7.0	9.5	12.0	51,052
ML4	P11b	OX	25,799	55.6	71.1	36.7	6.1	8.4	16.4	14,347
PL	MM	OX	32,652	65.8	74.5	22.7	8.2	8.2	12.8	21,476
Floor			89,275	50.9	64.7	36.0	6.1	11.5	14.7	45,461
OT	MM	Bypass	21,886							21,886
ML4	MM	Bypass	1,860							1,860

Source: Anglo Coal 2015 Information Memorandum

Target product ash per seam for each pit is outlined in Table 1-9.

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Table 1-9: Foxleigh CPR PCI Coal Product Quality

Pit/ Seam	2018			2019			2020		
	% Mixed	Plan Yield	Prod.Ash	% Mixed	Plan Yield	Prod. Ash	% Mixed	Plan Yield	Prod. Ash
Foxleigh Plains									
ROP	12%	67%	9%	12%	66%	9%	10%	64%	9%
MMT1	37%	76%	8.4%	40%	78%	8.4%	34%	75%	8.4%
TRA2	23%	73%	10%	20%	81%	10%	24%	80%	10%
PI1B	1%	67%	9%	1%	64%	9%	5%	66%	9%
One Tree West									
MMT1	22%	83%	8.4%	22%	83%	8.4%	21%	83%	8.4%
MMTL	5%	63%	8.4%	5%	63%	8.4%	6^	63%	8.4%

Pit	Seam	Product (2018-2020)	Product Ash
FP	Roper	861,979	9.0%
FP	MMT1	3,441,059	8.4%
FP	TRA2	2,262,054	10.0%
FP	Pi1B	187,180	9.0%
OTW	MMT1	2,114,572	8.5%
OTW	MMTL	450,280	8.4%
Total		9,317,124	9.0%

Source: 2018 Budget presentation

PC1 Spec	2017 YTD	2018
Ash	9.0%	9.0%
Vol	10.8	10.2
Phos	0.10	0.11
Sul	0.49	0.49
CV	7,775	7,756

The Foxleigh Plains Mine is currently being worked advancing northwards and Realm expects that the PCI product quality will likely slightly decrease as the seams from that area is mining progresses northwards and deeper seams are extracted. However, for example, Australian PCI producers are similarly trending towards higher phosphorous. The Tralee Seam has the highest Phosphorus levels (0.15%) and represents 20% to 25% of the mined product thus requiring good blending practices to meet product specifications.

Table 1-10: Foxleigh Plains PCI Product Coal Quality

Seam	Inherent Moisture (%ad)	Ash (%ad)	Volatile Matter (%ad)	Specific Energy (MJ/kg ad)	Total Sulphur (%ad)	Phosphorous (%ad)
Roper 1	1.41	8.26	10.79	33	0.64	0.08
Middlemount	1.64	7.97	10.98	32	0.44	0.096
Middlemount Lower	1.63	9.34	10.07	32	0.48	0.058
Tralee 2	1.61	9.77	10.14	32	0.50	0.15
Pisces 1B	1.56	8.84	10.26	32	0.54	0.08
Pisces 2A	2.00	10.19	9.54	31	0.48	0.088
Pisces 2B	1.71	25.10	8.23	26	0.48	0.098

Source: Foxleigh Plains Resources and Reserves Competent Person Report 2017

Realm expects the Foxleigh Plains product will be blended with coals from One Tree West pit.

A future mining area is the Roper Creek deposit to the northwest of the current mining area at Foxleigh Plains. Addition of the Roper Creek coals is expected to decrease overall PCI product quality upon blending.

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Table 1-11: Roper Creek PCI Product Coal Quality

Seam/ Ply	Air dried basis					
	Moisture (%)	Ash (%)	Volatile matter (%)	Fixed carbon (%)	Calorific value (kcal/kg)	Phosphorous (%)
Roper 3	2	12	11	75	7480	0.01
Middlemount	2	9	13	76	7680	0.10
Tralee 1B	2	10	13	75	7650	0.14
Pisces 1	-	-	-	-	-	-

Source: Roper Creek Resources Competent Person Report 2017

SRK has compared the Foxleigh product coal quality within the 2018 budget against the relevant PCI benchmark specifications in Table 1-12.

Table 1-12: Comparison to Benchmark PCI Specifications

Coal quality parameter	Platts LV PCI	IHS ULV PCI	Anglo Foxleigh	Foxleigh 2018
Volatile Matter (ad)	13.0% typical	12-21%	11.5%	10.2%
Calorific Value (kcal/kg) (GAD)	7,800 typical	6900-7750		~7,756
Total Moisture (ar)	10.0% typical		10.5%	10.5%
Ash (ad)	8.5% typical	10% max	8.0%	9.0%
Sulphur (ad)	0.55% typical	0.8% max	0.49%	0.49%
HGI	78 typical			75
Total Carbon (DAF)	90.5% typical			87.7%

Table 1-12 shows that Realm's planned 2018 Foxleigh product is, in general, slightly inferior to the widely used Platts PCI benchmark specification, while Anglo's previous Foxleigh product was slightly superior (e.g. % ash). Using Calorific Value (CV) alone, the Foxleigh 2018 product would be sold at a discount of 0.6% to the Platts PCI benchmark price.

Figure 1-9 shows that the Fluorine content of the main Middlemount seam in the Foxleigh Plains pit.

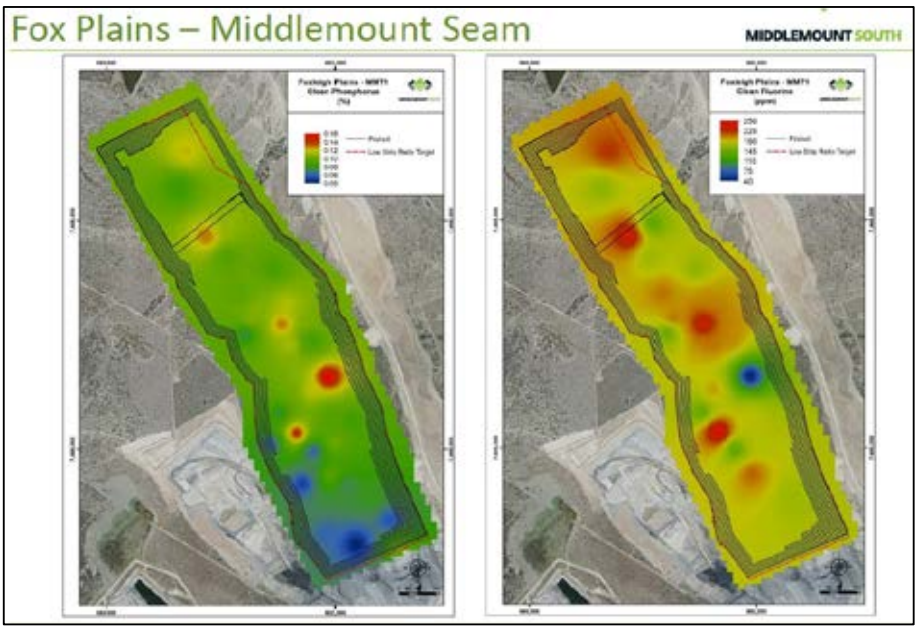

Figure 1-9: Middlemount Seam Phosphorous and Fluorine Contents at Foxleigh Plains Pit

Source: Realm's LOMP Presentation

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The Chinese Government has introduced a fluorine limit on imports and so significant efforts will be required to ensure that the fluorine content of any sales from Foxleigh to China are comfortably below the 200 ppm limit, given the high error in the test. Currently, only spot sales are made to China, so the risk is small and well managed.

Also, some quantities of oxidised coal are sometimes washed which causes issues with maintaining product specified energy contents. There is a risk that the proportion of oxidised coal will increase as the new pits are opened, leading to further reductions in product coal prices.

Realm's financial model assumes a future 3% discount to the PCI benchmark price for various commercial reasons. In SRK's opinion, this is reasonable given the details of the commercial arrangements in place remain confidential. The gross majority of Foxleigh sales are contracted.

A review of PCI benchmark price forecasts is not part of SRK's scope of work.

1.7 Geotechnical

Several normal faults striking approximately parallel to the pit are located in the vicinity of the west wall of the Foxleigh Plains open cut. Historically there has been little confidence in the location and orientation of all of these faults due to a lack of geological and structural data. It is currently interpreted that there is a large low angle fault west of the current pit, which with further deepening of the pit (to target the Pisces 1 seam) may impact on pit wall stability. Mitigation measures have been accommodated into the current geotechnical design parameters used for the mine design process which include:

- Weathered material horizons – use blasted softwall batters only
- Horizons containing geological structure – typically fault areas, planes of weak material or excessive seam dip use blasted softwall batters and/ or seam undercut (removal of material below or behind the final coal seam floor to establish a geotechnically safe working angle)
- Fresh material horizons – use a combination of pre-split walls and offset benches for practical machine access.

In the case of the Foxleigh Plains open cut, the highwall design criteria is matched to the variability of the seam dip occurring throughout the deposit. Additional waste extraction is included in the pit design to maintain geotechnically required design criteria. The design profile used comprises:

- 65° highwall up to 70 m (unfaulted, unweathered material)
- 45° softwall above 70 m (unfaulted, unweathered material)
- 45° softwall (faulted or weathered material)
- 37° lowwall (angle of repose).

Additional consideration is also given to the block width so that it maintains a minimum mining width of at least 40 m on the basal coal seam and any access widths required for machinery access.

The One Tree West pit has a history of instability as it is a structurally complex pit with numerous structures with potential to impact wall stability. However, recent review by an independent geotechnical consultant has found that the current design does not intersect any critical structures and the revised coal model indicates a more favourable coal seam dip with the advancing face. As a result, there may be an opportunity to increase the cut-slope angle from 65° to 70°.

In general, SRK is comfortable with the geotechnical design parameters adopted. SRK noted significant slumping of the western highwall in the Foxleigh Plains pit during its site visit and considers this may present a risk to ongoing operations without adequate monitoring and remedial measures. Realm has engaged an independent geotechnical consultant to regularly monitor and advise on mitigation strategies across the Foxleigh site. Highwall failure is also managed through radar monitoring. The geotechnical risk is also addressed through mine planning where more than one pit (Foxleigh Plains and One Tree) are mined simultaneously. In light of these mitigation strategies, SRK considers that no adjustment is required in the financial model to account for the heightened geotechnical risk.

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1.8 Mine Engineering

1.8.1 Mine design and scheduling strategies

Currently, Foxleigh Plains is the primary source of Middlemount coal, which is supplemented by coals from the Roper, Tralee, Pisces 1B coal seams. Production is supplemented by coals from the One Tree. Key to the delivery of the multi-seam operation is the ability to maintain sufficient Middlemount production to enable other higher ash, lower yielding seams (i.e. Pisces Seams) to be blended and maintain contracted product specifications. The major mining method employed is a terrace style truck and excavator operation. The terrace mining areas are mined at an advancing face angle between 8° and 15° allowing for specific pit geometry and mining equipment intensity and interaction. There are numerous mining areas along the strike of each outcrop. These mining areas are differentiated on the economic value and the location of surface infrastructure.

Figure 1-10 depicts a snapshot from the 2017 budget schedule for Foxleigh Plains and illustrates the pit layout.

Figure 1-10: Foxleigh Plains budget schedule

Short term mine planning at Foxleigh is conducted professionally and the following software packages are used/have been used for mine planning at Foxleigh;

- Minex – geological modelling
- Minescape – geological modelling
- Deswick – pit design/ scheduling database
- Spry – mine scheduling.

These software suites are commonly used in the coal mining industry.

Long term mine planning (currently) is conducted off-site (by consultants). SRK's high-level review concluded the margin rank does not show the economic cut-off and associated basal coal seam.

It is recommended the Middlemount South embark on such an exercise to clearly understand the basal coal seam and associated cut-off margin, for a given revenue and cost parameters.

1.8.2 Mining equipment

The principal mining equipment for Foxleigh is summarised in Table 1-13 and Table 1-14. Upon a high-level review, the author is satisfied that this equipment is sufficient to execute the mine plan developed.

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Table 1-13: Principal Mining Equipment at Foxleigh

Equipment	Type	No. of units (2018)	Bucket Capacity (m^3)	Comment
Excavators	Liebherr R996B	2	37.5	All Waste & Coal machines
	Bucyrus RH340	1	34.0	All Waste & Coal, Retired 2020, not replaced
	Liebherr 9400B	2	23.0	All Waste & Coal
	Hitachi EX5500	1	29.0	All Waste & Coal, Retired 2020, not replaced
	Hitachi EX3600	1	23.0	All Waste & Coal, Retired end 2018
Trucks	Cat 793	14		Waste Removal (increasing to 21 units in 2019 then back to12 by end 2020)
	Cat 789	13		Waste & Coal (decreasing to 9 units by end 2020)

Source: SRK Analysis of LOM plan

Table 1-14: Ancillary Fleet

Equipment	Type	Units (2018)	Comment
Wheel Loaders	WA900	3	ROM/Bin
	Cat 988	1	Varied application
Dozers	WD900	2	Pit
	D11	3	Pit
	D10	4	Pit
	D9	1	Coal clean up focus
Graders	Cat 24M	1	Pit
	Cat 16H	3	Pit
	Cat 14	1	Haul Road & LV roads
Water trucks	Cat 785,777,773	4	Pit
85t Excavator	Hitachi ZX870	1	Coal Clean up

Source: SRK Analysis of LOM plan

The equipment ownership strategy is to:

- progressively replace owned ancillary plant with hired units as owned plant reaches the end of its life
- continue to hire all rear dump truck fleets
- continue to own large excavators.

1.8.3 Equipment Productivity

Excavator waste and coal productivity assumptions (Foxleigh Budget 2018) is presented in Table 1-15 These productivities are typical numbers observed elsewhere in Queensland, however considering nearby operations, there is still room for improvement. In SRK's opinion, these production rates are acceptable for mine planning purposes.

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Table 1-15: Excavator Fleet Productivity

Excavator Fleet	Dig Rate (bcm/op.hr)
RH340/ R996B	
Free Dig	2,050
Uppers Horizon	1,800
Mids Horizon	1,650
Lowers Horizon	1,600
Coal (tphr)	1,600
Average waste rate (2018 – 2020)	1,730
EX5500	
Free Dig	1,900
Uppers Horizon	1,1650
Mids Horizon	1,500
Lowers Horizon	1,350
Coal tphr	1,500
Average waste rate (2018 – 2020)	1,460
EX3600/L9400	
Free Dig	1,100
Uppers Horizon	1,800
Mids Horizon	975
Lowers Horizon	950
Coal (tphr)	1,150
Average waste rate (2018 – 2020)	980

Source: SRK Analysis of LOM plan

Excavator Fleet	Availability	Utilisation
RH340	92%	83%
R996B	95%	83%
EX5500	92%	83%
L9400	95%	81%
EX3600	92%	81%

Availability excludes Major Shutdowns

Utilisation excludes wet weather

As most of the Excavators are new, high availabilities are expected. Utilisation is a function of the Time Usage model definition but these are typical numbers experienced in Queensland.

1.8.4 Conditions impacting on mining

The complex nature of the Foxleigh deposit presents a risk to mining and coal recovery. Seam dislocation and repetition due to faulting is common, may impact on equipment productivity.

Geotechnical hazards associated with the complex geology are ongoing and will require diligent monitoring and management as mining progresses,

Coal product quality management challenges, particularly for phosphorous and fluorine, will necessitate the development of appropriate blending strategies, this may involve the opening up of additional mining areas to increase blending options.

1.9 Processing

1.9.1 CHPP design and operation

The Foxleigh coal handling and preparation plant (CHPP) was manufactured and has been in operation since January 2000 within an initial design capacity of 540 tonnes per hour (tph). The CHPP was upgraded with a washplant in 2006. The CHPP is designed to cater for multiple raw coal sources including thermal and coking coal. Final coal products are stockpiled and managed using four fixed stackers integrated with the product stacker.

The Foxleigh CHPP is currently run a single product (PCI) plant with the following processes:

- Dense media cyclones (DMC) for the -50 +1.2 mm (slot) coal
- Reflux Classifier or Teetered Bed Separator (TBS) for the -1.2 mm (slot) + 0.25 mm coal
- Froth Flotation for the -0.25 mm coal.

The CHPP has since been upgraded to a 'nameplate' capacity of 650 tph.

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1.9.2 CHPP Coal Production

Table 1-16 shows the historical and forecast CHPP feed tonnages.

Table 1-16: Foxleigh CHPP feed

	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018	2019	2020	2021
CHPP Feed (Mt)	2.7	3.5	3.7	4.1	3.7	4.4	4.0	4.0	4.0	4.6	4.5

Table 1-17 shows recent CHPP feed rates.

Table 1-17: Foxleigh CHPP feed rate

Feed rate (tph)	2016A	2017A
CHPP Feed	595	617

Realm's financial model assumes a trend of increasing annual tonnages washed by the CHPP. Table 1-18 presents calculated feed capacities for the Foxleigh CHPP.

Table 1-18: Analysis of production rate and operating hours on CHPP capacity

Operating hours	Production rate							
	600 tph	610 tph	620 tph	630 tph	640 tph	650 tph	660 tph	670 tph
6,500 hr	3.9	4.0	4.0	4.1	4.2	4.2	4.3	4.4
6,600 hr	4.0	4.0	4.1	4.2	4.2	4.3	4.4	4.4
6,700 hr	4.0	4.1	4.2	4.2	4.3	4.4	4.4	4.5
6,800 hr	4.1	4.1	4.2	4.3	4.4	4.4	4.5	4.6
6,900 hr	4.1	4.2	4.3	4.3	4.4	4.5	4.6	4.6
7,000 hr	4.2	4.3	4.3	4.4	4.5	4.6	4.6	4.7
7,100 hr	4.3	4.3	4.4	4.5	4.5	4.6	4.7	4.8
7,200 hr	4.3	4.4	4.5	4.5	4.6	4.7	4.8	4.8

Source: SRK analysis

Table 1-18 demonstrates that the Foxleigh CHPP would have to be operated and maintained very well to process 4.8 Mtpa (e.g. 670 tph for 7,200 hours). Further upside is possible but there is a risk that the upside would not be achieved. Operation at feed rates above the nameplate capacity lead to the risk of decreased yield and elevated product moisture.

Several investigations have been completed to increase the CHPP capacity to 800 tph. This would 'debottleneck' the CHPP so that the maximum financial model CHPP feed of 5.6 Mtpa in 2031 would be achievable (7,000 hours per annum). The estimated capital required for this upgrade of A$16.9 M does not appear to have been included in Realm's financial model. SRK's recommended investment is outlined in the Capital estimate section below.

There is also a risk that the planned upgrade (concept level only) will not reliably operate at 800 tph without a reduction in separation efficiency (i.e. yield).

1.9.3 CHPP Efficiency

Table 1-19 outlines historical CHPP yields and compares these to yields within Realm's budget, LOM plan and financial model. Based on its review of the various sources of yield information, SRK recommend that the 3-year budget yields are adopted initially for valuation purposes, with the LOMP Option 1 adopted thereafter.

Table 1-19: Foxleigh CHPP Yield (%)

	2011 A	2012 A	2013 A	2014 A	2015 A	2016 A	2017 A	2018	2019	2020	2021	2022	2023
Yield (%)	76.1	77.2	75.0	70.7	69.2	72.5	75.4						
Fin Model								**73.2**	**72.0**	**69.7**	**71.7**	**71.5**	**69.9**

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The 2017 yield was significantly higher than in 2016, largely due to improved CHPP operating performance.

The CHPP yields are heavily determined by the amount of dilution in the feed.

The typical yield-ash curve for the Middlemount Seam (Figure 1-11) shows a clear 'knee' in the curve at around 8.0% product ash with minimal yield increases after that. From this simplistic analysis, 8.0% is a suitable product ash target for the current Middlemount Seam.

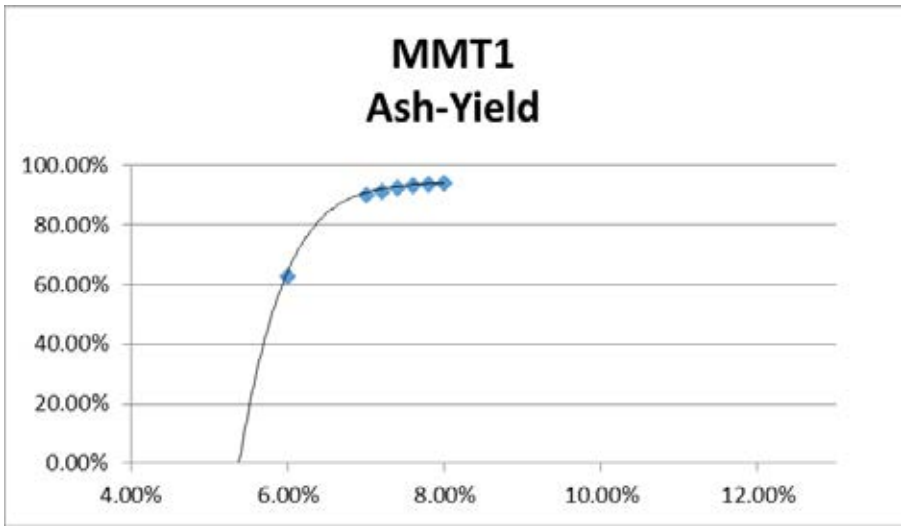

Figure 1-11: Typical yield-ash curve for Middlemount Seam at Foxleigh Plains

Source: Borecore FK391C

In recognition that yield is a poor measure of CHPP efficiency, Foxleigh also report combustibles recovery. Yield is defined as the mass of specified clean coal expressed as a proportion of the feed mass. It is well known that yield is far more sensitive to which seam is being mined and the dilution added to it, than it is to CHPP efficiency. For coking coal mines, combustibles recovery is a very good Key Performance Indicator (KPI) as it recognises the significance of feed ash. While a benchmarking exercise is outside the current scope of this report, the 2016 CHPP combustibles recovery of 84.9% is considered to be less than optimal for this type of operation. The 2017 CHPP combustibles recovery was 90.1% which, in SRK's opinion, is reasonable but still not 'best practice'.

Based on its review SRK considers that future yields will be higher than historical yields, all things being equal. However, adjustments to the financial model could not be recommended from this high-level analysis.

Figure 1-12 shows the area for most performance improvement is flotation, as is commonly the case.

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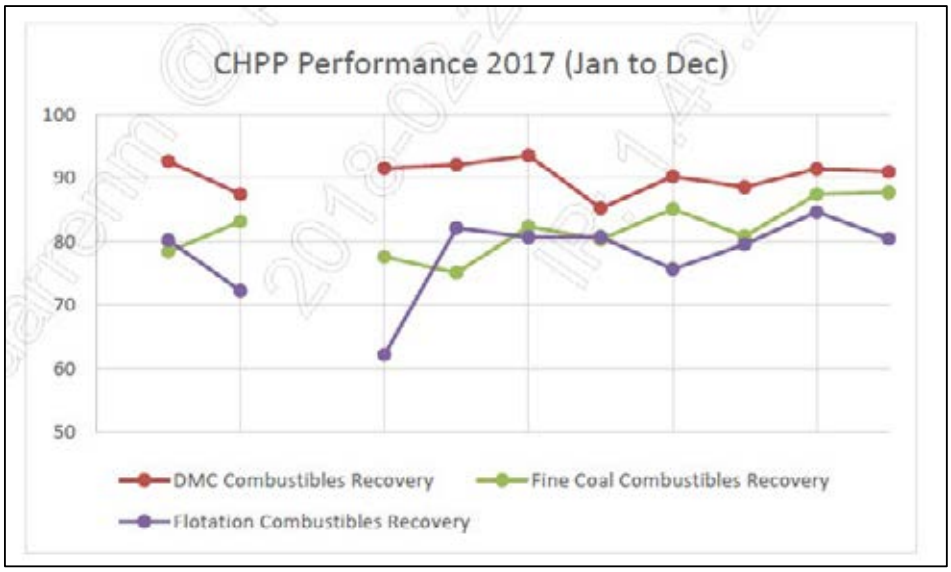

Figure 1-12: Foxleigh CHPP Circuit Performance

Source: MMS Monthly Report_1712_Final

Given the reporting on combustibles recovery, SRK expects that more emphasis would be placed on plant efficiency than is commonplace for many plants.

Several modifications to the CHPP have been made by Realm and more improvements are planned with associated sustaining capital investments. These initiatives support the budget and LOMP yields.

1.9.4 CHPP Water Requirements

A CHPP requires a large amount of water to 'wash' coal. A number of CHPPs have had to reduce production in times of drought due to inadequate water supplies.

Foxleigh mine has access to 2 GL of raw water annually provided by Sunwater through the Bingegang Weir pipeline. Assuming a net usage of 200 L/t and a feed rate of 4.1 Mtpa, the net water requirement is 820 ML per annum, hence the CHPP should have a more than adequate water supply.

1.10 Infrastructure and Services

1.10.1 Mine

Existing coal handling and processing infrastructure at the Foxleigh mine is capable of supporting annual capacity of 4.5 Mt of product.

Bypass and product coal from the CHPP is conveyed to a 700-t truck loadout bin for loading into 200 t road trains (contract haulage operation). Coal is loaded at a typical rate of 12,000 tpd and trucked 27 km via a dedicated haul road to the nearby Capcoal train loadout facility where Foxleigh has its own dedicated coal stockyard.

Figure 1-13: Foxleigh Mine Infrastructure Logistics

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1.10.1 Rail

Coal is reclaimed from under the stockpile through three coal valves feeding an underground conveyor and may be fed to the train loadout facility at the rate of 4,000 tph.

Foxleigh mine is positioned in the centre of the Bowen Basin, with potential access to three of the major Queensland coal export ports, enabling utilisation of key rail and port infrastructure through three different systems to access both domestic and export markets.

Foxleigh has an allocation of capacity, on 'take or pay' basis, with Pacific National Pty Ltd (Pacific National) for haulage and rail access provided by Aurizon Network Limited (Aurizon Network) in the Goonyella rail system to Dalrymple Bay Coal Terminal (DBCT), located approximately 280 km away.

Table 1-20: Foxleigh Rail Agreement Summary

Agreement	Provider	Contracted Volume	Expiry Date
Below Rail Track	Aurizon Network Limited	Up to 3.5 Mtpa	30 June 2024
Above Rail Haulage	Pacific National Pty Ltd	Up to 3.5 Mtpa	31 December 2024

Note: Source – "Merrill Lynch" "Foxleigh Mine Information Memorandum, November 2015".

Coal loaded at the Capcoal mining project train loadout facility is railed to DBCT by Pacific National using 'Goonyella size' trains consisting of 120 wagons each with a nominal payload of 10,030 t.

The coal train loadout facility located on the Capcoal rail loop is owned by Capcoal and is used to load coal from both Foxleigh and Capcoal mines. Foxleigh's rights to use the loadout and rail loop arise under an agreement between the respective joint ventures.

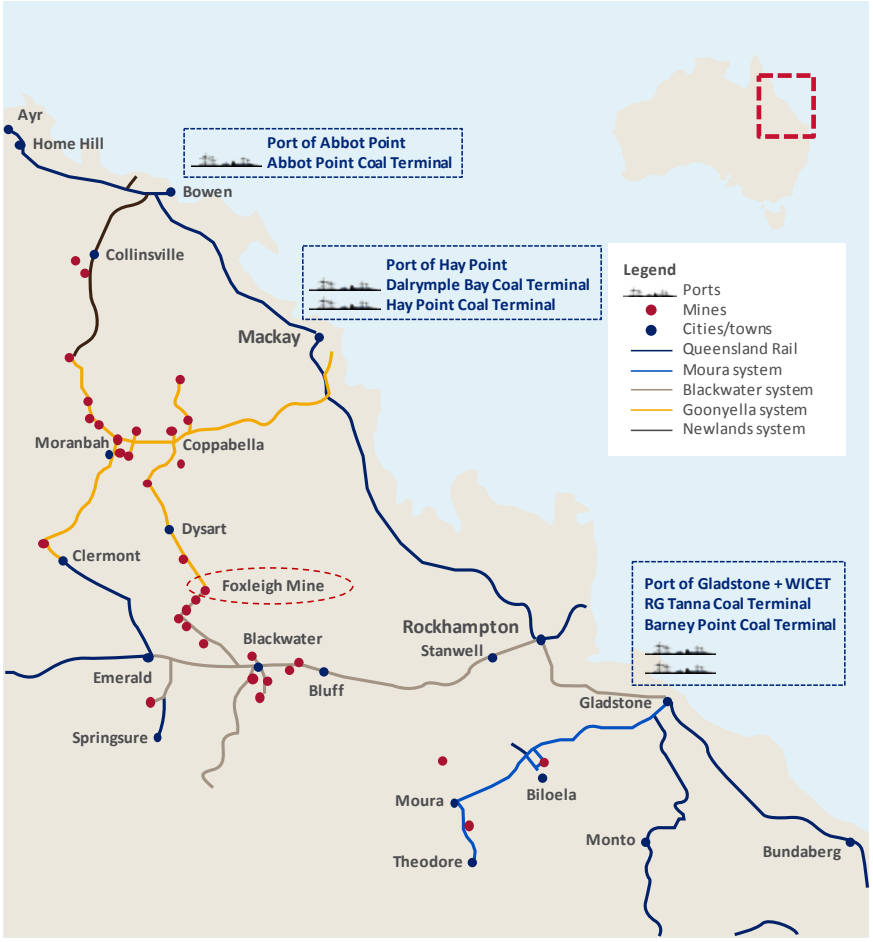

Figure 1-14: Central Queensland Rail Network

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1.10.2 Port

Foxleigh currently has agreements with DBCT providing for port capacity of up to 3.3 Mtpa (Table 1-21). The agreements were renewed in 2014 and will expire in June 2024 but are subject to rolling 5-year options in order to maintain evergreen renewal rights beyond this date.

Table 1-21: Foxleigh Port Agreement Summary

Agreement	Provider	Contracted Volume	Expiry Date
Port Access	DBCT Management Pty Ltd	3.3 Mtpa	30 June 2024

Note: Source – "Merrill Lynch" "Foxleigh Mine Information Memorandum, November 2015".

SRK has reviewed the materials handling system and logistics. Infrastructure and logistics chain is capable of supporting annual capacity of 4.5 Mt of product. There is sufficient buffer capacity in the Truck Load Out bin (700 t) at the mine and in the stockpile capacity at the Capcoal mine before railing to DBCT.

1.11 Permitting and Environment

1.11.1 Statutory Approvals

Environmental aspects of the Foxleigh operation (including the mine, associated coal processing facility and support infrastructure) are administered primarily under an Environmental Authorisation (EA) issued pursuant to the Queensland *Environmental Protection Act 1994* (EP Act), EPML00744813 (formerly MIN100734308). The Foxleigh Project involves a number of 'environmentally relevant activities' (ERAs – for example, mining of black coal, mineral processing, chemical storage, fuel burning, extractive and screening activities, crushing and screening of materials) and 'notifiable activities' (storage of mine wastes, explosives, petroleum products, among others), and these have been assessed and authorised through the Environmental Impact Statement (EIS) process administered by the Queensland Department of Environment and Heritage Protection (DEHP) and through the granting of EPML00744813, issued on 17 February 2017. Quarrying activities on ML70310 are administered under a separate environmental authorisation, EPPR00449613.

Continued operation of the project under EPML00744813 is subject to a range of general and particular conditions of approval, including (but not limited to):

- Lodgement of a financial assurance
- Implementation of a risk management system
- 3-yearly reviews of compliance by an independent third party
- Implementation of environmental monitoring, management plans and procedures referenced in the Environmental Authority (EA)
- Periodic reporting to the administering authority on monitoring results
- Provision of biodiversity offsets specified in the EA
- Rehabilitation of disturbed land and decommissioning/ rehabilitation of assets at project completion or when no longer required.

Future mining or mining-related activities involving significant expansion of the current mining operation would potentially involve formal assessment through an Environmental Impact Statement (EIS) and would certainly require amendments to the EA. The time required to complete the assessment and permitting process if an EIS is required is not fixed by statute and could easily take in the order of three years (or more if third party appeals arise).

Environment Protection and Biodiversity Conservation Act 1999 (Cwlth)

In addition to the primary environmental impact assessment conducted by the State, the Foxleigh project was assessed and approved under Commonwealth environmental legislation (EPBC 2010/5421). The referral (originally lodged in March 2010) was triggered by two 'matters of national environmental significance', namely the possible presence of protected species or ecological communities (Squatter pigeon, Brigalow listed ecological community) and by the potential for impacts on water resources (under Sections 24D and 24E of the *EPBC Act*). The Commonwealth approval of the project (granted on 15 April 2014) imposes a number of conditions additional to those specified in the EA.

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In April 2013, Anglo Coal (Foxleigh Management) Pty Ltd lodged an EPBC referral with the Commonwealth in relation to proposed extensions of the One Tree pit and Pipeline pit (north), including the extension of a diversion at Cockatoo Creek and construction of a levee. The Commonwealth determined that these works did not constitute a 'controlled action' under the *EPBC Act* and accordingly no assessment or approval by the Commonwealth was required (EPBC 2013/6841).

Future mining or mining-related activities involving significant expansion of the current mining operation would potentially involve formal assessment under the Commonwealth *EPBC Act*, particularly in relation to amendments to the Act came into effect on 22 June 2013. The amendments of June 2013 mandate referral of 'large coal mining developments' which may have a significant impact on water resources either in its own right or when considered with other developments, whether past, present or reasonably foreseeable developments. It is likely that if an EPBC assessment were triggered in connection with future expansions, the assessment would be conducted as a single assessment under the bilateral assessment process between Queensland and the Commonwealth; however separate approvals would be required from the state and federal agencies.

Other approvals

Mining and related operations at Foxleigh are regulated under a range of other environmental (and related) legislation, including (but not limited to):

- *Water Act 2000* - Approvals to take water or to construct and operate water storages; construction and operations of creek diversions and levees
- *Aboriginal Cultural Heritage Act 2003* - Approvals of Cultural Heritage Management Plans to protect Aboriginal Heritage values
- *Vegetation Management Act* 1999/ *Nature Conservation Act 1992* – Clearing of remnant vegetation, impacts on threatened species.

1.11.2 Environmental Management and Compliance

Environmental aspects regulated under the Project's EA and other statutory approvals are generally managed through the Foxleigh Mine Safety Health, and Environment Management System. SRK has not conducted a systematic review of the environmental management system, but has reviewed selected plans, monitoring results and reports arising from legal requirements under current project approvals.

Overall, the environmental monitoring results made available to SRK were indicative of an adequate level of environmental control, with no conspicuous evidence to suggest that the Foxleigh operation is having significant adverse impacts on the environment. Recent inspections by government regulators (DEHP correspondence dated 22 September 2017) noted some deficiencies in management of hydrocarbons and other chemicals and the company appears to have taken steps to address these. Management of regulated dams at the site has attracted regulatory scrutiny in both 2016 and 2017 and Foxleigh has committed to the implementation of an action plan to improve the integrity and performance of regulated dams and other drainage infrastructure. Completion of the actions described in the action plan will improve the environmental risk profile of the Foxleigh operation.

The complexity of environmental management requirements under Foxleigh's various statutory approvals is such that periodic third-party review of compliance and performance is warranted. Condition A16 of the current EA for the Foxleigh operation prescribes third party compliance reviews. SRK is not confident that this requirement is currently being met: adherence to the condition would facilitate future due diligence reviews and contribute to ongoing management of environmental risks. Given this is largely an administrative issue, as opposed to a critical flaw, SRK does not consider this risk needs to be reflected in the financial model at this stage.

1.11.3 Mine Rehabilitation and Closure

The proposed post-mining land uses of the mine operations area are described in Appendix 2 of EA EPML0074481. They are:

- Pasture
- Native bushland
- Water supply/ recreation/ wildlife (residual voids).

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The current extent of disturbance reported in the most recent Plan of Operation Foxleigh Plan of Operations (Middlemount South Pty Ltd, 2018) is approximately 2,296 ha. The rehabilitation liability cost estimates have been prepared in accordance with the most recent financial assurance calculator released by DEHP. SRK has not independently verified the estimated spatial extents of ground disturbance.

Table 1-22: Current and predicted disturbance and rehabilitation liability, 2017 - 2018

	Disturbance area, 2017 (ha)	Rehabilitation liability, December 2017 (A$)	Disturbance area, 2018 (ha)	Rehabilitation liability, December 2018 (A$)
Domain 1: Infrastructure	191.51	6,009,248	191.51	6,107,404
Domain 2: Tailings Storage Facilities (incl. rejects)	84.23	24,361,141	84.23	24,433,581
Domain 3: Overburden & waste sumps	1458.34	27,717,909	1334.02	31,978,939
Domain 4: Water management (Diversions)	45.97	9,485,333	45.97	9,485,333
Domain 5: Pits (mining voids)	485.48	23,897,398	545.36	27,009,045
Domain 5: Pits (dams)	25.87	202,054	25.87	211,452
Domain 6: Other management issues	4.5	50,344	4.5	50,344
Subtotal	**2295.9**	**91,723,427**	**2231.46**	**99,276,098**
Project management (allow 10%)		9,172,343		9,927,610
Environmental monitoring & maintenance (allow 5%)		4,586,171		4,963,805
Infrastructure demolition costs		2,180,524		2,180,524
Total (excluding GST)		**107,662,465**		**116,348,037**

SRK notes that the current Financial Assurance lodged with the Queensland Government is approximately A$80 M compared to the current estimated closure liability of approximately A$116.3 M.

The rehabilitation estimate in the most recent Plan of Operations appears to satisfy current DEHP requirements and the sums nominated for rehabilitation and closure activities are generally consistent with the magnitude of costs that SRK would expect for the type of disturbance observed at Foxleigh and the proposed rehabilitation land uses (which includes pastoral land use). It is not clear whether the cost estimate includes provision for re-work on land rehabilitated by previous operators, but which has been identified as not having achieved an appropriate standard of vegetation cover or erosion resistance.

SRK notes that with the exception of the Infrastructure demolition costs, no contingencies appear to have been included in the rehabilitation liabilities as listed in Table 1-22. SRK recommends a contingency of some 10% be included for financial modelling purposes.

SRK notes that the Queensland Government has announced its intention of introducing a new framework for the regulation of mine rehabilitation, including a new system to replace the current financial assurance system. A draft Bill (Mineral and Energy Resources (Financial Provisioning) Bill 2018) was introduced into Parliament on 15 February 2018 but has not yet been enacted.

The implementation of the proposed new framework may have several consequences for Foxleigh, including:

- It will necessitate the preparation of a new mine closure plan, with *legally binding* rehabilitation outcomes and milestones.
- It will expose the project operator to annual, non-recoverable contributions to a rehabilitation fund. The amount of the contributions will depend upon the operator's assessed financial risk and may range between 0.5% and 2.75% of the asset retirement obligation (ARO) in any assessment period.
- It will significantly modify the way in which financial sureties for mine rehabilitation and closure are managed.

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The new framework will not directly affect Foxleigh's rehabilitation provisioning, in that the Company should be basing its provisioning on total estimated closure and rehabilitation costs, irrespective of any discounts that are available under the existing Financial Assurance system. This may mean that a financial security sum would not have to be made available to the Queensland Government. Rather the Company would have to have its own provisioning arrangements to ensure it is able to cover the cost of rehabilitation and closure. Additional to that, there will be a new non-refundable levy imposed. The amount of the levy is determined by the Government's assigned risk profile of the project and its proponent. As such, it may be less than what is currently being paid to the bank to provide a banking guarantee over the rehabilitation liability. However, it is important to note that the obligation to pay the levy will continue until the Government is prepared to formally sign-off on the attainment of agreed closure outcomes (depending on the closure criteria this may be an extended period).

1.11.4 Summary and conclusions

The Foxleigh operation holds valid environmental permits for its current mining activities and appears to substantially comply with permit conditions. Some of the future development options contemplated for the Foxleigh operation would most likely require additional formal environmental impact assessment under state and federal legislation. The studies and documentation required for such assessments can be very complex and completion of the assessment and permitting process could easily take several years, not including any time associated with third party legal appeals, should they arise.

The current estimate of financial provisioning required for mine rehabilitation and closure appears generally adequate but should be reviewed in the relatively short term to take account of imminent changes to Queensland's policy and regulatory framework around mine rehabilitation.

1.12 Risk and Opportunity

1.12.1 Risk

In general, SRK considers the Resource estimation and classification for the Foxleigh deposit to be reasonable based on a review of available documentation and our understanding of the deposit style. However, SRK considers that there is a risk that the Resource classification in the Far South area may be overstated. There are no seismic geophysical data to support the assessment of structural continuity and extrapolation of seam structure and coal qualities is less well supported in down dip sections of this deposit area.

The greatest geological risk to the Coal Resource is the structural complexity in the deposit area. However, this is also an opportunity, with potential for seam repetition, structural thickening in existing Coal Resource areas. In the broader deposit area, this complexity also provides the potential for discovery of upthrust blocks of Rangal Coal Measures seams which may be suitable for open cut mining.

With respect to mining, the Foxleigh deposit is geologically and structurally complex presenting a risk to mining assumptions and coal recovery. Seam dislocation and repetition due to faulting is common, may impact on equipment productivity.

Geotechnical hazards will require diligent monitoring and management as mining progresses.

The main processing (very high) risk identified is that the 2031 forecast CHPP required throughput will not be achieved without an upgrade. The A$16.9 M capital expenditure for such an upgrade does not appear to have been included in Realm's financial model. An alternative is to defer some of the 5.6 Mt 2031 production into 2032 (currently only 3.6 Mt feed).

From a rehabilitation and closure perspective, no contingency appears to have been built into the current rehabilitation liability estimate (with the exception of Infrastructure demolition costs).

Over the longer term, it is possible that rehabilitation costs may increase if the new framework results in the Government prescribing different or more onerous completion criteria for rehabilitated land.

Another processing risk is that the financial model CHPP operating cost has been underestimated.

From an infrastructure perspective, the main coal logistics risk is above average rainfall during the wet season: an extended wet season or unseasonably high rainfall event may impact the coal haulage and stockpile management system at the Capcoal train loadout (TLO) facility. There are currently sufficient coal storage facilities at mine, at Capcoal and at DBCT in place to mitigate weather conditions for a nominal design production of 4.5 Mtpa of saleable coal.

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1.12.2 Opportunity

There appears to be potential to increase the current Resource base in some near mine Resource areas, including possible northern extensions to the Foxleigh Plains and Roper Creek Resource areas. Outside of the current Resource areas, the Eagles Nest area appears prospective and may support a Coal Resource with further exploration and survey work.

Realm's tenement package covers a broad area with potential for discovery of further Coal Resource areas. A number of targets have been identified which warrant further investigation, including drilling and 2D seismic geophysical surveys.

In terms of mining, there appear to be several opportunities to reduce operating costs and improve productivity thus lowering unit costs.

During the site visit, the modifying factors were reviewed and SRK concluded that dilution from the pit was significantly less than outlined in the budget, reflecting additional upside associated with reducing the amount of waste fed to the CHPP. This supports SRK's view regarding the opportunity to reduce costs and improve efficiency at the operation.

The main coal handling opportunity is the upgrade of coal handling capacity to 800 tph. The system currently averages around 650 tph and 7,000 hours operating time per year. Increasing the system capacity to 800 tph and annual working hours up to 7,500 hours would result in increased annual production as per Table 1-23.

Table 1-23: Different feed rates and annual production

Plant feed rate (tph)	ROM feed volume (Mt) vs annual plant run hours				
	6,000	6,500	7,000	7,500	8,000
550	3.3	3.6	3.9	4.1	4.4
600	3.6	3.9	4.2	4.5	4.8
650	3.9	4.2	4.6	4.9	5.2
700	4.2	4.6	4.9	5.3	5.6
750	4.5	4.9	5.3	5.6	6.0
800	4.8	5.2	5.6	6.0	6.4

SRK recommends that Realm conducts a high-level cost benefit analysis of different feed scenarios and completes a discrete event simulation from mine to port to demonstrate that logistics chain is adequate for the increased production.

The proposed changes to Queensland's Financial Assurance framework may result in lower overall annual costs to be incurred (albeit for a potentially longer period) depending on the risk profile attributed to the Foxleigh site and the project proponent.

1.13 Production scenarios

Production scenarios were based on the currently stated Coal Resources as reported in accordance to JORC Code (2012). The LOMP developed by Middlemount South has only been partially used as it contains unclassified Coal Resources. Due to the time constraints associated with this evaluation, mine physicals were derived through a combination of an Excel exercise and the LOMP physicals developed previously by third-party consultancy. Going forward, SRK recommends mine scheduling is conducted using appropriate mine planning software. In conjunction with selection of the nominated pits, high-level first pass pit values were calculated to define sequencing of pits.

Four scenarios were considered by SRK for evaluation purposes, namely;

- **Option 1:** Base Case Mine Plan. This mining option considers the development of Foxleigh Plains and One Tree mining areas only (as per Realm's current financial model), applying the current operational costs. This is the Middlemount South's base mine plan.
- **Option 2:** Base Case Mine Plan, as per Option 1 (Enhanced Base Case), except that current Bowen Basin coal mining industry benchmarks for waste stripping and coal mining costs were applied. This reflects SRK perception that with a concerted effort further operational productivity enhancements and cost reductions are available within the current mining areas.

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- **Option 3**: Expanded Case Mine Plan. This mining option considers the development of the following pits, applying the current operational costs. This reflects SRK's opinion that these pits offer potential for near to medium term development under the prevailing and predicted coal price environment.
  - Foxleigh Plans
  - One Tree
  - Daggers Tip
  - Pipe Line
  - Ropers Creek
- **Option 4**: Upside Case Mine Plan as per Option 3, except that current Bowen Basin coal mining industry benchmarks for waste stripping and coal mining costs were applied.

1.13.1 Base Case Scenarios

The Base Case and Enhanced Base Case Mine Plans articulate around the development of Foxleigh Plains and One Tree pits only.

The Base Case is the current mine plan executed by Middlemount South and the physicals are presented in Figure 1-15 to Figure 1-17.

In SRK's opinion, this mine plan is practically achievable pertaining to sufficient working room and equipment selection. However, upside exists through productivity enhancements, cost reductions (to bring the operation in line with standard industry benchmarks) and the allocation of additional mining equipment, as the total rail and port capacity is not fully utilised. These are considered in the Enhanced Base Case.

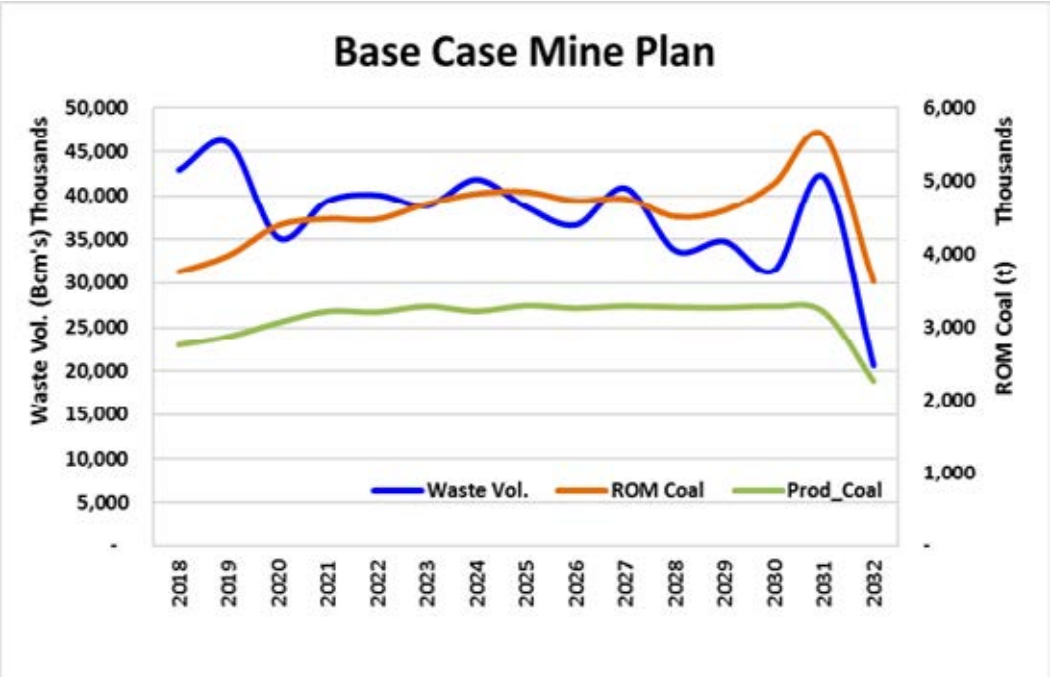

Figure 1-15: Base Case Mine Plan - waste and coal tonnage

Source: SRK analysis

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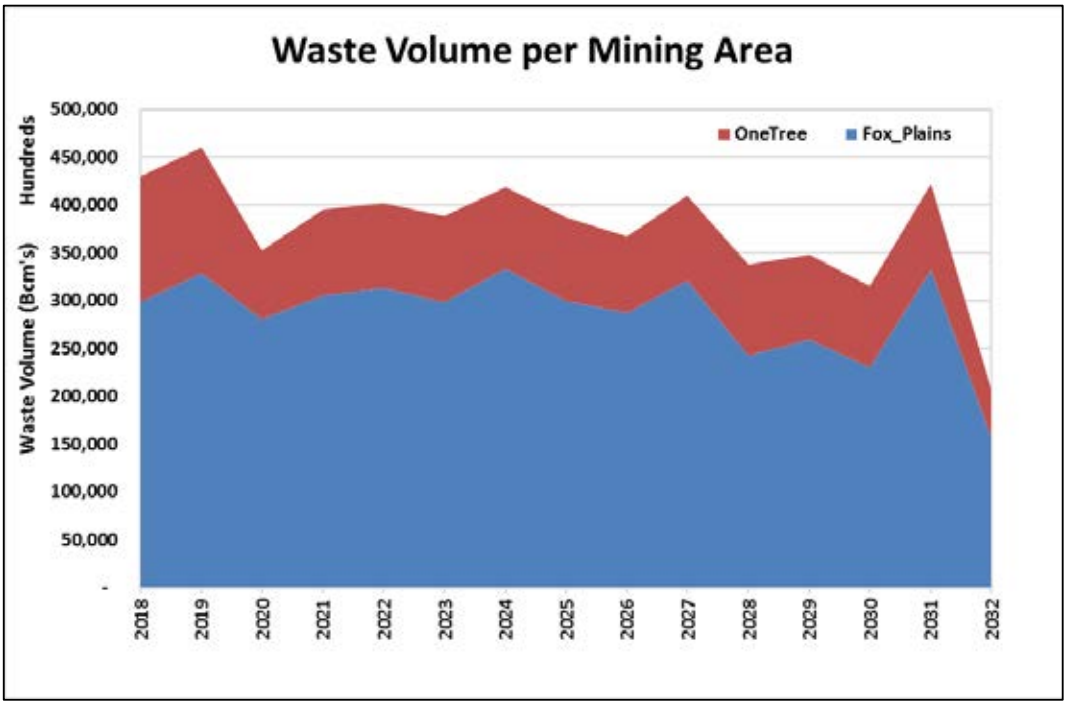

Figure 1-16: Waste volume per Mining Area

Source: SRK analysis

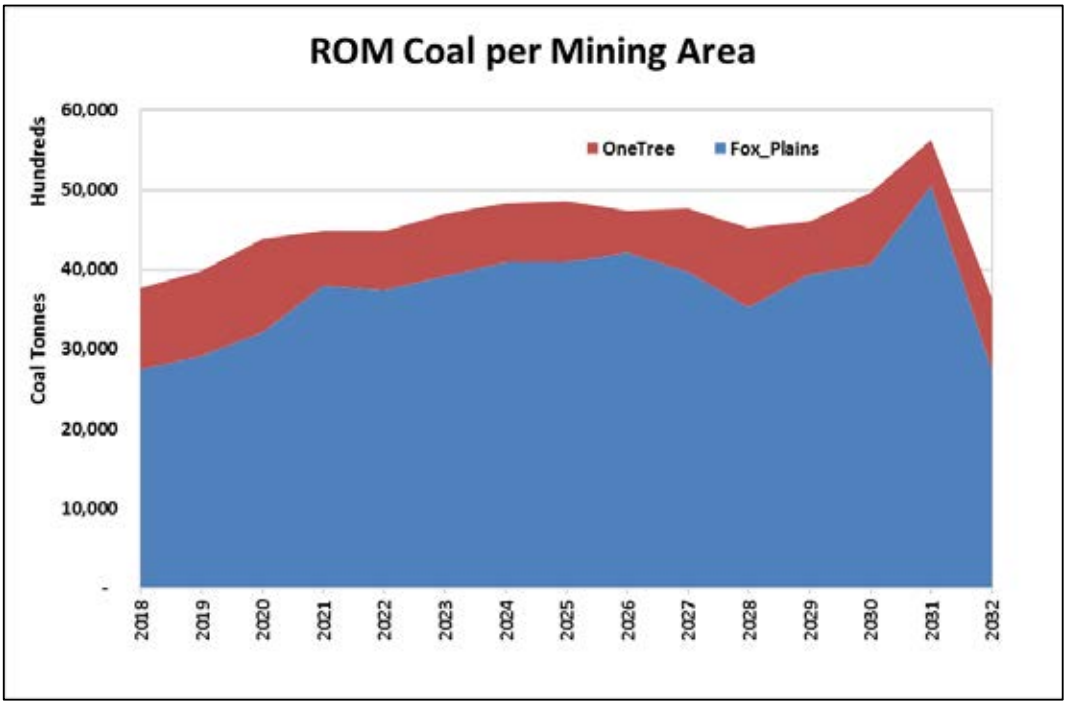

Figure 1-17: ROM coal tonnes delivered per Mining Area

Source: SRK analysis

Capital

SRK has considered Realm's corporate model and calculated the capital cost per tonne of product. Over the life of the Base Case this equates to A$2.67/t product (including the 996 Excavator allocation for late 2018). Excluding 2018 capital costs this falls to A$2.07 which is in line with standard industry rates. As a result, SRK considers the Base Case mining capital costs as outlined in Figure 1-18 to be appropriate for valuation purposes.

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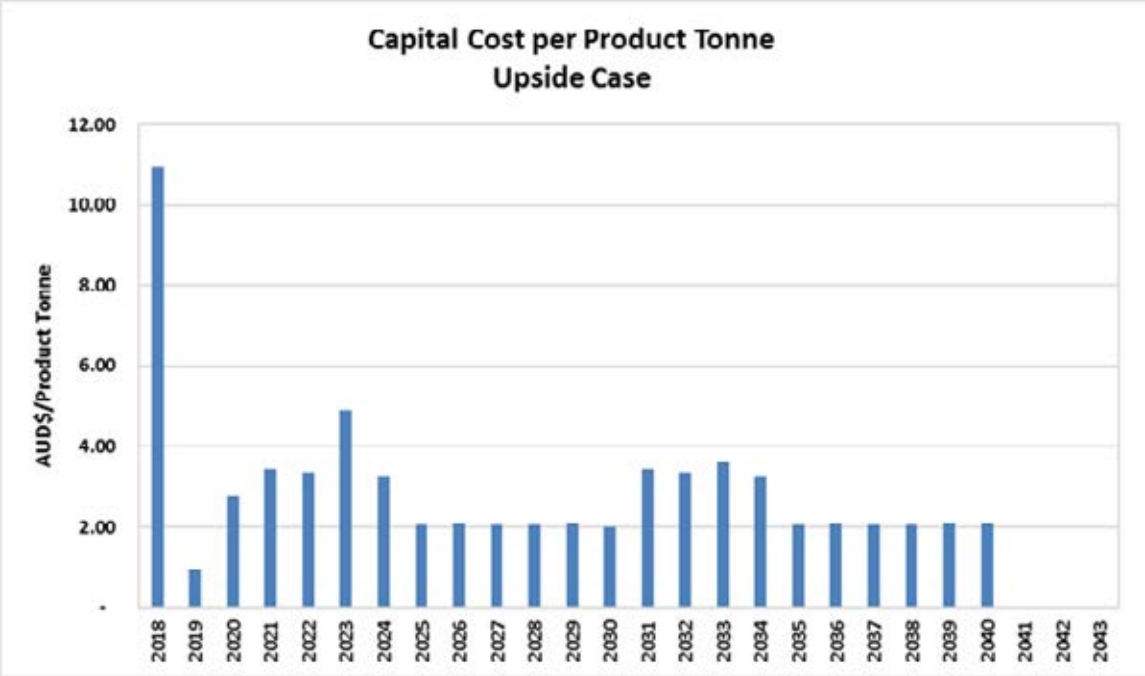

Figure 1-18: Capital Cost per Product Tonne – Base Case

Source: SRK analysis

Within the Base Case, several CHPP improvements have been identified to increase production to 4.8 Mtpa (ROM Feed) and are summarised in Table 1-24.

Table 1-24: Foxleigh CHPP capital expenditure forecast

Area	Detail	2018	2019	2020
Infrastructure	Samplers CHPP Water Dam Drainage Return Technology Projects 800 tph upgrade study	$0.32	$0.1	
Sampling	Fluorine/phosphorous onsite sampling	$0.18		
Raw Coal	ROM Bin – Wedge ROM Bin – Feed CV-101 to 1050 mm Secondary Sizer Motor Upgrade ROM Infrastructure Upgrade	$0.53	$0.25	
Product Coal	Product Coal Stockpile stair Modification Product Coal Receival Upgrade	$0.06		$0.50
Coarse Circuit	Screen Replacement Project Wing Tank and Correct Medium Oversize Protection	$1.01	$0.50	
Fine Coal Circuit	Fine Coal Centrifuge Replacement	$0.18	$0.18	
Ultrafine Circuit	Classifying Cyclone and Flotation Circuit Upgrade	$1.80		
TOTAL		**$4.08**	**$1.03**	**$0.50**

Source: Realm's 2018 Budget presentation

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As previously discussed, several investigations have been completed to increase the CHPP capacity to 800 tph (i.e. beyond 4.8 Mtpa). This would debottleneck the CHPP; however, the upgrade estimated capital expenditure of A$5 M does not appear to have been included in Realm's financial model. Thus, SRK recommends that some A$5 M be allocated in 2023 so that the 2024 budget feed of 4.8 Mtpa will be achieved.

The sustaining capital expenditure for other years in the financial model also appears reasonable.

Operating costs

For SRK's adopted Base Case scenarios, the collective operating costs in Table 1-25 are assumed.

Table 1-25: Operating costs – SRK's Base Case scenarios

Parameter	Units	Option 1 - Base Case	Option 2 - Enhanced Base Case
Overburden	A$/bcm (Prime)	4.02	3.26
Coal Mining	A$/t ROM	3.56	3.27
CHPP	A$/t ROM (Feed)	4.80	4.60
Product haul & Train Loadout	A$/t Product	4.40	4.10
Rail	A$/t Product	12.00	12.00
Port	A$/t Product	5.40	5.40
Marketing	A$/t Product	1.80	1.80
Demurrage	A$/t Product	1.28	1.28
Exploration	A$/t ROM	1.00	1.00
Rehabilitation	A$/t ROM	1.10	1.10
Overhead	A$/t ROM (Av.)	4.92	4.70

Source: SRK analysis

Table 1-26 compares the CHPP + Haulage + TLO operating costs from Realm's budget and the financial model.

Table 1-26: Operating costs - Foxleigh CHPP+TLO Opex (A$/t product)

Financial Model	Unit	2012A	2013A	2014A	2015A	2016A	2017A	2018	2019	2020
CHPP	A$/t Feed	6.0	5.9	5.5	5.5	4.0	4.8	4.6	4.8	4.2
Site haulage & TLO	A$/t Sales	5.0	5.4	5.1	5.1	3.8	4.4	3.9	4.2	4.0
Total opex	**A$/t Sales**	**12.7**	**13.5**	**12.5**	**12.8**	**9.1**	**10.8**	**10.5**	**10.8**	**10.0**

Source: SRK analysis

Table 1-27 shows that Realm achieved a significantly reduction in CHPP+TLO operating expenditure in 2016, followed by an increase in 2017 (CHPP changed to contract operated in March 2017). In SRK's opinion, the CHPP+haulage+TLO operating expenditures outlined in the financial model are somewhat ambitious and may not be achievable.

However, SRK notes the budget CHPP 'all inclusive' operating cost is far higher than most CHPPs in the Bowen Basin due to the substantial product haulage cost.

SRK has also reviewed the infrastructure operating costs and is satisfied with their accuracy and a long-term forecast. All major non-labour costs are based on the long-term agreements with the service providers with 'first right' of renewal beyond agreements expiration dates or subject to rolling options.

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Table 1-27: Operating costs - Foxleigh infrastructure

Cost item	2018		2019		2020		LOM Average*	
	A$ M	A$/t sales	A$ M	A$/t sales	A$ M	A$/t sales t	A$ M	A$/t sales
Sales	**3.252 Mt**		**3.038 Mt**		**3.328 Mt**		**3.223 Mt**	
Product Haulage & TLO	12.839	3.948	12.705	4.182	13.322	4.003	13.2	4.1
Rail costs	39.889	12.266	37.209	12.248	39.117	11.754	38.8	12
Port charges	18.026	5.543	16.800	5.530	17.255	5.185	17.4	5.4
Demurrage costs	3.902	1.2	3.949	1.3	4.326	1.3	4.1	1.28
Total	**70.9**	**23.3**	**70.9**	**23.2**	**73.3**	**22.3**	**73.5**	**22.78**

Note: - Source: "Realm Resources" "01.01.03 RRP Corp Model 5.2.2018.xlsx".
- Source: "Realm Resources" "Corporate Model 01.01.01.pdf".
- Costs on real basis – zero inflation from 2018 budgeted costs
- Assumed ROM density of 1.47
- *Average from 2018 to 2031.

Table 1-28: Anglo Pay or Take Rebates for 2018

Location	Take or Pay capacity (Mtpa)	Take or Pay accepted (Mtpa)	Infrastructure capacity charge (A$/t)	Excess handling charge (fixed) (A$/t)	Rebate to Realm (A$ M)
Port	3.3	2.4	2.5	1.4	398.15
Above Rail	3.5	2.4	5.1		895.8
Below Rail	3.5	2.4	4.9		846.0
Total Rebate to Realm (A$ M)			**2,139.95**		

Source: "Realm Resources" "01.01.03 RRP Corp Model 5.2.2018.xlsx".

It is SRK's understanding that there are two components to Port rebates – infrastructure part (stockpile excess capacity) and the ship-loading/ materials handling excess capacity.

1.13.2 Expanded Case Scenarios

The Expanded Case scenarios incorporates the current Base Case Mine Plan, in addition to the currently classified Coal Resources at Daggers Tip, Pipeline and Roper Creek pits scheduled in towards the latter parts of the mine plan. Due to the lack of supporting JORC Code Compliant Coal Resources at Eagles Nest and Foxleigh West these were not considered as part of SRK's Expanded Case Scenarios. The physicals are depicted in Figure 1-19 to Figure 1-21.

Evidently, higher coal tonnages could be delivered towards the latter part of the mine plan, but this needs to be tested in proper mine scheduling software suites.

SRK notes that the incorporation of any tonnages from Roper Creek within the expanded mine plan depends on the successful conclusion of commercial agreements between Realm and the other Foxleigh Joint Venture partners.

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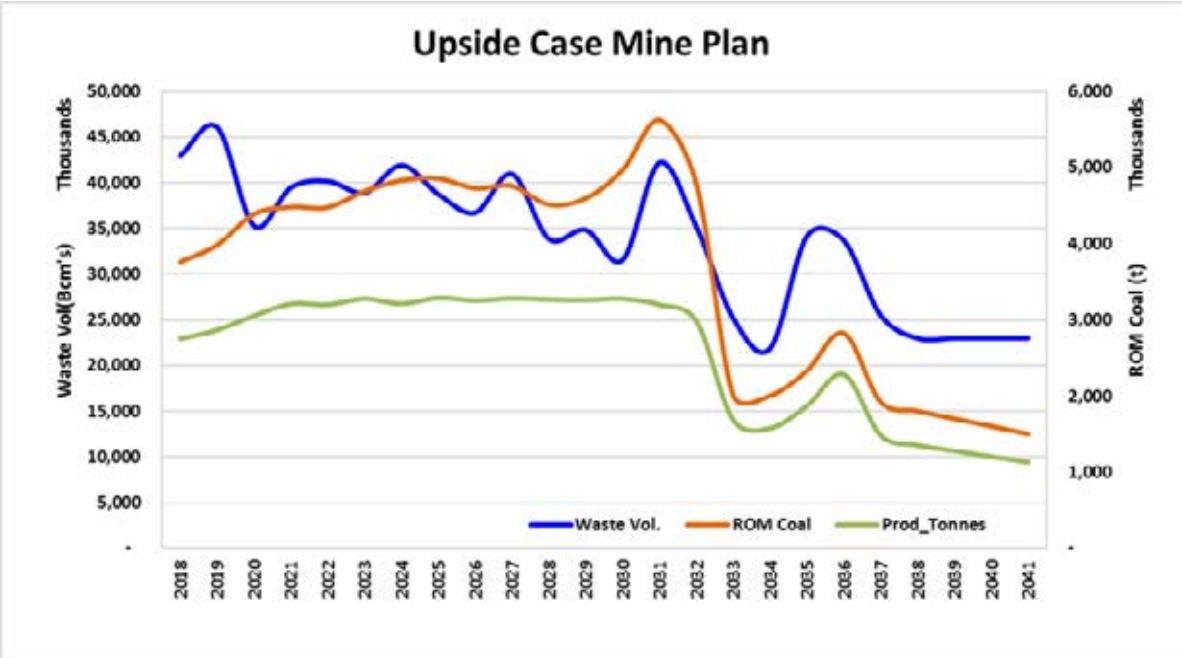

Figure 1-19: Waste Volume and Coal Tonnes

Source: SRK analysis

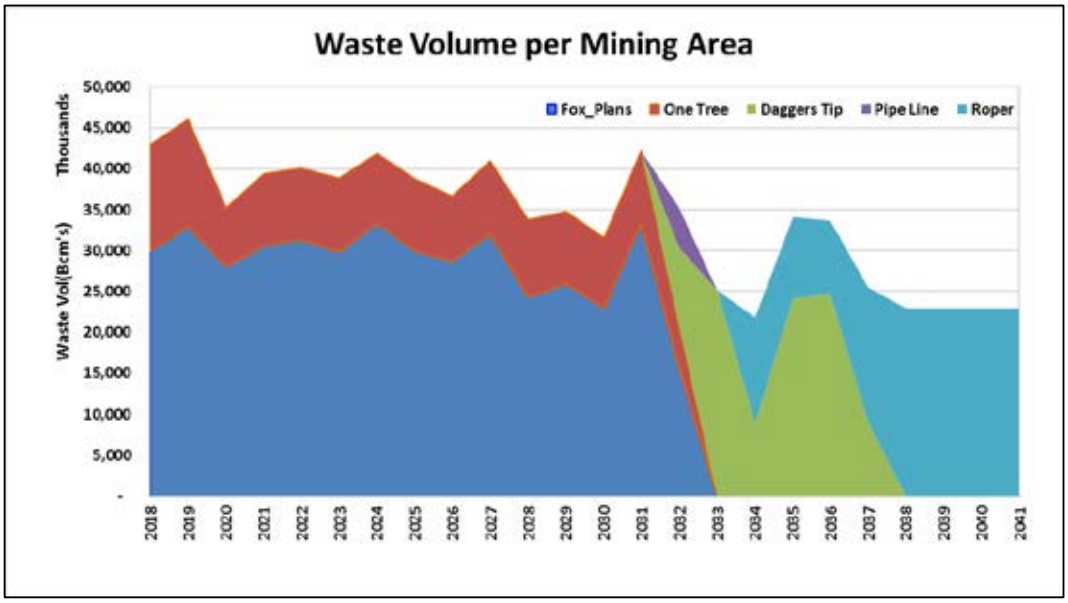

Figure 1-20: Waste Volume per Mining Area

Source: SRK analysis

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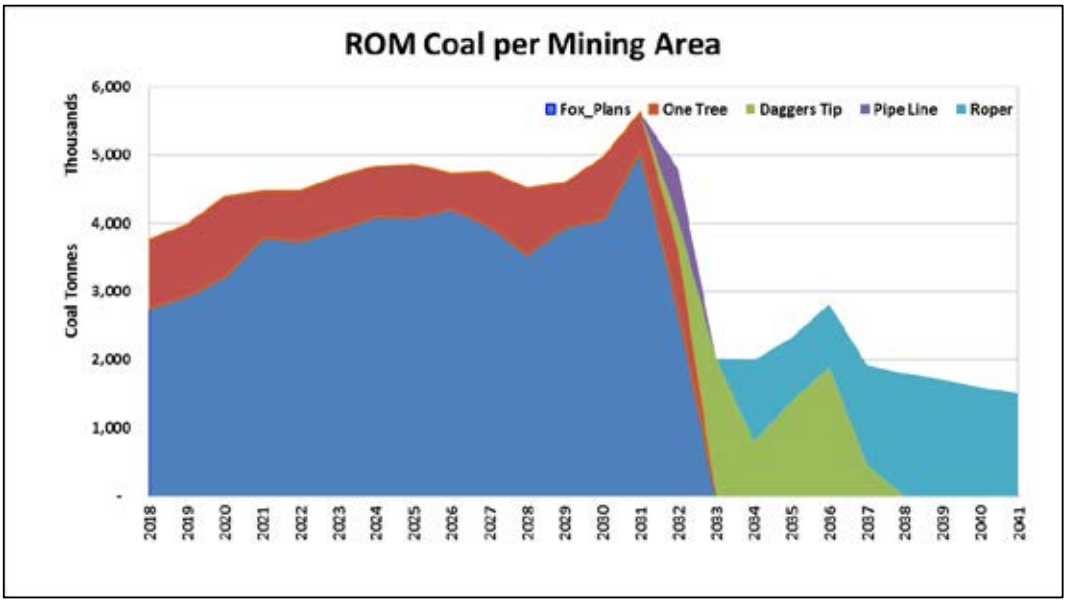

Figure 1-21: ROM Coal Tonnes per Mining Area

Source: SRK analysis

Capital

Adopting the A$2/t Product over the life mine life for the Expanded Case, SRK considers the Expanded Case mining capital costs as outlined in Figure 1-22 to be appropriate for valuation purposes.

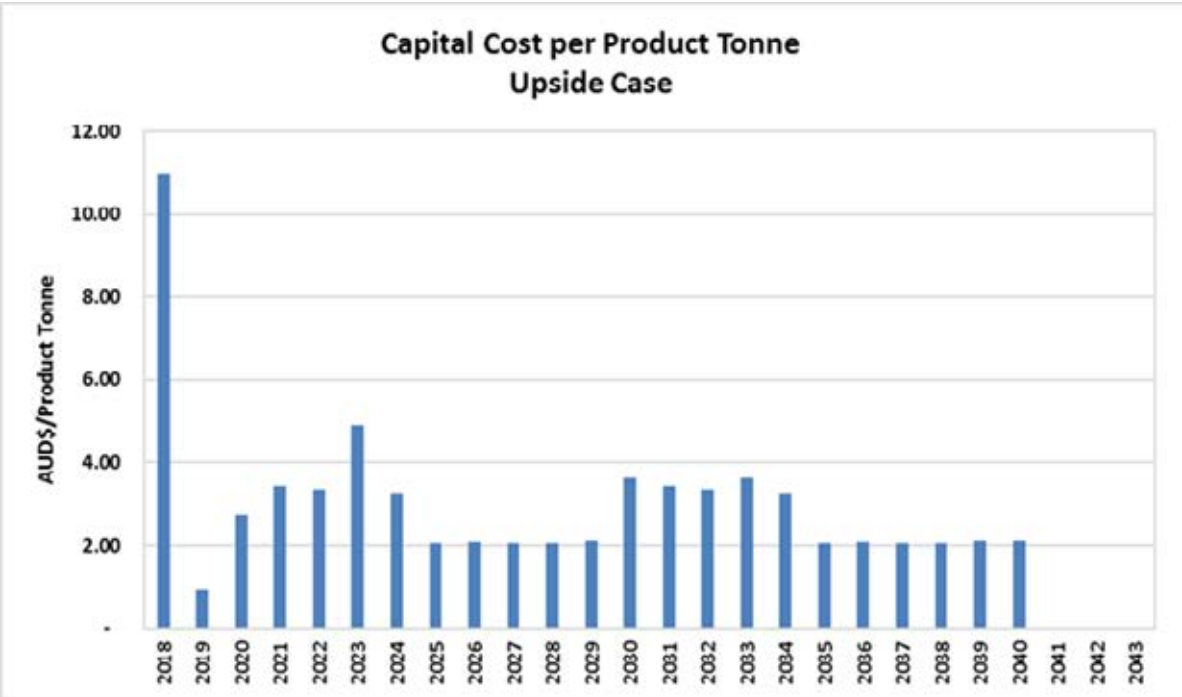

Figure 1-22: Capital Cost per product Tonne – Expanded Case

Source: SRK analysis

For SRK's adopted expansion scenarios, the operating costs in Table 1-29 are assumed.

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Table 1-29: Operating costs – SRK's expansion scenarios

Parameter	Units	Option 3 - Expanded Case	Option 4 - Expanded Case with enhancements
Overburden	A$/bcm (Prime)	4.02	3.26
Coal Mining	A$/t ROM	3.56	3.27
CHPP	A$/t ROM (Feed)	4.80	4.60
Product haul & TLO	A$/t Product	4.40	4.10
Rail	A$/t Product	12.00	12.00
Port	A$/t Product	5.40	5.40
Marketing	A$/t Product	1.80	1.80
Demurrage	A$/t Product	1.28	1.28
Exploration	A$/t ROM	1.00	1.00
Rehabilitation	A$/t ROM	1.10	1.10
Overhead	A$/t ROM (Av.)	4.92	4.70

Source: SRK analysis

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2 Katingan Ria Coal Project (Indonesia)

2.1 Physical setting

Realm's Katingan Ria Coal Project is situated at Latitude 1 10'30" S, Longitude 112 50'30" E and an altitude of approximately 115 m amsl. The Project lies approximately 450 km west of Balikpapan and 160 km northeast of Palangkaraya (the capital of Central Kalimantan), near the town of Tumbang Semba in Central Kalimantan, Indonesia. It is approximately 110 km north northwest of Kasongan, the regency capital which is located on the Katingan River.

The Project area is unpopulated with the surrounding areas also sparsely populated with land predominantly used for subsistence farming. The closest community to the project is the village of Tumbang Atei located about 10 km east of the concession area.

There are regular domestic flights from the national capital, Jakarta to Palangkaraya. The site can be accessed on a sealed road from Palangkaraya to Kasongan, a distance of approximately 80 km (~1-hour drive) and then on an unsealed secondary road to the Project. Drive time to the project from Palangkaraya is 4 to 6 hours.

Central Kalimantan has a tropical climate with maximum daily temperatures ranging from 32°C to 37°C and minimum daily temperatures from 17°C to 23°C. Precipitation averages between 2,000 mm and 3,000mm per year. Mining and exploration activities are able to be carried out year-round.

The Katingan Ria site is characterised by undulating terrain with relatively steeply incised drainage paths to the south and east of the concession. No major rivers or drainages exist on the Project; however, the Katingan and Samba Rivers lie to the south and the east respectively. The Katingan River is more than 200 m wide with numerous tributaries, including Samba, Hiran, Senamang, and Mahuk Rivers. The Katingan River is approximately 650 km long with a potential barging length of up to 520 km. Several small flowing creeks transect the concession and generally drain towards the southeast.

The vegetation cover is very dense in areas that have not been cleared for drilling or forestry activities. Forestry works have been conducted over large areas of land in the southern portion of the Project and only smaller trees and regrowth exists in this area. The major surrounding land use is for managed forestry activity.

The Project is not serviced by mains supplied electric power. There is poor mobile phone reception for communication.

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Figure 2-1: Location of Realm's Katingan Ria Project

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2.2 Ownership

The Project is held by PT. Katingan Ria which was established under a Deed of Establishment No. 42 dated 12 August 2008 as ratified by Deed No. 138 dated 25 February 2010 and legalised by the Minister of Law and Human Rights No. AHU-17566.AH.01.01 Tahun 2010 dated 7 April 2010. Pursuant to its Articles of Associate PT. Katingan Ria y conduct exploration activities, coal mining and marketing.

Realm, through its wholly-owned subsidiary company Kalres Pte Ltd (Kalres), a Singapore incorporated company has direct ownership of a 51% interest in PT. Katingan Ria. The remaining 49% interest is held by:

- 29.2% interest by PT. Sinar Mulia Anugera Aguing (SMAA), a wholly owned subsidiary company of FKS Energy, part of the FKS Group, a privately owned Indonesian enterprise focused on food, energy and property, and
- 19.8% interest by Mr Kenedy Arnol Pisy.

2.2.1 Tenure

SRK has been provided with an Independent Legal review from Allen & Overy on the mining licence which states that PT Katingan Ria is the licence holder in relation to the Katingan Ria Project as described therein and that Realm is unaware of any third party interests inconsistent with that position. The Indonesian legal regime relating to mining titles is in a state of flux and as a result there are a variety of matters that require attention to perfect that title. Those matters are being attended to by Realm and others..

The Katingan Ria Project area is currently covered by a Forestry Area Permit.

PT. Katingan Ria obtained its exploration mining license (formerly called Kuasa Pertambangan Eksplorasi) on 23 December 2008 for the mining area of 5,053 ha in the District of Marikit and Senaman Mantikei, Regency of Katingan, Province of Central Kalimantan. The mining license, in compliance with the Mining Law No. 4 of 2009, has been upgraded and converted into an Operation Production Mining License (Ijin Usaha Pertambangan Operasi Produksi) No. 545/222/KP TS/VIII/2011 dated 9 August 2011 for the area of 4,258 ha, which also has been adjusted due to the change composition of the Shareholder with the letter of the Regent of Katingan No. 540/208/KPTS/V/2013 regarding granting the IUP Production licence to PT. Katingan Ria. Based on the new Law No. 23 of 2014 as a Foreign Investment Company the documents of the company shall be transferred to the Directorate General of Mineral and Coal, at present the Company on the process to obtain the adjustment of the IUP OP to be issued by the Minister of the Energy and Mineral Resources.

In order to comply with environmental regulations and requirements, the Company completed its environmental analysis document (*Analisa Mengenai Dampak Lingkungan* or AMDAL) along with its environmental management plan (*Rencana Kelola Lingkungan*), environmental monitoring plan (*Rencana Pemantauan Lingkungan*) and feasibility study all of which were approved under the Bupati approval No. 660.1/155/KPTS/V/2011 dated 6 May 2011.

To allow the Company to carry out coal mining operations and production at Katingan Ria, PT. Katingan Ria must obtain a Borrow to Use Forestry Permit (*Izin Pinjam Pakai*) from the Minister of Forestry. PT. Katingan Ria has received the Extended Principle Forestry License No. 11/1/PPPKH/PMA/2 015 dated 1 June 2015 regarding the extension of the Principle Forestry License to use the forestry area for coal production operation activity and its supporting facilities for the area of 3,058.25 ha. This effectively gives permission to commence mining operations.

PT. Katingan Ria will only be in a position to progress this final permit stage when there is certainty regarding the development proposal and the timing thereof.

In addition to the Borrow to Use Forestry Permit, PT. Katingan Ria will also be required to obtain standard legal, regulatory and governmental approvals and permits, which will be applied for once the Borrow to Use Forestry Permit has been obtained.

2.2.2 Agreements

The Sale and Purchase Agreement pertaining to PT. Katingan Ria was entered into by Kalres and SMAA on 5 October 2011. The shareholders agreement executed by Kalres, SMAA and Mr Kenedy Pisy is the main document which governs the relationship between the shareholders.

In addition, an area of exclusive co-operation between Realm and SMAA for the acquisition and development of further coal mines and necessary related infrastructure has been established.

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2.3 History

Prior to Realm's involvement in the Project, exploration was completed by Goku Resources predominantly during the period 2010 to 2011. Activities completed at this time included limited field geological and structural mapping, laboratory-based coal testwork and completion of 63 drill holes (mainly rotary with limited core for coal quality testing) on a nominal hole spacing of approximately 400 m across the project area.

During 2011, Realm completed due diligence and ultimately acquired a 51% interest in PT. Katingan Ria and the Project. In August 2011, Realm announced an initial Inferred Coal Resource of 40.1 Mt for the southern area as part of its scoping study. Activities completed as part of the scoping study included field mapping, validation of the previous work and drilling of 28 holes in the southern portion of the Project to establish the economic potential of the area.

A further 32 holes were drilled between January and November 2012 predominantly with in the southern portion of the concession.

In 2013, Realm completed a Feasibility Study for an open-cut coal mine with up to 3 Mtpa production capacity.

In May 2017, Realm reported updated open pit Coal Resources and Reserves within the Katingan Ria Project

2.3.1 Current Project

According to the 2013 Feasibility Study, Katingan Ria was initially planned as a 2.5 Mtpa open cut mine with coal to be hauled 45 km to a stockpiling and barge loading facility on the Katingan River. Barges would then transport the coal 435 km to the river mouth for transhipment into vessels with product sold unwashed into the Asian region.

Recent discussions, however have focussed on the potential to supply a 200 MW power station development near the town of Kasongan in Central Kalimantan. Indonesian State-owned Electricity Corporation (PLN) issued a Request for Proposal (RFP) for the construction and operation of the plant in late 2013. Realm has been in negotiations with several of the potential power station consortia bidders since that time.

It is currently envisaged that the Katingan Ria Project will be developed as a mine-mouth coal operation supporting a nearby coal fired power station. Initial development involves an open pit mining operation to strip overburden and extract the coal seams. The principal components of the current project are:

- It is a shallow, near-horizontal, multi-seam deposit with JORC Code (2012) compliant Coal Resources of 87.5 Mt (6.5 Mt Measured, 44 Mt Indicated and 37 Mt Inferred) including Probable Coal Reserves of 27.4 Mt, within a structurally simple and a low overall stripping ratio (2:1 to 3:1 initially) environment.
- Indicative product specifications suggest Katingan Ria coal is consistent with Indonesian 4,200 kcal/kg (GAR) coal, being a low rank, sub-bituminous thermal coal with low sulphur (0.2%) and nitrogen contents.
- There is potential for a truck and shovel open pit mining operation of either i) a 1.2 Mtpa operation with a mine life of approximately 25 years (the currently preferred option) or alternatively ii) a 2.5 to 3.0 Mtpa, with a mine life of approximately 15 years to support a coal export operation (the previously envisaged concept).
- Mined coal will be crushed and fed to a proposed near-mine 200 MW coal-fired power station.
- No infrastructure currently exists at Katingan Ria, apart from an exploration camp and a series of logging roads. Minimal site infrastructure is proposed as part of project development and consists of a ROM pad and stockpile area, water management, mining infrastructure area and offices. Under the current scenario, no rail or port infrastructure is to be developed.

2.4 Geology

The Katingan Ria Project covers coal-bearing sediments of the Middle Pliocene to Pleistocene age (3.3 to 0.01 Ma) Dahor Formation located along the margin of the North Barito Basin. The Barito Basin is an asymmetrical basin known as a significant Indonesian coal production area which occupies a large portion of central and southern Kalimantan. It opens to the Java Sea to the south and is bounded in the west by the Schwaner Shield and to the north by the Adang Fault, which separates the Barito and Kutei Basins.

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The Dahor Formation comprises fine- to coarse-grained quartz sandstone and cross-bedded conglomerates. Coal seams occur between coarse sandstone units and range from 0.3 m to 3.0 m in thickness but may reach 8 m in certain areas. The sequence is estimated to have a total thickness of 300 m and may thicken in a northeasterly direction. The Dahor Formation overlies the basement rocks of the Sepauk Tonalite Formation consisting of diorite, monzonite, tonalite and granodiorite.

The deposit is generally structurally benign, with strata dipping shallowly (2° - 5°) around the hinge of a broad north–south trending anticline. A major southwest–northeast trending fault (down throw of 15 - 40 m) traverses the Project area, with the coal strata north of this fault down-thrown between 15 m and 40 m. This fault has become the natural divide within the deposit with resource areas described as being either north or south of this fault. A minor north–northwest trending fault has also been interpreted from drilling data in the northern sector of the Project.

The Main Seam is the best developed and most laterally extensive coal seam in the Project area and drives the stripping ratio. Other seams are variably present in the deposit area and these are broadly grouped into an 'upper seam sequence' and a 'lower seam sequence' according to their stratigraphic positions relative to the Main Seam:

- The Main Seam is the primary target seam across the Project and ranges in thickness from 4.5 m to 5.5 m in areas southeast of the major fault and has an average thickness of 3.9 m across the total resource area. The Main Seam has a low raw ash averaging 10.6% (standardised to 17% moisture).
- The upper seams occur some 20 - 50 m above the Main Seam and are only present where the Main Seam occurs at depth (generally limited to the area north of the northeast trending fault). Up to 13 coal intervals are recognised – I, H, G, F, E, D3, D2, D1, C1, C, B, A2 and A1. The upper seams are generally higher in raw ash and more banded than the Main Seam (averaging 18.2%, standardised to 17% moisture). Individual seam thicknesses range from 0.3 m to 2.7 m, with an average cumulative coal thickness of approximately 3.7 m (with the inclusion of the D seams, which are not included in the Coal Resource estimate, the average cumulative thickness increases to approximately 5.6 m).
- The lower seams are represented by the No. 2 and No. 3 seams which generally lie 5 - 15 m below the Main Seam. These seams are thin and have a moderate raw ash averaging 12.1% (standardised to 17% moisture). The average cumulative coal thickness of the reported lower seam sequence is approximately 0.8 m.

Stripping ratio to the Main Seam is lowest in the southern sector of the deposit, i.e. south of the northeast trending fault) and northeastern sector, along the subcrop. The cumulative in situ stripping ratio to the Main Seam in these areas is generally less than 6:1 bcm/t. North of the fault, the cumulative in situ stripping ratio is generally in excess of 10:1 bcm/t.

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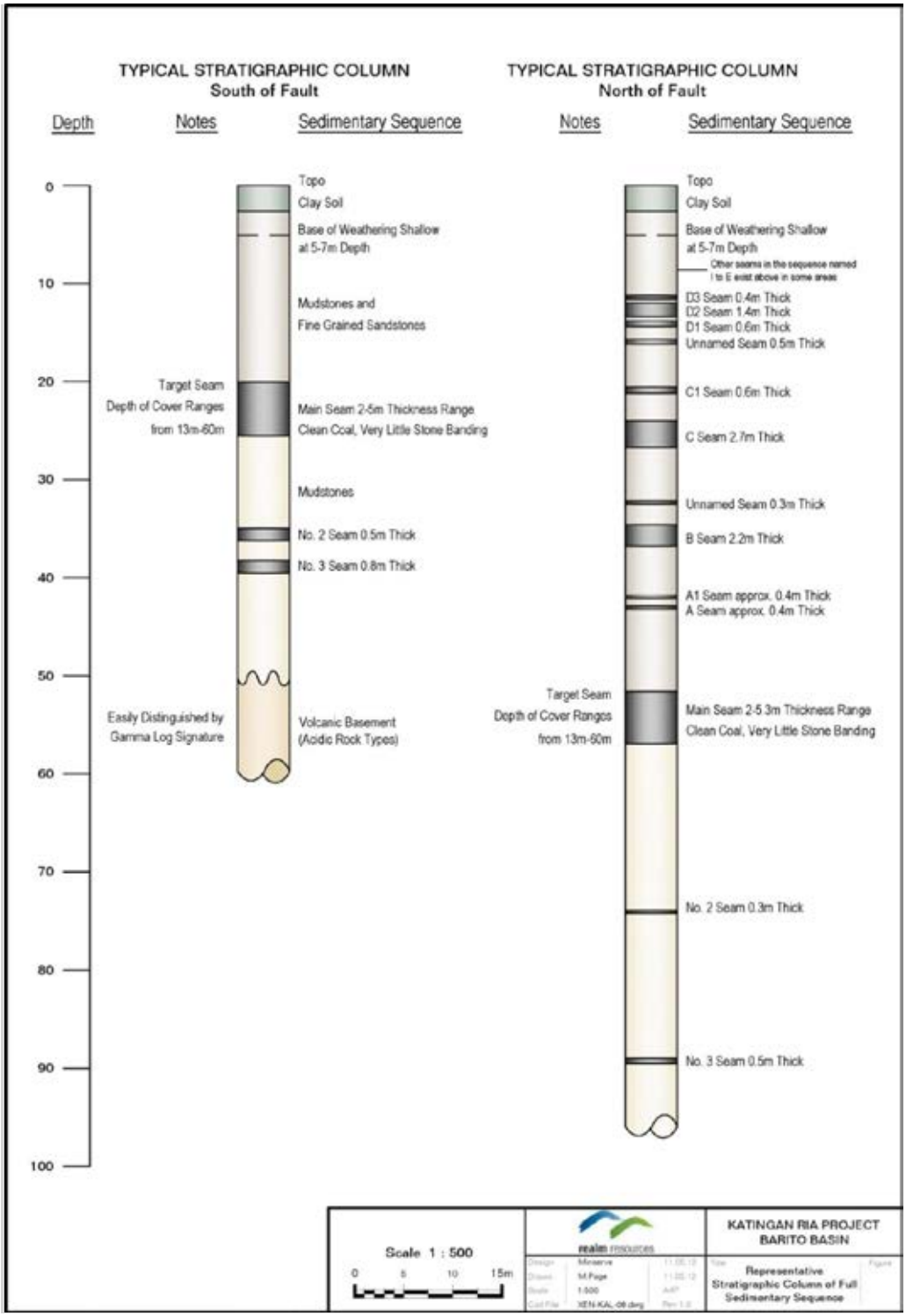

Figure 2-2: Typical stratigraphic column north and south of the fault

Source: 2013 Feasibility Study (Xenith)

Structurally the sequence is horizontal to shallow dipping (2° to 5°) and displays gentle folding about the hinge of a regional scale, north–south trending anticline. A major southwest–northeast trending fault (down throw of 15 to 40 m) is also evident within the north of the Project. This fault has become the natural divide within the deposit with areas described as being either north or south of this fault.

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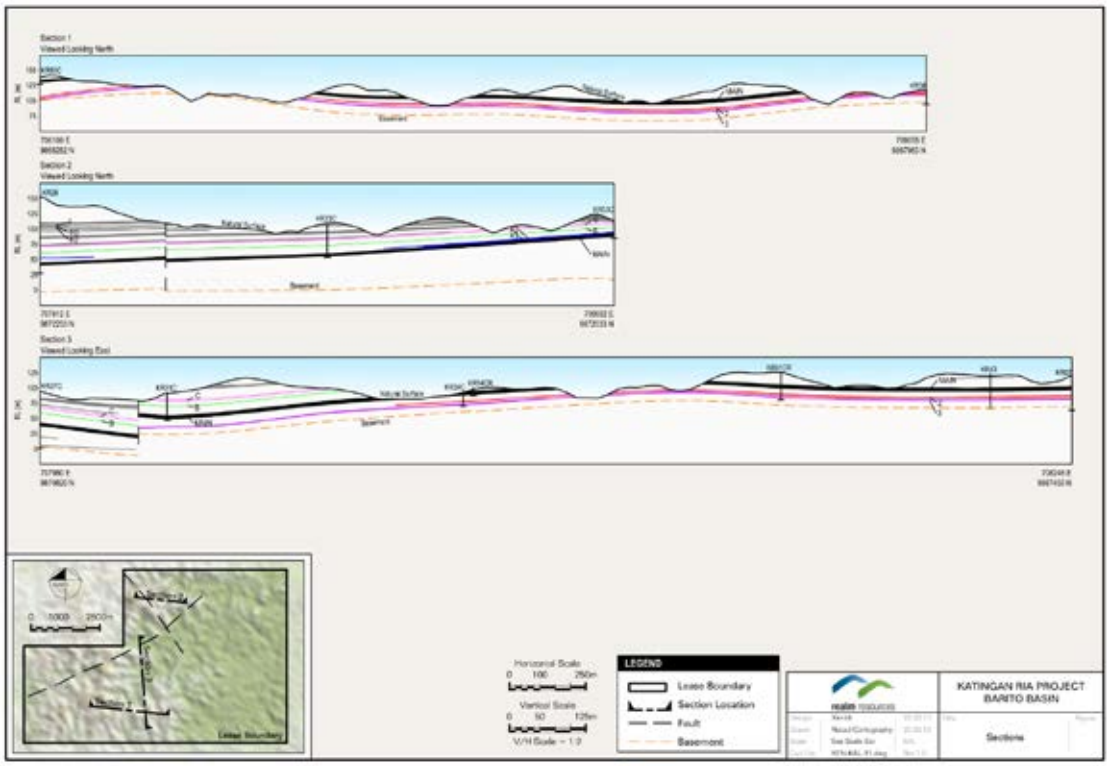

Figure 2-3: Schematic cross sections at Katingan Ria

Source: 2013 Feasibility Study (Xenith)

2.5 Coal Resources

For full details of the current Coal Resources and Reserves at Katingan Ria, refer to Realm's ASX Announcement dated 9 May 2017.

A total Resource of 87.5 Mt has been reported for the Katingan Ria Project, comprising 6.5 Mt Measured, 44 Mt Indicated and 37 Mt Inferred (Table 2-1). A summary of the Coal Resource by seam is presented in Table 2-2. The Main Seam accounts for 73% of the overall Coal Resource and 86% of the Measured and Indicated Resource (Figure 2-4). The upper and lower seams account for 22% and 4% of the overall Coal Resource, respectively.

Table 2-1: Katingan Ria Coal Resource as at 28 February 2017

Domain	Coal Resource (Mt)			
	Measured	Indicated	Inferred	Total
North	-	24	22	**46**
South	6.5	20	15	**41.5**
Total	**6.5**	**44**	**37**	**87.5**

Source: Xenith Consulting (2017)

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Table 2-2: Katingan Ria Coal Resource by seam as at 28 February 2017

Seam	Measured	Indicated	Inferred	Total
3	-	-	2	**2**
2	-	-	2	**2**
Main	6.5	37	20	**63.5**
A2	-	-	1	**1**
B	-	7	3	**10**
C	-	-	9	**9**
Total	**6.5**	**44**	**37**	**87.5**

Source: Xenith Consulting (2017)

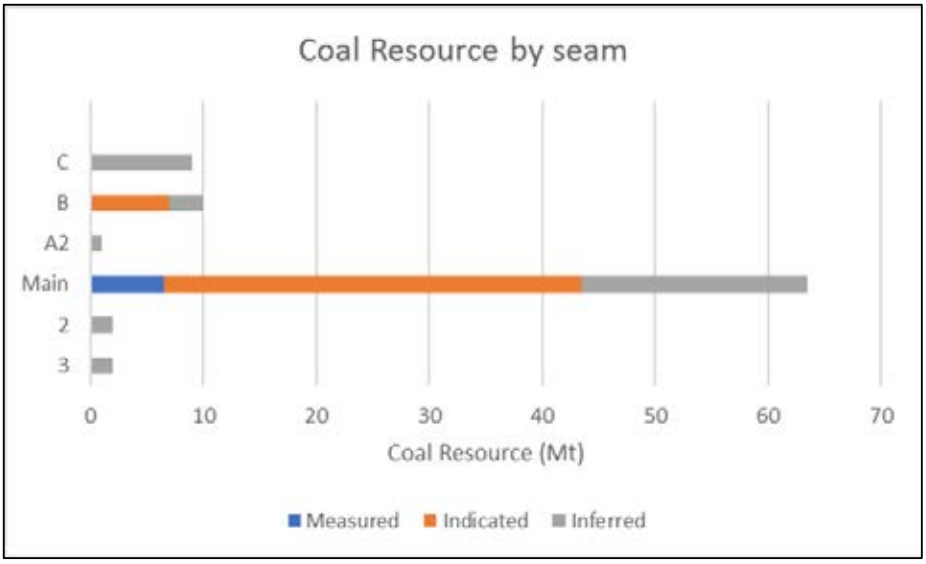

Figure 2-4: Katingan Ria Coal Resource categories by seam

The current Resource estimate was prepared by Xenith Consulting in February 2017 and supersedes a previous estimate reported in February 2013. The February 2017 estimate incorporates the results from an additional 18 drill holes (12 cored, 6 non-cored) mainly in the southern sector of the Project, which were unavailable for the earlier estimation.

The 2013 and 2017 estimates are similar, with a slight (1.5 Mt) decrease in the overall Resource for the Project. The Measured Resource component has increased slightly based on the additional drill hole information. It would appear that the Coal Resource classification criteria for the 2017 estimate are more conservative than the earlier estimate. SRK considers that the Coal Resource area in the Katingan Ria Project is well established and beyond this, there is limited scope to discover additional Coal Resources within the current Project area.

Table 2-3: Comparison of 2017 and 2013 Coal Resource estimates for Katingan Ria

Resource Category	Coal Resources (Mt)	
	February 2017	February 2013
Measured	6.5	5.7
Indicated	44	44
Inferred	37	39
Total	**87.5**	**88.7**

Source: Xenith Consulting (2017)

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A maximum raw ash of 50% (presumably at 17% moisture) was applied to the Coal Resource estimation; however, it is not clear whether this is material as the seam averages are considerably lower than this value. The Coal Resources are also limited to a maximum depth of 100 m and minimum coal thickness of 0.1 m, which SRK deems reasonable.

Coal Resource categories have principally been assigned based on spacings of coal quality sample data for each seam. There are no plans to show the modelled distribution of seam qualities and this precludes any substantial commentary to be made regarding the spatial variability of coal quality parameters effecting the marketability of the coals and the assumptions to support the Coal Resource classification criteria.

It is doubtful whether the lower seams have reasonable prospects for eventual economic extraction, as the incremental stripping ratio (below the Main Seam) is likely to be prohibitive. Exclusion of the lower seams would result in a reduction to the Coal Resource of 4 Mt (Inferred category).

2.6 Coal Reserves

The stated ROM Coal Reserves at Katingan Ria are set out in Table 2-4.

Table 2-4: ROM Coal Reserves at Katingan Ria

Area	B Seam Probable (Mt)	Main Seam Probable (Mt)	Total Reserves Probable (Mt)
North of Fault	1.6	6.5	8.1
South of Fault – Permit Zone	0.8	16.8	17.6
South of Fault - Other	0.2	1.5	1.7
Total	**2.6**	**24.8**	**27.4**

Based on its review of the available information, SRK considers the stated Coal Reserve tonnages and associated modifying factors to be appropriate for valuation purposes.

2.7 Coal Quality

2.7.1 Raw Quality

The Katingan Ria coals are high moisture, sub-bituminous coals. The coals have low to moderate ash yields and low sulphur contents. These are thermal coals suitable of power generation; however, the high moisture content of the coal will have a detrimental impact on the energy content. A summary of the raw coal qualities is presented in Table 2-5.

Table 2-5: Katingan Ria raw coal qualities

Seams	RD (g/cc)	TM (% ar)	Ash (%)	VM (%)	TS (%)	GCV (kcal/kg)
Upper seams	1.38	32	10.6	39.9	0.21	5,082
Main Seam	1.43	32	18.2	36.0	0.23	4,568
Lower seams	1.39	32	12.1	40.8	0.25	5,023

Note: Average air-dried moisture for all seams is 17%. Raw ash, volatile matter, total sulphur and calorific value in the table are on a 17% moisture basis. Source: Xenith Consulting (2017)

2.7.2 Product Quality

Based on the results of available coal quality data, the coal can be classified as Sub-bituminous, Type A coal (based on the ASTM classification of Coals by Rank).

Table 2-6 summarises the expected raw coal quality of the Katingan Ria product – Main Seam (in situ).

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Table 2-6: Expected Product Coal Quality

		As received	Air dried	Dry	Dry ash free
Moisture (%)	Total	32.0			
Proximate Analysis (%)	Inherent Moisture		17.0		
	Ash	8.2	10.0	12.0	
	Volatile Matter	32.3	39.5	47.5	54.0
	Fixed Carbon	27.5	33.6	40.4	
Fuel Ratio			0.9		
Total Sulphur (%):		0.16	0.20	0.24	0.27
Phosphorus (%):		0.005	0.006	0.007	0.01
Chlorine (%):		0.008	0.010	0.012	0.014
Calorific Value:	Gross (kcal/kg)	4,113	5,020	6,048	6,870
	Net (kcal/kg)	3,798	4,600	5,600	6,300
	Gross-Net (kcal/kg)	315			
Ultimate Analysis (%):	Carbon	43.1	52.7	63.5	72.1
	Hydrogen	3.1	3.8	4.5	5.2
	Nitrogen	0.6	0.8	0.9	1.0
	Oxygen by difference	12.9	15.7	18.9	21.54
	Sulphur	0.17	0.21	0.25	0.28
Ash Analysis (% in dry ash)	SiO_2 44.6		K_2O	0.2	
	Al_2O_3 31.8		TiO_2	1.6	
	Fe_2O_3 7.5		Mn_3O_4	0.09	
	CaO 7.3		SO_3	3.3	
	MgO 2.12		P_2O_5	0.13	
	Na_2O 0.10		Total	99	
HGI	57				
Ash Fusion Temperatures (˚C):		Reducing	Oxidising		
	Deformation	1400			
	Sphere (Softening)	1475			
	Hemisphere	1485			
	Flow	1505			
Trace Elements (mg/kg) db:	Arsenic 0.95	Mercury 0.06			
	Boron 26	Molybdenum 0.91			
	Cadmium 0.02	Nickel 5.1			
	Chromium 11	Selenium 0.62			
	Copper 9.9	Vanadium 20			
	Fluorine 29	Zinc 7.3			
	Lead 3.8				
Other - MHC:30.9					

Source: Katingan Coal Quality Report

While Katingan Ria will be one of the highest moisture thermal coals sold worldwide, it should readily find a viable market.

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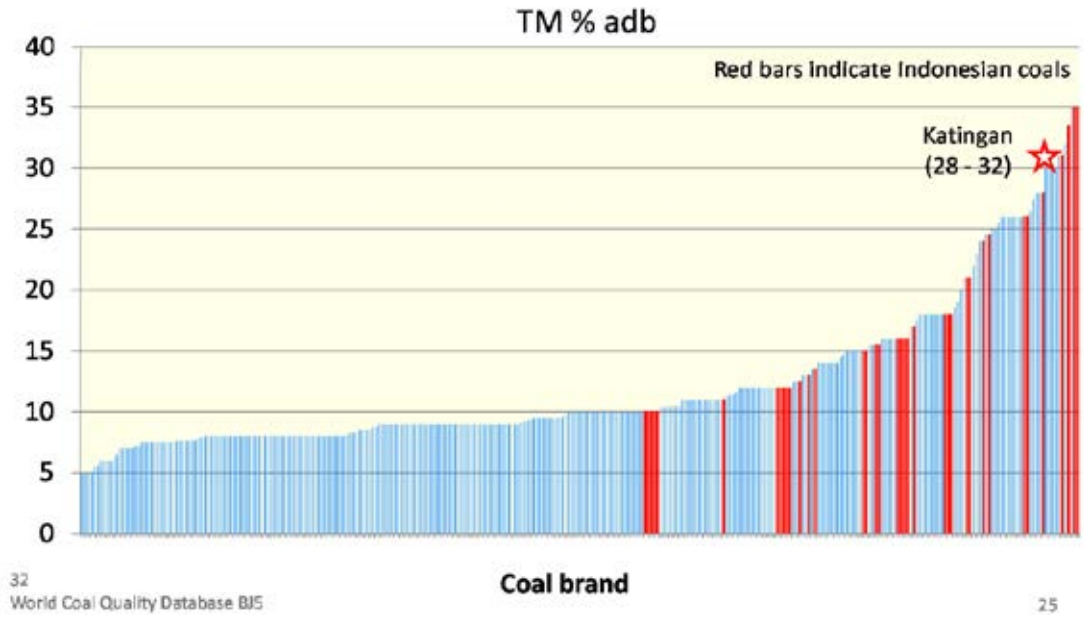

Figure 2-5: Katingan Ria moisture benchmarking

Source: Katingan Ria Coal Quality Update Report (2013)

A spontaneous combustion risk has been identified with this low rank coal. This risk will have to be carefully managed (e.g. by minimising the time over which coal is either exposed or stockpiled).

2.7.3 Indonesian Coal Pricing

The Value-In-Use (VIU) of a coal is dependent on the customer's willingness to pay for a coal when it replaces a benchmark coal product. The development of a VIU model is outside SRK's current scope of work, however we note the following.

The Indonesian Government sets a coal reference price (HBA) for the determination of royalty payments. The Director General of Mineral and Coal of Indonesia, the coal regulator of Indonesia has authority to declare the monthly benchmark price for Indonesian thermal coal. The coal export price comparison against a benchmark price has three primary steps:

1. Calculation of the HBA marker price
2. Calculation of the prices of eight HPB coal markers
3. Calculation against the relevant HPB coal through an energy adjustment.

The HBA (Harga Batubara Acuan) is a monthly average price based on:

- 25% on the Platts Kalimantan 5,900 kcal/kg GAR Index
- 25% on the Argus-Indonesia Coal Index 1 (ICI1) (6,500 kcal/kg GAR)
- 25% on the Newcastle Export Index (NEX) - formerly the Barlow-Jonker Index (6,322 kcal/kg GAR) of Energy Publishing
- 25% on the GlobalCoal Newcastle (6,000 kcal/kg NAR) index.

Since Indonesia produces very little of the high rank coal that the HBA spot sales contracts are based on eight Indonesian primary coal prices are adjusted against the using Calorific Value, Total Moisture, Total Sulphur and Ash to provide an HPB benchmark price for each coal type. However, there is likely to be limited forecasting on the future price of HPA and HPB.

A 2012 Salva marketing report compared the Katingan Ria coal to several similar Indonesian coals. Table 2-7 demonstrates that Borneo BIB 5700 is the most similar to Katingan Ria, which Salva suggests would achieve some 48% of the HBA reference price. Based purely on Calorific Value, Katingan Ria would likely be 100.3% of the Borneo BIB 5700 price. Hence, SRK estimates that coals from Katingan Ria would achieve approximately 48% of the HBA price if put into the export market.

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Table 2-7: Katingan Ria comparison with similar Indonesian coals

Comparison coal	CV kcal/kg (GAR)	TM (% ar)	TS (% ad)	Ash (% ad)	Price % of HBA reference
Warukin Formation Coal	4760	25	0.55	4.5	64
Bas Gurray Coal	4400	35	0.5	5	52
PIC Coal	4200	33	1.8	6	47
Borneo BIB 5700	4100	35	0.3	5	48
Borneo BIB 5500	3800	39	0.3	5	39
Intitirta Coal	3749	42	0.5	4	36

Source: Salva Marketing Report Update Nov 2012

Various other indices exist for low grade Indonesia coal and tracking of the most relevant index will provide guidance for this low rank coal.

Table 2-8 shows that the most applicable Indonesian Coal Index (ICI) is ICI4 — an average of the Argus 4,200 kcal GAR free-on-board (FOB) Indonesia assessment and the Coalindo contribution for 4,200 kcal GAR (3800NAR).

Table 2-8: Argus Indonesian Coal Indexes (ICE)

Grade (kcal)	Timing	Sulphur	Ash	TM	Size
6500 GAR (6200NAR) – ICI 1	In 60 days	Up to 1%	Up to 12%	Up to 12%	Panamax
5800 GAR (5500NAR) – ICI 2	In 60 days	Up to 0.8%	Up to 10%	Up to 18%	Panamax
5000 GAR (4600NAR) - ICI 3	In 60 days	Up to 0.6%	Up to 8%	Up to 30%	Panamax
4200 GAR (3800NAR) – ICI 4	In 60 days	Up to 0.4%	Up to 6%	Up to 40%	Geared vessel above 40.000 t
3400 GAR (3000NAR) – ICI 5	In 60 days	Up to 0.2%	Up to 4%	Up to 50%	Geared vessel above 40.000 t

Source: Argus / CoalIndo Indonesian Coal index Report

Base purely on Calorific Value, Katingan Ria coal would likely achieve a 2.1% discount to the ICI4. There is likely to be reasonable forecasting available on the future price of ICI4. This ideally would be the benchmark price used in any financial model due to the similarity to Katingan Ria and the availability of a forecast. SRK also made an independent comparison of the Katingan Ria data against the four HBA constituent index benchmark specifications in Table 2-9.

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Table 2-9: Comparison against Thermal Coal Benchmark Specifications

Index	Newcastle Global Coal	Platts Kalimantan	Argus-Indonesia Coal Index 1 (ICI1)	HIS Newcastle Export Index	Katingan Ria expected
Index Calorific Value (kcal/kg)	6,000 (nar)	5,900 (gar)	6,500 (gar)	6,322 (gar)	3,798 (nar)
Calorific Value (kcal/kg) (nar)	5,850 min				
Total Moisture (ar)	15.0% max	20.0% max	12.0% max		32.0% typical
Volatile Matter (ar)	27.0% min 35.0% max				32.3%
Ash (ad)			12.0% max		10.0%
Ash (ar)	14.0% max	15% max			8.2%
Sulphur (ad)			1.0% max		0.20%
Sulphur (ar)	0.75% max	1.0% max			0.16%
Selenium (d)	2 ppm max				0.62 ppm
Boron (d) (typical)	60 ppm				26 ppm
Calcium Oxide in Ash (d)	7.0% max				7.3%
IDT	Min 1,200°C in a reducing atmosphere				1,400
Hardgrove Grindability Index	45 – 70				45
Nominal Topsize (mm)	50				50
Size restriction	No more than 30% (by weight) of the Shipment shall pass a 2 mm square mesh screen				n/a

The Katingan Ria product compares poorly on most criteria and would likely be sold at a steep discount to the HBA and constituent indices, but a small discount to the Platts 4200 GAR Indonesian index.

2.7.4 Thermal Coal Price

The Newcastle thermal price is the most closely watched coal price assessment and has a profound influence on global markets (it is one of the four components of the HBA). The GlobalCoal Newcastle standard specification is 6,000 kcal/kg NCV at Total Moisture (arb) of 15.0% max. The GlobalCoal thermal specifications are based on Calorific Value (nar). This provides the energy released accounting for the latent heat of the water vapour released, as this reduces the available energy in the boiler when the coal is combusted.

Thermal product value is primarily based on energy (Calorific Value) and the value of the product is typically proportional to the actual product CV and the index coal CV, using the following formula:

$$Product\ price\ (\$) = \frac{CV(nar)Product}{CV(nar)Index\ coal} \times Index\ price$$

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Using Calorific Value only, the Katingan Ria 3,798kcal/kg (nar) product would sell at 63.3% (36.7% discount) of the Newcastle Global Coal 6,000 kcal/kg (nar) benchmark coal price. However this is likely to significantly overestimate the sale price of Katingan Ria as it is far more cost effective to ship high energy content coal than a low energy content coal. In SRK's opinion, KR coal would likely achieve 48-55% of the GlobalCoal Newcastle index FOB price. The sale price to a domestic mine-mouth power station would be significantly less.

The review of the thermal benchmark price forecasts is not part of the SRK scope of work.

SRK notes that the Calorific Value will vary considerably over time (Figure 2-6) and as a result the coal sale price must also vary.

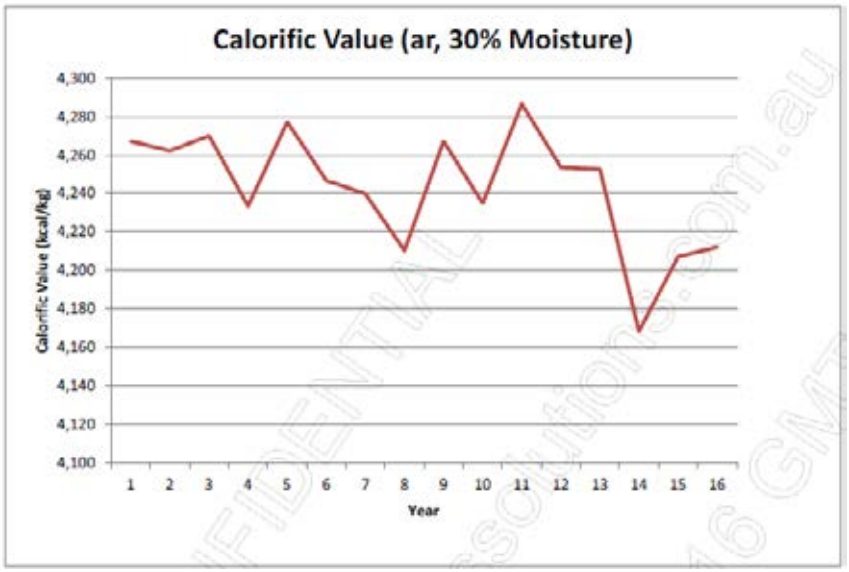

Figure 2-6: Katingan Ria Calorific Value over time

Source: Realm's 2013 Feasibility study

2.8 Geotechnical

Only limited geotechnical and hydrological studies have been completed at Katingan Ria to date. The overburden comprises extremely weather sandstone and siltstone units to stiff sandy clays.

Geotechnical investigations are proposed upon a resumption of exploration/ development activities and would include test pitting within the initial start-up area to confirm conditions. No specific core test work such as unconfined compressive strength or triaxial test are planned but would be undertaken if required.

Given the location of the initial mining area along ridge tops which are elevated from seasonal drainage paths, influx of groundwater is expected to be low and manageable through normal surface water control in the pit.

2.9 Mine Engineering

2.9.1 Mine design and scheduling strategies

The Project is planned as an open cut mine operated using a contractor to mine overburden and coal. The planned operation consists of a conventional truck and shovel strip mining operation in combination with dozer push, which uses an open cut haul back mining method using hydraulic loaders and rear dump trucks to dump both in pit and ex-pit. Dozers will be used to move waste in certain areas.

The Katingan Ria mining strategy is to commence mining near the southeastern limit of the concession in order to minimise haulage distances to readily available waste dump locations, target a start-up area where geological modelling indicates attractive coal quality and lowest available stripping ratio.

Coal production aims to ramp up from 1.15 Mt in Year 1 and 2.0 Mt in Year 2 to the aimed maximum production rate of 2.5 Mtpa to 3.0 Mtpa from Year 3 onwards. This schedule results in a mine life of 14 - 16 years with 37 Mt of ROM coal and 128 Mbcm of waste. The Main Seam contains the bulk of the coal, with 34.4 Mt ROM at average energy, ash and thickness of 4,255

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kcal/kg (ar), 9.0% (ar) and 3.20 m respectively. The mine schedule is based on waste mining year-round (dry periods inclusive).

The coal is planned to be sold "unwashed", i.e. there is no metallurgical treatment required to achieve a saleable product. The coal is expected to be sold as a high moisture, low energy thermal product to the domestic power station market with all ROM coal considered saleable product.

In SRK's opinion, the proposed mining method suits the geometry of the deposit and in particular the shallow and outcropping nature of the coal. Dumping will take place ex-pit initially and subsequently in-pit as backfill when the open void is sufficiently large.

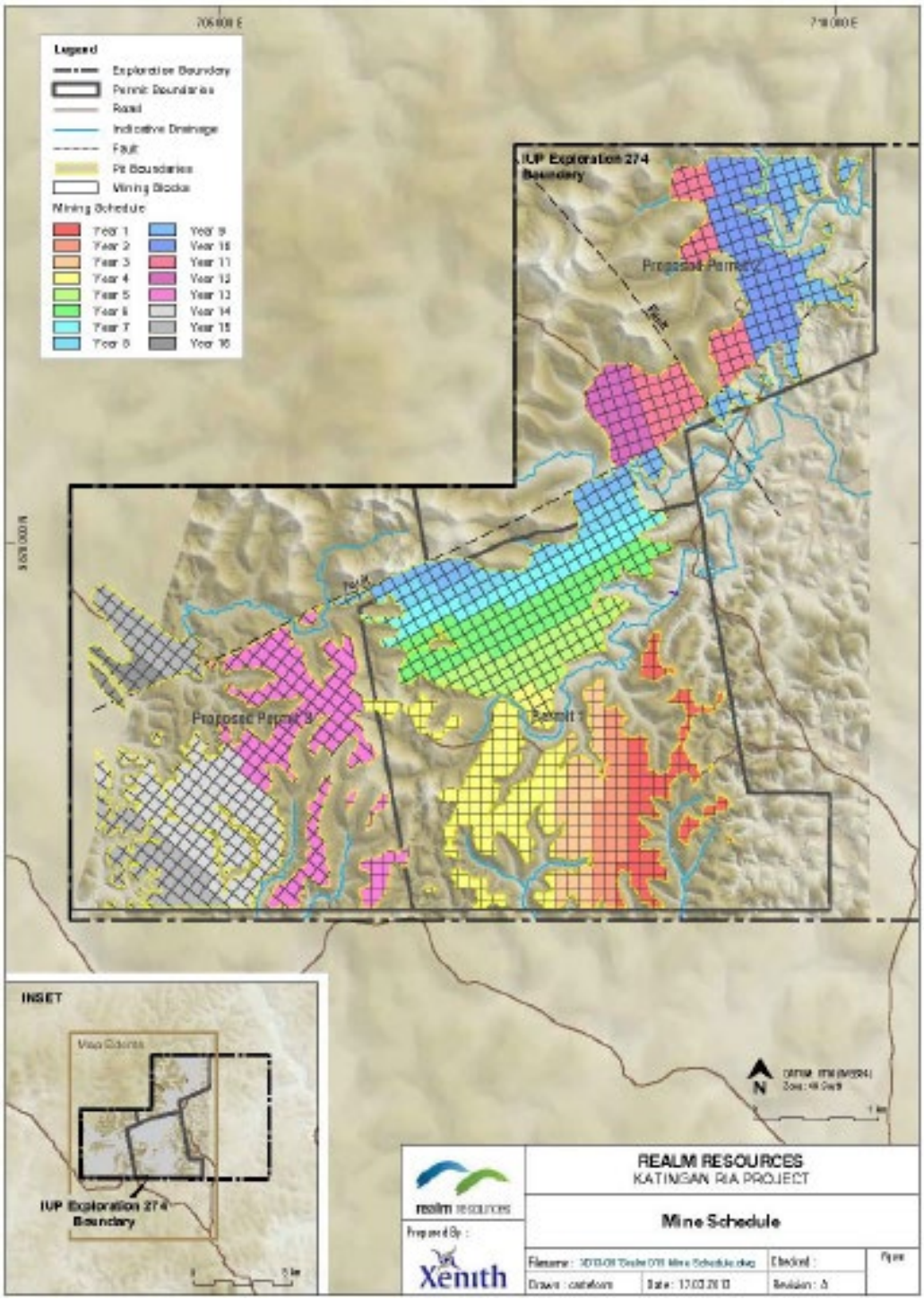

Figure 2-7: Katingan Ria mine plan (Source: Feasibility Study 2012)

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The Minex Mine Planning software, Pit Optimiser software (Optimiser) was used to establish the pit limits and development strategy for the Katingan Ria coal deposit.

The Optimiser is based on the Lerchs-Grossmann technique that is commonly used to define economic pit limits for both metal and coal mines. The Optimiser determines the maximum size pit that can be mined until the final walls represent marginal or breakeven material.

Numerous options were run through the Optimiser software to investigate the impact of clean mining versus traditional loss and dilution for different seam combinations. The selected case was the clean mining case with only the B and Main Seams as the target seams. The remaining seams were deemed uneconomic.

2.9.2 Mining equipment

In SRK's opinion, the proposed mining equipment is representative of that in common use in similar sized operations across Indonesia.

Table 2-10: Typical contractor fleet during steady state operations

Item	Description	Class	No	Duties
Hydraulic Excavator	100 t	Coal	1	Main coal excavator
Hydraulic Excavator	40 t	Coal	1	Cleaning of coal and loading
Road Haul Truck	60 t	Coal	NA	Haulage of coal to USP from pit
Rubber Tyre Dozer	Small	Coal	1	Cleaning of coal
Hydraulic Excavator	250 t	Waste	2	Main waste excavator
Hydraulic Excavator	100 t	Waste	1	Waste digging and clean-up
Rear Dump Truck	90 t	Waste	14	Haulage of waste to dumps
Track Dozer	Small	Support	2	Clean up around excavators
Track Dozer	Medium	Support	2	Waste dumps
Water Cart	80 kL	Support	1	Dust suppression of roads in dry seasons
Grader	16 ft	Support	2	Road maintenance in and around pit/ dumps
Front End Loader	Medium	Support	1	Loading of coal at UPS

Source: Xenith (2017)

2.10 Processing

The coal is assumed to be sold "as mined" with no further processing other than minor crushing thus resulting in a 100% yield.

For initial mining operations at Katingan Ria, a mobile crushing plant would be used. The ROM coal would be trucked from the mine site and dumped onto the ROM stockpile. ROM coal would be loaded in the bin hopper using a front-end wheel load (FEL) and then crushed in the primary crusher (from 1 m to 200 mm). Transfer conveyor 1 would convey the crushed coal to the secondary crusher to crush to 50 mm product coal. Transfer conveyor 2 would convey the product coal to a stacker for stacking on the product pile.

The operations will be supported by the following:

- 1 x 980 front end loader
- 2 x D7 dozers with coal blades
- 1 x skidsteer loader
- 2 x 360 kVA generators.

The size of a Coal Handling Plant (CHP) is determined by project economics. It is usually given as the annual raw coal production of the mine which then has to be translated to an hourly feed rate. Determining the plant operating hours allows the hourly capacity to be determined, typically rounded up to the nearest 50 tph. In addition to the expected plant capacity, an investigation of the probable range of duties that may change over the business cycle is necessary. Building in flexibility need not cost extra, it may only require foresight.

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2.11 Environment

2.11.1 Environmental impact assessment and permitting

No technical reports on the biophysical or socioeconomic environment in the project area were provided to SRK for review and no project-specific environment studies are referenced in the AMDAL (Environmental Impact Assessment) and permit applications that have so far been prepared for the Katingan Ria Project. On the basis of information provided, it appears that no baseline environmental studies and limited stakeholder consultation were carried out in support of the AMDAL or the related environmental management plan/ monitoring plan (RKL/RPL) developed for the project. SRK considers it doubtful whether the standard of documentation prepared to date for the project would meet current guidelines promulgated by the Ministry of Environment (MoE – now Ministry of Environment and Forestry) under MoE Regulation No. 16/2012 (*Peraturan menteri negara lingkungan hidup republik Indonesia Nomor 16 tahun 2012 Tentang Pedoman penyusunan dokumen lingkungan hidup* - Guideline for Compiling/ Preparing EIA (Amdal), UKL-UPL and SPPL).

It is nonetheless evident that the Government approved the Project's AMDAL in an analysis report (AMDAL) released in May 2011. To the extent that the documentation completed for the Project as defined in 2011 remains applicable to the revised project concept, Realm has achieved substantial progress in its environmental approvals, having obtained a positive decision from the government on the environmental feasibility of the original coal development proposal (Figure 2-8). No information has been supplied to SRK on the status of subordinate permitting for regulated activities under applicable regulations (for example, *Peraturan Pemerintah Republik Indonesia Nomor 27 Tahun 2012 Tentang Izin Lingkungan*).

SRK is uncertain whether the approval of the Katingan Ria AMDAL remains valid indefinitely or whether there are time limits on the approval. Similarly, it is not clear whether the 2011 ANDAL would apply without amendment to the modified project currently being contemplated by Realm. Both these matters are material and warrant further consideration, as Indonesian environmental policy and regulation have evolved considerably in recent times and additional obligations or constraints could apply to any new or additional environmental assessments. For example, there has been a high level of Government interest in the protection of peatlands since catastrophic fires in 2015. In response, the Indonesian Government promulgated a range of environmental regulations in 2016 and 2017 aimed at protecting peatlands. In some instances, these regulations may have had the effect of constraining existing approved development. Although recent court decisions have struck down some of the regulations, there is insufficient information to determine whether the areas targeted by the Katingan Ria Project proponents may be affected to regulations and policies relating the protection of peatlands.

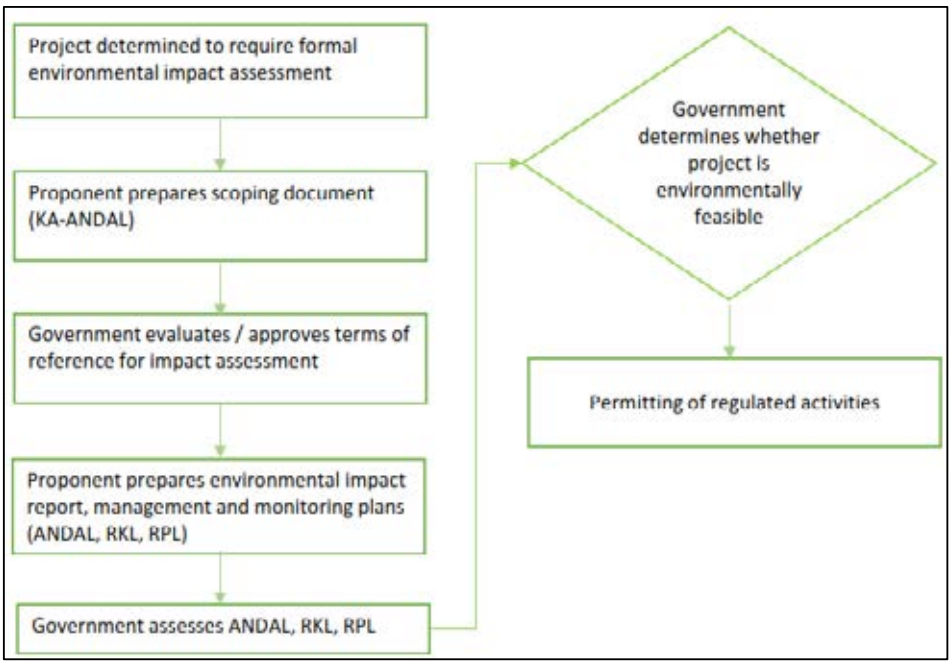

Figure 2-8: Simplified flowchart – environmental impact assessment and permitting (Indonesia)

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2.11.2 Summary and conclusions

Although the Project as proposed in 2011 has gained in principle acceptance as an 'environmentally feasible' activity, SRK considers that there is some uncertainty as to the validity of the 2011 AMDAL approval for the Project as currently defined. The quality of technical information supporting the original environment assessment may not satisfy current regulatory or stakeholder expectations and recent changes in environmental policy and regulation could constrain the implementation or amendment of the Project's existing environment consent.

2.12 Infrastructure and services

The infrastructure requirements for the Project have been kept to a minimum to reduce complexity, delivery times and maintain consistency with regulatory applications and current approvals.

The major infrastructure requirements for the Project are the Mine Infrastructure Area (MIA) and the stockpile area consisting of stockpile and crusher.

The MIA is proposed to be constructed in the southeastern portion of the concession area and will comprise a power generator, workshop, administration and site offices, fuel storage, washdown bays, ablution blocks, crib room and meeting/ prayer room.

The Feasibility Study contemplated the stockpile area to be located outside of the concession area and along the banks of the Katingan River. SRK has not been advised of the location of the stockpile and processing area under the mine-to-mouth power station concept.

2.13 Risk and Opportunity

2.13.1 Risk

The most significant risk to the Katingan Ria Project is the proposed development of the adjacent power station. SRK understands that there is currently no certainty as to the likely timing that such a power station may be built nor any discussions as to the likely conditions that may be attached to such a power station taking coal from the Katingan Ria Project.

The other main risk relates to spontaneous combustion.

The processing risks associated with the equipment capacity and capital cost estimates were not able to be assessed.

2.13.2 Opportunity

SRK understands that Realm is investigating opportunities to expand its current tenure to the south to cover continuations of the coal seams within its Katingan Ria Project. As yet, no commercial agreements are in place.

No other opportunities were identified in SRK's review.

2.14 Production scenarios

SRK has review the mining physicals as presented in the Katinga Ria 2017 Competent Persons Report prepared by Xenith Consulting and considers these appropriate for valuation purposes under an export focussed mining operation.

Total coal contained in the pit is 37 Mt at a n average strip ratio of 3.5 bcm/t ROM. Mine life is estimated at 16 years. However, Realm's 2017 Competent Persons Report stipulates a Reserve estimate of 27.4 Mt with the additional 9.5 Mt being derived from defined Coal Resources. As a result, SRK recommended that this additional 9.5 Mt be appropriately risk weighted within the financial model.

Table 2-11: Schedule Summary (coal export option)

Year	Units	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
Waste	bcm	3.8	4.0	4.2	6.3	8.0	11.2	11.2	11.2	10.8	9.6	9.6	9.6	9.6	9.6	6.9	2.5	128.0
ROM Coal	Mt	1.0	1.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	1.5	36.9

Source: Xenith (2017)

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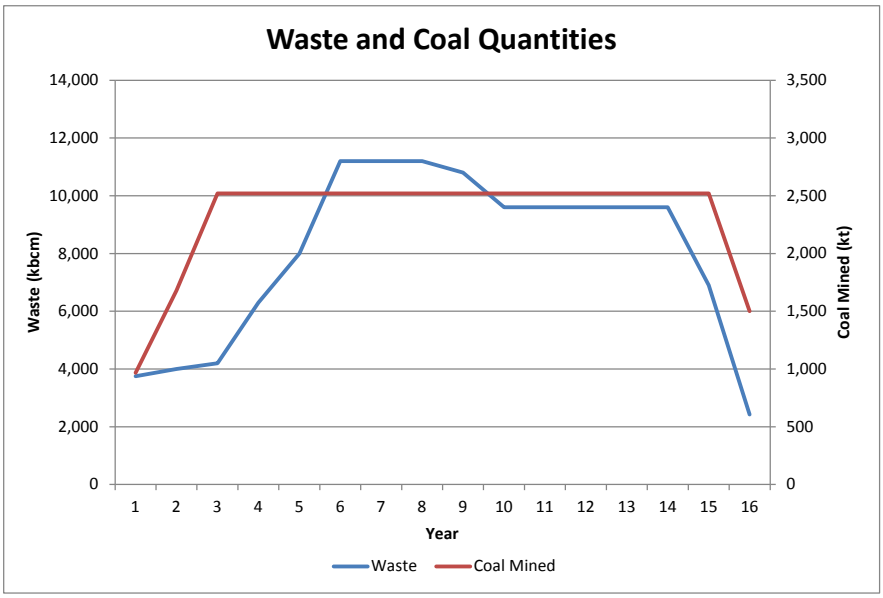

Figure 2-9: Katingan Ria Waste and Coal Quantities

Source: Xenith 2017

SRK notes that Realm's current preferred concept is however a mine mouth operation supporting a nearby, as yet to be constructed power station. For the purposes of this exercise, SRK has prepared a high-level mine schedule in light of the Indonesian Government's requirement for a minimum 25 year mine life in support of a power station. On this basis, the mine physicals are outlined in Table 2-12.

Table 2-12: Schedule Summary (mine mouth option)

Year	Units	1	2	3	4 to 5	6 to 17	18 to 23	24	25	Total
Waste	Bcm/annum	3.8	3.52	3.0	4.5	6.0	5.25	4.5	0.78	**128.1**
ROM Coal	Mtpa	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.2	**36.7**

Source: SRK Analysis

Capital costs

Realm's 2017 Competent Persons Report for Katingan Ria estimated a capital expenditure of US$24.4 M based on a bargining operation (Xenith, 2017). Removal of transport and waterway related capital costs reduces this to US$14.2 M (including 30% contingency) with a working capital requirement of US$3.4 M. Given the scale and simplicity of proposed operations which is supported by a local contractor labour force, SRK considers this estimate to be reasonable.

Operating costs

Realm's LOM operating costs at Katingan Ria are based on the 2016 Britmindo operating cost update.

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Cost Structure	Units	Unit Cost (US$/t)
Overburden removal – Truck & Shovel	$/bcm	1.70
Overburden removal – Bulk Push	$/bcm	0.80
Coal Mining	$/t	1.50
ROM Load & Haul	$/t	1.00
Crushing	$/t	1.00
Quality Testing	$/t	0.20
Rehabilitation Provision	$/t	0.20
Community development	$/t	0.15
Overhead Expense	$/t	0.25
Royalty	% Coal Price	5%
VAT on contracting	% Selected Costs	10%

In SRK's opinion, these costs are considered to be reasonable for a comparable CHP operation in Indonesia. The future operating costs are expected to continue to increase in line with mining industry indices.

Some CHPs are contract operated. The contractor profit margin for contractor operation would typically be in the order of US$0.3/t ROM, depending on CHP size, contract duration, contractor selection method, etc. The contract operating cost would be divided into a fixed component and a variable component.

3 Valuation

3.1 Foxleigh Exploration Potential

In considering the value of any exploration potential within the broader Foxleigh Project area, SRK has relied on targets identified by MBGS as outlined in Section 1.5.3 (specifically, Figure 1-8 and Table 1-5). SRK has estimated the areal extent of these targets as outlined in Table 3-1.

Table 3-1: Areal extent and perceived prospectivity of the broader Foxleigh Project area.

Project	Target	Prospectivity	Area (km^2)
Eagles Nest	Rangals	High	5.8
Foxleigh West	Rangals	Medium	12.41
Foxleigh Central	Rangals	Medium	42.52
Scrub Creek	Rangals	Medium	10.13
Foxleigh East	Rangals	Low - Conceptual	44.51
Eagles Nest South	Rangals	Low - Conceptual	15.78
Foxleigh South	Burngrove	Low - Conceptual	184.3
		Total	**315.45**

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3.1.1 Comparable Transactions

To establish SRK's opinion of the current market for Realm's exploration potential outside of the currently stated Coal Resources and Reserves (as assessed by Deloitte through its DCF analysis), a search of publicly available transactions was carried out. This search focussed on transactions occurring within the past five years, which involved coal exploration projects and specifically targeted coherent tenement holdings over areas considered prospective for PCI and thermal coal deposits in Australia. The transactions identified along with the implied cash-equivalent values are summarised in Appendix E.

Based on its review of recent transactions in Indonesia and Australia involving early to advanced stage exploration projects (excluding JORC Code compliant Coal Resources and Coal Reserves), SRK considers the market has been generally paying in the following ranges:

- A$3,000 to A$10,000/km^2 for early stage exploration projects in Australia
- Advanced exploration projects or those which are either strategically located or host coals which have not been advanced to JORC Code compliant resource status, may trade at significantly higher multiples, but generally in the range of A$10,000 - A$30,000/km^2 in Australia.

On this basis, SRK considers the value of a 100% equity interest in the exploration targets outside of the currently defined Coal Resources and Reserves (as considered in Deloitte's DCF analysis) are likely to trade in the ranges shown in Table 3-2.

Table 3-2: SRK valuation of 100% equity interest in Exploration Targets outside of currently defined Coal Resources and Reserves

Target	Exploration Status	Area (km^2)	Applied range (A$/km^2)	Low (A$)	High (A$)
Eagles Nest	Advanced stage exploration	5.8	15,000 - 20,000	87,000	116,000
Foxleigh West	Advanced stage exploration	12.41	10,000 - 15,000	124,000	186,000
Foxleigh Central	Early stage exploration	42.52	5,000 - 10,000	213,000	425,000
Scrub Creek	Conceptual to Early stage exploration	10.13	3,000 - 6,000	30,000	61,000
Foxleigh East	Conceptual to Early stage exploration	44.51	3,000 - 6,000	134,000	267,000
Eagles Nest South	Conceptual to Early stage exploration	15.78	3,000 - 6,000	47,000	94,500
Fox South	Conceptual to Early stage exploration	184.3	3,000 - 6,000	553,000	1,106,000
	Total	**315.45**		**1,188,000**	**2,256,000**

3.1.2 Geoscientific Rating

In order to verify the values implied by recent sales data for similar projects, SRK has also considered the geoscientific rating system (Table 3-3). Factors applied are discussed in Appendix E.

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Table 3-3: Value of a 100% interest in the Foxleigh targets - Geoscientific rating

Target	Area (km^2)	BAC (A$)		Off Property	On Property	Geology	Anomaly	Market Factor	Market Value (A$)
Eagles Nest	5.80	2,900	High	2.5	2.5	2.5	3.5	1	159,000
			Low	2	2	2	3		70,000
Foxleigh West	12.41	6,205	High	2.5	2.5	2	2	1	155,000
			Low	2	2	1.5	1.5		56,000
Foxleigh Central	42.52	21,260	High	2.5	2	2	2	1	425,000
			Low	2	1.5	1.5	1.5		144,000
Scrub Creek	10.13	5,065	High	2.5	2	2	2	1	101,000
			Low	2	1.5	1.5	1.5		34,000
Foxleigh East	44.51	22,255	High	2.5	2	2	2	1	445,000
			Low	2	1.5	1.5	1.5		150,000
Eagles Nest South	15.78	7,890	High	2.5	2	1.5	1.5	1	89,000
			Low	2	1.5	0.9	0.9		19,000
Fox South	184.30	92,150	High	2.5	2	1.5	1.5	1	1,037,000
			Low	2	1.5	0.9	0.9		224,000
Total	**315.45**		**High**						**2,411,000**
			Low						**669,000**

3.1.3 Summary

SRK's recommended valuation ranges and preferred values for the exploration potential at Foxleigh outside of the Coal Resources/ Reserves considered in Deloitte's DCF analysis are summarised in Table 3-4. SRK has produced a Market Value as defined by the VALMIN Code (2015). SRK's preferred values are positioned conservatively – given the level of study and assumptions incorporated by SRK into its analysis, SRK has no strong inclination towards either end of the valuation range. SRK has adopted this position due to varying levels of technical and geological uncertainty, including, but not limited, to the expected difficulties in converting exploration potential to Coal Resources and onto Coal Reserves.

Table 3-4: Summary of SRK's Valuation of a 100% interest in the Foxleigh Exploration Potential outside of that considered in Deloitte's DCF Analysis

Valuation Method	Low (A$ M)	High (A$ M)	Preferred (A$ M)
Exploration Potential (Comparable Sales)	1.19	2.26	
Exploration Potential (Geoscientific Rating)	0.70	2.41	
Total Value of Exploration Potential (Selected)	1.19	2.41	1.80

Note: Any discrepancies between values in the table are due to rounding.

Taking into account Realm's equity interests in these tenements, SRK's recommended valuation ranges and preferred values for the exploration potential at Foxleigh outside of the Coal Resources/ Reserves considered in Deloitte's DCF analysis are summarised in Table 3-5.

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Table 3-5: Summary of SRK's Valuation of Realm's interests in the Foxleigh Exploration Potential outside of that considered in Deloitte's DCF Analysis

Valuation Method	Low (A$ M)	High (A$ M)	Preferred (A$ M)
Exploration Potential (Comparable Sales)	0.84	1.60	
Exploration Potential (Geoscientific Rating)	0.50	1.71	
Total Value of Exploration Potential (Selected)	0.84	1.71	1.28

Note: Any discrepancies between values in the table are due to rounding.

3.2 Katingan Ria Exploration Potential

Given the areal extent of the current Katingan Ria concession and the stated Coal Resource/ Reserve, SRK does not consider there is any exploration potential not already considered in Deloitte's DCF analysis.

3.3 Previous Valuations

The VALMIN Code requires that an Independent Valuation report should refer to other recent valuations or Independent Expert Reports undertaken on the mineral properties being assessed.

Having asked the question of Realm, SRK is not aware of any recent public reported valuations or IERs involving the exploration assets and which may have a bearing on the values assigned to the subject projects as discussed in this Report.

Yours faithfully

SRK Consulting (Australasia) Pty Ltd

Jeames McKibben
Principal Consultant – Project Evaluation

Anthony Stepcich
Principal Consultant – Project Evaluation

REALM RESOURCES LIMITED TARGET'S STATEMENT

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Appendix A: CVs of SRK's team

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Resume

Jeames McKibben

Principal Consultant

Profession	Geoscientist
Education	MBA, Macquarie Graduate School of Management, 2003 BSc Hons (Geology, Geochemistry), University of Tasmania, 1993
Registrations/ Affiliations	Chartered Valuation Surveyor (MRICS) MAusIMM(CP); MAIG VALMIN Review Committee
Awards	Renison Scholarship for Economic Geology – CODES, University of Tasmania Tasmanian Government Scholarship for Geology – CODES, University of Tasmania

Specialisation

Geology; mineral asset valuation; mineral expert and independent technical reports; techno-economic studies (to feasibility level); mining related mergers and acquisitions; due diligence and advisory services

Expertise

Jeames McKibben is an experienced international mining professional having operated in a variety of roles including consultant, project manager, geologist and analyst over more than 24 years. He has a strong record in mineral asset valuation, project due diligence, independent technical review and deposit evaluation. As a consultant, he specialises in mineral asset valuations and Independent Technical Reports for equity transactions and in support of project finance. Jeames has been responsible for multi-disciplinary teams covering precious metals, base metals, bulk commodities (ferrous and energy) and other minerals in Australia, Asia, Africa, North and South America and Europe. He has assisted numerous mineral companies, financial, accounting and legal institutions and has been actively involved in arbitration and litigation proceedings. Jeames has experience in the geological evaluation and valuation of mineral projects worldwide

Employment

2016 – Present	SRK Consulting (Australasia), Principal Consultant, Brisbane
2015 – 2016	SLR Consulting, Technical Discipline Manager (Valuation & Property Services), Brisbane
2009 – 2015	Xstract Mining Consultants, General Manager – Corporate Advisory, Brisbane
2004 – 2009	Snowden Mining Industry Consultants, Consultant, Senior Consultant, then Divisional Manager – Corporate Services, Brisbane
2000 – 2002	Ambase (Morocco) Limited, Project Manager, Morocco
1998 – 2000	Zamanglo Prospecting, Project Geologist, then Project Manager, Zambia
1997 – 1998	Consolidated Gold Mines Limited, Project Geologist, Western Australia
1997	Johnsons Well Mining NL, Project Geologist, Western Australia
1995 – 1996	Mineral Resources Tasmania, Mineral Analyst, Tasmania
1994 – 1995	Normandy Exploration, Geologist, Kalgoorlie, Western Australia

Languages

English (fluent) and French (basic)

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Resume

Gerry McCaughan

Principal Consultant

Profession	Geologist
Education	PhD (Geology), Trinity College, Dublin, Ireland, 2002 BA Mod (Hons.) Natural Sciences (Geology), Trinity College, Dublin, 1997
Registrations/ Affiliations	MAusIMM
Awards	Statoil PhD Scholarship, 1997

Specialisation

Coal exploration and mine geology; coal resource estimation and reviews; independent expert reporting; regional- to project-scale target generation and prospectivity analysis; structural geological risk assessment in coal operations and advanced exploration projects; design and management of coal exploration drilling and sampling programs

Expertise

Gerry McCaughan is a geologist with 15 years' professional experience, including 13 years' industry and consulting experience in coal and base metals. He is experienced in exploration targeting, structural geology risk analysis, geological modelling and reviews and Resource estimates on a number of coal projects in Australia, Africa, Indonesia and North America. Gerry is a Competent Person for Coal Resource reporting as defined by the JORC Code (2012) and was a member of the committee responsible for the 2014 revision of the *Australian Guidelines for the Estimation and Classification of Coal Resources*. He has prepared Independent Geologist's Reports, Resource Statements and other public documentation for the ASX.

Employment

2012 – Present	SRK Consulting (Australasia), Principal Consultant (Coal Geology), Newcastle
2008 – 2012	SRK Consulting (Australasia), Senior Consultant (Coal Geology), Newcastle
2006 – 2008	SRK Consulting (Australasia), Consultant (Geology), Newcastle
2005 – 2006	Xstrata Coal Queensland, Underground Coal Mine Geologist, Oaky Creek, Queensland
2004 – 2005	Oaky Creek Coal Pty Ltd (Xstrata Coal Queensland), Coal Exploration Geologist, Oaky Creek, Queensland
2003 – 2004	Gnomic Exploration Services, Contract Mine Geologist, Mt Isa, Queensland
2001 – 2002	ERA-Maptec Ltd, GIS Analyst, Ireland

Languages

English, Spanish (basic)

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Resume

Anthony Stepcich

Principal Consultant

Profession	Mining Engineer
Education	GDip (Finance and Investment), Securities Institute of Australia, 2002 Dip (Technical Analysis), Australian Technical Analysts Association / Securities Institute of Australia, 2002 MSc (Mineral Economics), Curtin University, 1997 BEng (Mining), Ballarat University, 1992
Registrations/ Affiliations	FAusIMM(CP)

Specialisation

Project evaluation; IPCC studies, pit design and scheduling; pit dewatering; dragline operations, drill and blast, pit optimisation, financial analysis; mine costing and commodity analysis

Expertise

Anthony Stepcich is a Mining Engineer with 22 years' experience in the mining industry, having gained both underground and open-pit metalliferous experience, and open-pit coal experience. Anthony has postgraduate qualifications in finance and economics. He specialises in open-pit design and scheduling and project evaluations. Anthony is a Competent Person for the reporting of Ore Reserves in accordance with JORC Code (2012). Anthony is also an Expert in accordance with the VALMIN Code (2005) for the public reporting of valuations across multiple commodities. Anthony has experience working in Australia and Indonesia.

Employment

2010 – Present	SRK Consulting (Australasia), Principal Consultant (Project Evaluations), Sydney
2009 – 2010	PT Leighton Contractors, Planning Superintendent, Wahana Coal Mine, Indonesia
2008 – 2009	AMC Consultants, Principal Mining Engineer (Coal & Energy), Brisbane
2007 – 2008	Aegis Equities Research, Mining Analyst, Sydney
2005 – 2007	AME Mineral Economics, Mining Analyst, Sydney
2003 – 2005	BHP Billiton, Medium-term Scheduling Engineer, Saraji Coal Mine, Queensland
2001 – 2003	BHP Billiton, Dragline Engineer, Saraji Coal Mine, Queensland
1999 – 2000	Roche Eltin Joint Venture (Century Zinc Mine), Open Pit Engineer, Queensland
1998	Outokumpu (Forrestania Nickel Mines), Underground Contract Mining Engineer, Western Australia
1996 – 1997	Plutonic Gold (Plutonic Gold Mines), Underground Production Engineer, Western Australia
1994 – 1996	PosGold (Big Bell Mines), Underground Miner, Western Australia
1993 – 1994	Peko Gold (Kanowna Belle Gold Mines), Open Pit Mining Engineer, Kalgoorlie, Western Australia

Languages

English

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ADRIAAN BENSON

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E: adriaanben@gmail.com LinkedIn Profile: au.linkedin.com/pub/adriaan-benson/65/510/59a

CAREER PROFILE

Highly experienced senior mining technical or operations manager with over 25 years' experience within the mining sector, comprehensive knowledge in relation to underground coal mines, large open cut mines and large hard rock open pit operations. Specialist expertise in the development and implementation of various processes and systems focused on improving overall mining operations. Exceptional leadership skills coupled with an innate ability to drive an organisation forward in order to deliver on the company's vision and strategic goals.

Profound technical knowledge and solid experience in technically focused roles such as *Technical Services Manager* and *General Manager, Technical Services.* Complimentary to strong technical knowledge is years of production (open cut and underground) experience, with a track record of achieving substantial, quantifiable results. Key attributes include: excellent stakeholder management skills, accomplished communication skills and forward thinking problem solving ability.

KEY SKILLS

- ✓ **Extensive experience working within the mining sector** with demonstrated accomplishments in: long term mine planning, strategic and business planning, resource development, business improvement, team leadership and project management
- ✓ **Accountable and responsible in senior level positions** with demonstrated ability to overcome complex business challenges
- ✓ **Skilled in building high performing teams** and implementing motivating initiatives in order to maintain employee engagement such as individual training and development plans
- ✓ **Adept in all aspects of operations management** including: human resource management, financial management, continuous improvement, strategic and business planning
- ✓ **Proven ability to apply technical and production experience**, to strategic and business planning initiatives, largely contributing to successful implementation of company vision and direction

CAREER SUMMARY

DATE	ROLE	ORGANISATION
October 2012 – Present	Owner / Principal	Alpha Mine Planning 4U
October 2010 – October 2012	General Manager – Technical Services	Vale Coal Australia
November 2009 – October 2010	Principal Mining Consultant	Snowden Mining Consultants
October 2007 – November 2009	Principal Strategic Mine Planning Engineer	Anglo Coal Australia

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October 2005 – October 2007	Mining Consultant – Mine Planning	AJBC Mining Consulting Services
May 2001 – October 2005	Long Term Strategic Mine Planner	De Beers Consolidated Mines
Pre – 2001	Mainly production experience - Full details readily available upon request	

EXPERIENCE

Owner / Principal | Alpha Mine Planning 4U | October 2012 - Present

Alpha Mine Planning 4U is a consulting business focused on the development and implementation of cost effective solutions assisting businesses with best practice resource development, mine planning and design.

Responsibilities:

- Implementation of resource development solutions in areas such as:
  - Geological evaluation and classification of deposits
  - Mining engineering of Open Cut and Underground operations
  - Supporting mining operations in Technical Management activities
  - Long, medium and short term mine planning
  - Business enterprise planning: including investigation of alternative mine planning scenarios to extract the maximum value for a business enterprise
  - Development and implementation of robust mine planning processes
- Key player in the start-up of an Open Cut Operation
- Development of the Operating and Business plan for the period 2014 - 2016
- Development of the Opex and Capex plans
- Development of a Strategic plan that articulated around, People, Internal Business Processes, Shareholders wealth and Financial outcomes
- Developed and delivered a training program for Open Cut and Underground Mining Engineers

Achievements:

- Kamoto Copper (Glencore), Budget, three year mine plan and Life of Mine Plan development
- Multiple coal projects all over Australia and Indonesia
- Review and implementation of a Mine Planning Process – Western Australia and Central Queensland
- Review of a due diligence study conducted (Open Cut sales transaction in Bowen Basin)
- Due to conducting a valuation of an Underground Coal mine, the company was able to list on the SSE
- Development of a deep underground Coal Mine in Central Queensland – this included conducting a technical study which highlighted to the investors the challenges, as well as revealing the gaps that still have to be addressed in order to mitigate the associated risks
- Open Cut – conducted a maximum production study (Mozambique) which ultimately led to the decision to invest Capital to construct a rail line from the coast to the mine

General Manager – Technical Services | Vale Coal Australia | October 2010 – October 2012

Vale is the global leader in iron ore production, with a presence in 37 countries. Vale is also the second largest nickel producer, and employs more than 139,000 staff. My role during this time was focused on managing technical services, mine planning, design, resource development, business improvement and various key mining projects.

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Responsibilities:

- Resource Development – development of standardised processes and systems for resource estimation whilst adhering to the JORC code; process to report to the HEX and NYSE. Development of the GISArc system for Vale Coal Australia.
- Long Term Mine Planning – development of the Long Term Mine Planning processes and models and delivering multiple scenarios for the current operations, defining the Base Case LOMP, Most Likely Case and the Blue Sky mine planning scenarios. Advice to the Coal Business on strategic mine planning options
- Mining Engineering – development of standardised processes and provision of support to current operations and projects in relation to mining engineering aspects such as: geotechnical engineering, mine design and layout, ventilation, coal processing and validation of the S&OP process(Sales and Operations Plan)
- Business Improvement – development of a 5-year business strategy for business improvement and initiation of small business improvement projects in the short term
- Projects - responsible for the governance on FEL-2 and FEL-3 stages of coal projects. Providing technical expertise to projects as required

Achievements:

- Growth Strategy - developed a growth strategy for the Vale Coal business in Australia which was approved by the Vale Board in November 2011, which led to a significant enhancement in the value of the Coal business
- Technical Services Team – established a Technical Service Team from 3 to a total of 37 highly qualified technical professionals
- Standardised system and processes – introduction of standardised resource development, mining engineering and long term mine planning systems and processes. As a result, more efficient methods and processes were implemented, bringing consistency across all sites
- Business Enterprise Plan – developed a Business Enterprise Plan for Vale Coal Australia that supported the Strategic Planning process to maximise the capital employment and value of the business
- People management – implemented training and development plans for each member of the Technical Services team, created an motivated team culture and as a result of effective HR management only had two resignations within two years

Principal Mining Consultant | Snowden Mining Consultants | November 2009 – October 2010

Snowden is a globally recognised brand in mining studies, offering consulting, training, solutions and software services. Snowden employs a highly experienced team of mining engineers who specialises in feasibility and optimisation studies as well as compliance reporting.

Responsibilities:

- Mine Planning: Provision of advisory services to clients in relation to strategic mine planning options; Design layout and scheduling of mine; Developed the highest value mine plan which includes trade off studies from Underground mining options to Open Cut's
- Project Management: Responsible for leading main projects as they appear, this included managing staff, monitoring and controlling budgets and overseeing project activities from inception through to completion
- Due Diligence studies – Confidential (client) due diligent studies completed for a number of clients
- Investment case analysis – Investigation and development of a strategy for a company to apply with respect to investing in coal resources in Mozambique

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Achievements:

- Sebuku Mine: Pit optimisation of the resource; Determined the maximum value of the resource and the associated capital it can carry for various production levels
- Detail design and layout – efficiently overcame complex challenges to the design and layout within the constraints of the current infrastructure
- Kestrel coal flow audit – Investigating the coal flow for Kestrel from the source to the ship and the value engineering throughout the complete process. Despite not previously having a 'proper' reconciliation system in place, this audit was successful and allowed gaps within the system to be identified, so that appropriate measures could be taken to avoid such issues in the future

Principal Strategic Mine Planning Engineer | Anglo Coal Australia | October 2007 – November 2009

Anglo Coal operates in both underground and open cut mines, and is Australia's second largest exporter of metallurgical coal. Anglo employ approximately 5,000 staff and have extensive mining interests in Queensland and New South Wales.

Responsibilities:

- Mine Planning: Responsible for the Life of Asset Mine Planning for the Anglo Operations in Australia
- Project Management: Responsible for leading main projects as they appear; this included managing staff, monitoring and controlling budgets and overseeing project activities from inception through to completion

Projects:

- Dawson Mine: Pit Optimisation and margin ranking exercise; Reserving in MINEX, Scheduling and Pit Design
- Moranbah Open Cut: Pit Optimisation and margin ranking exercise; Scheduling and Pit Design
- Dawson Mine: Life of Mine Planning for the Open Cut Operation
- Capcoal Mine: Life of Mine Planning for the Open Cut Operation
- Grosvenor: Conceptual trade off analysis for a potential open cut, and underground design and layout.

Achievements:

- Successfully developed and implemented a standardised mine planning system and process
- Prepared a detailed projection of future Operating and Capital expenditures
- Enhanced the value of Dawson and Capcoal by mining higher value mining areas first
- At Grosvenor the final recommendation was to NOT mine an open cut first but to access the underground via a drift

Mining Consultant – Mine Planning | AJBC Mining Consultancy Services | October 2005 – October 2007

AJBC is a privately owned and highly specialised company that operates with independent consultants. Focused on mining studies, due diligence work, optimisation and feasibility studies, AJBC is a reputable company that carefully select their associates.

Responsibilities:

- Pre-feasibility and feasibility studies for green and brown field projects

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- Software implementation and development of planning process solutions
- Provide assistance with many complex mining database set-ups to assist with project evaluation and planning
- Consulting: worked as an independent consultant assisting various mine sites
- Project Management: Responsibilities included proposals, resourcing, progress reporting, client management, invoicing, archiving, and quality control

Projects:

- Liqhobong Diamond Operation: - Pit Optimisation, Geological Model Construction and Pre-feasibility study
- Letseng Diamond Mine: - Pit Optimisation, Model Construction, Scheduling and Pit Design
- Venetia Diamond Mine: - Trade off Study between Conceptual Underground Mine and another Open Cut Pushback. Life of Mine Plans
- Morupule Coal Field: - High level Conceptual Trade off Study for the coal field which include Open Cut Coal as well as Underground Operations
- Oaks Diamond Mine: - Shell design and Life of Mine Plans

Achievements:

- Venetia diamond mine – Determined the cut off point for the open cut against a conceptual underground mine
- Morupule Coal Field: Conceptual planning of possible open cuts and underground operations which was presented to the Botswana Government for future resources development

Long Term Strategic Mine Planner | De Beers Consolidated Mines | May 2001 – October 2005

Established in 1888, De Beers is a global leader in the exploration, mining and marketing of diamonds.

Responsibilities:

- Mine planning & design 70%, project management 20%, daily operations tasks 10%
- Long Term Mine Plans-Responsibilities include the complete LOM Plans for all Open Cut Operations
- Equipment Selection-Responsibility for the justification of all major mining equipment
- Design-Design of various mining shells, dumps, haul roads etc.
- Cost Modelling-Set up of a cost model in a UNIX based planning system to assist the mining engineers in trade off and budget exercises

Achievements:

- Increased production for Venetia from 4.2Mt per annum to 5.9Mt
- Mine Planning-Pit optimisation and life of mine strategic options. Development of short term planning system and process

EDUCATION / QUALIFICATIONS

- Bachelor of Engineering (Mining)
- Bachelor of Engineering Honours (Mining)
- MBL
- Mine Managers Certificate (Underground Coal-South Africa)
- Blasting Certificates (Republic of South Africa)

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- Fiery Mines (UG Coal)
- Surface Mines

SOFTWARE

- Xpac
- Xeras
- 3d Dig
- Dragsim
- Deswick
- Talpac
- Surpac
- Minex
- Gemcom
- Unix Based planning system
- Microsoft Office

AWARDS / ACHIEVEMENTS

- New Vaal Colliery
  - Draglines from 31Mbcm's to 44Mbcm's, Ever since I took the draglines over I have increased the DL production through applying business improvement principals.
  - Increased coal production from 14.3 to 16.7 million tonnes per annum
  - Significant reduction in re-handling from 59% to 32%, as a result of changing the dragline method
  - Bucket wheel conveyor system – Mile stones – I was initially tasked to stop and close this system due to perceived high operating costs. As a result of negotiations with senior management however, I given the opportunity to prove that using this system can in fact decrease costs whilst increasing productivity. Within three months, we broke the all-time production record but it was company policy that they only reward milestones, which called for record production levels to be sustained for 3 months (milestone 1) and for 6 months, milestone 2
- Wonderwater Operation – 3.2 to 4.6Mtpa

REFERENCES

Available on request

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QUALITY PROCESS SOLUTIONS PTY LTD

Coal Preparation and Minerals Processing
ABN 28 124 073 623

Resume: Darren Mathewson
6th November 2014

Education

Bachelor of Engineering (Minerals Processing) - First Class Honours
University of Queensland 1990

Bachelor of Science (External)
University of Southern Queensland 1997

Current Professional Associations

Australian Institute of Mining and Metallurgy (AusIMM) – Member
Society of Mining, Metallurgy and Exploration (SME) - Member
Australian Coal Preparation Society (ACPS) – Member
Coal Preparation Society of America (CPSA) – Member

Major Prizes and Awards

1990 QLD Chamber of Mines Prize
1986 Queens Scout
1986 Lions Youth-of-the-Year QLD State Semi-Finalist
1984 Bowen Shire Young Citizen of the Year

Strengths

Technical - very high standards, goal oriented, good problem solving ability, high degree of accuracy, thorough planning and execution of tasks, logical and unbiased analysis, good computer skills.

Managerial - willing to assume responsibility and authority, sets clearly defined objectives, good coaching skills, ability to set priorities.

Personal - helpful, honest, enthusiastic, co-operative, confident, reliable, self motivated, practical, decisive, hard working.

Professional Activities

- Publications Director, Australian Coal Preparation Society 2004-2009.
- Contracts Director, Australian Coal Preparation Society 2000-2002.
- Proceedings Editor, 12th Australian Coal Preparation Conference Darling Harbour 2008 and 14th Australian Coal Preparation Conference Canberra 2012.
- Technical Committee Member, Australian Coal Preparation Conferences: Yeppoon 2002, Pokolbin 2004, Twin Waters 2007, Darling Harbour 2008, Mackay 2010, Canberra 2012, Gold Coast 2014.
- Education Chairman Australian Coal Preparation Society NSW Branch 2004-2007.
- Technical Chairman Australian Coal Preparation Society NSW Branch 2000-2004
- Upper Hunter Representative, Australian Coal Preparation Society NSW Branch 1999-2003.
- University Liaison Representative, Australian Coal Preparation Society NSW Branch 2011-present
- ACARP Coal Preparation Research Committee Member 1999-2002.
- Invited Rapporteur, 8th Australian Coal Preparation National Conference Nelson Bay 2000.

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QUALITY PROCESS SOLUTIONS PTY LTD
ABN 28 124 073 623

Resume: Darren Mathewson

Career Highlights

Mar 2007 – present ***Principal Process Engineer***
Quality Process Solutions – Newcastle

- 2014 Process Consultant for ResGen Boikarabelo CHPP+TLO project.
- 2014 ACARP Belt Press Filter Optimisation Handbook project.
- 2014 Goonyella Riverside mine tailings management options study.
- 2014 Curragh tailings pumping system upgrade.
- 2013 Design Manager for ~$7 million Narrabri 1000 t/h Secondary ROM upgrade.
- 2012 Process Consultant for ~$40 million 250 t/h MacArthur River Mining DM Cyclone Plant.
- 2012 Project Manager for ~$60 million 1000 t/h Narrabri CHPP.
- 2011 Coalpac Invincible borecore analysis and 750 t/h conceptual CHPP process design.
- 2011 Commissioning Engineer for ~$400 million 1800 t/h Mangoola CHPP.
- 2011 Coalpac Invincible tailings retreatment review.
- 2010 Principal Process Engineer for conceptual design, detailed design, CPP procurement, construction and commissioning of ~$215 million 2000 t/h Moolarben CHPP+TLO.
- 2009 Design Manager, Procurement Manager, QA Inspector, Expediter and Commissioning Engineer for ~$35 million 350 t/h Yarrabee CHPP.
- 2008 Mandalong CHPP conceptual process design and indicative cost estimate.
- 2007 Newpac CPP flotation upgrade study testing, selection, process design and cost estimate.
- 2007 Newpac CHPP commissioning and performance improvement.
- Over 30 CPP magnetite consumption reduction and dense medium cyclone performance audits
- Numerous confidential CHPP studies and reports.
- Numerous CHPP technical due diligence studies.
- Numerous CHPP studies and tender assistance for other engineering/construction companies.
- CHPP operational and performance reviews/audits and preparation of CHPP isolation guides.
- Preparation and delivery of specific equipment training courses.
- CHPP operator training and CHPP operations manual writing.
- Miscellaneous consulting to CHPP's, engineering companies and equipment suppliers.
- Authoring chapters of coal preparation textbooks.
- Lecturing at Australian Coal Preparation Society "Advanced Coal Preparation" courses.

Sep 2005 – Mar 2007 ***National Mining Manager***
Tema – Newcastle

- Responsible for marketing, sales and service of equipment to the Australian mining industry.
- Capital sales of centrifuges and belt press filters >$2.6 million.

Aug 2004 – Sep 2005 ***Technical Sales Manager***
Multotec – Newcastle

- NSW and QLD capital sales of centrifuges, cyclones, spirals, belt press filters etc >$8 million.
- NSW consumable sales of centrifuge baskets, screendecks, wear linings etc >$0.7 million.
- Technical Manager for all of Australia (total annual sales of ~$12 million).

Jan 2004 – Aug 2004 ***NSW Technical Sales Manager***
Tema Multotec – Newcastle

- Managed existing customers, expanded consumables customer base and completed tenders for centrifuges, cyclones and spirals.

Aug 2002 – Sep 2003 ***Senior Process Engineer***
Bechtel Services (Australia) – Singleton/Newcastle Offices

- Lead process design and bid strategy for various competitive tenders worth $1.5 - 5 million.
- Job Manager and Lead Process Engineer for various studies for CPP projects worth $0.1 - 2 million.

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ABN 28 124 073 623

Resume: Darren Mathewson

Aug 1998 - Jul 2002 ***Process Specialist***
Coal and Allied - Warkworth Mine Coal Preparation Plant

- Staff CPP representative on the Mine Safety Committee when CPP went 115 days medical treatment injury free.
- Site "Champion" (design, commissioning and operation) of ~$30 million state-of-the-art Jameson Cell Beneficiated Dewatered Tailings (BDT) which increased total plant yield by 4%.
- Finalised the design and commissioned ~$5 million Module 1 upgrade from 450 to 900 t/h.
- Improved screen maintenance and magnetic separator operation to effectively reduce annual magnetite usage by ~$850,000 from 1.8 to 1.0 kg/t feed without any capital expenditure despite plant maximum feedrate increasing from 1450 to 1800 t/h.
- Updated 10 year old CHPP training manuals to Mining Industry Training Advisory Board (MITAB) format and organised for 33 employees acquire a total of 64 new skills.
- Established efficient operating and maintenance priorities to increase CPP availability from 72% at 3.5 million tonnes washed product per year to 87% at 5 million tonnes washed product per year including reducing CPP operational delays by 250 hrs/year.
- Corrected poor maintenance practices to increase each ROM capacity from 1000 to 1600 t/h.
- Controlled annual magnetite, frother, collector, flocculant usage to ~$2 million/annum.
- Managed contractor lab services of ~$1million/a.

Dec 1995 - Aug 1998 **Plant Metallurgist**
BHP Coal - Peak Downs Mine Coal Preparation Plant

- BHP Coal safety audit team member of BHP Beenup Mineral Sands.
- Site "champion" (preliminary design and tender award) of ~$6 million coal thickener circuit.
- Directed redesign, recommissioning and optimisation of ~$13 million Microcel Flotation Plant.
- Modified the raw coal distributor to increase average CPP feedrate by 100 t/h.
- Reduced annual magnetite usage by over $390 000 from 0.7 to 0.35 kg/t feed.
- Controlled annual magnetite, frother, collector, flocculant usage to ~$3 million/annum.

Nov 1994 - Dec 1995 **Relief Foreman/Metallurgist (70%/30%)**
BHP Coal - Peak Downs Mine Coal Preparation Plant

- Relief Production/Maintenance Foreman (9-20 employees).

Oct 1993 - Nov 1994 **Plant Metallurgist**
BHP Coal - Norwich Park Mine Coal Preparation Plant

- Increased plant average feedrate and decreased operating hours for same annual production.
- Researched, designed and installed innovative fine coal disc filter split feed system.

Feb 1993 - Oct 1993 **Relief Foreman/Metallurgist (80%/20%)**
BHP Coal - Norwich Park Mine Coal Preparation Plant

- Relief Production/Maintenance Foreman (9-12 employees).

Aug 1992 - Feb 1993 **Graduate Metallurgist**
BHP Coal - Mackay Laboratory

- Researched improved performance of scale model sputnik hydraulic raw coal distributors.

Feb 1992 - Aug 1992 **Graduate Metallurgist**
BHP Coal - Moura Mine Coal Preparation Plant

- Improved preparation laboratory standard work procedures to eliminate biased results.

Feb 1991 - Feb 1992 **Graduate Metallurgist/Relief Foreman (90%/10%)**
BHP Coal - GY/RV Mine Goonyella Coal Preparation Plant

- Improved DM cycloid density measurement and control to increase CPP yield by 0.4%.

Professional Development

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QUALITY PROCESS SOLUTIONS PTY LTD
ABN 28 124 073 623

Resume: Darren Mathewson

Safety		***Days***
Dupont	Safety Management Program	5
Workcover	OHS Consultation	4
BHP Coal	Safety A, B & C	3
IDC Technologies	Intrinsic Safety	2
Safemap	Safe Supervision	2
AustHealth	Chemalert	2
BHP Coal	Basic Lifting	1
Defensive Motoring	Practical Defensive Driving	1
BHP Coal	Accident Investigation	1
BHP Coal	Hazard Identification	1
Jim Knowles Group	Workplace Hazard Assessment	1
Australian Health	Chem Alert Database	1
Rescue Training Services	Heights Safety	0.5

Numerous generic and site inductions.

Technical		***Days***
ACPS	6th, 8th and 10th - 14th Australian Coal Prep Conferences	28
ACPS	NSW and QLD ACPS Symposia	11
ACARP	Coal Preparation Symposia	6
ACPS	Modern Coal Preparation Course	5
Honeywell	Plantscape Server Implementation1 Course	5
AusIMM	Water in Mining Conference	4
UCQ	Industrial Radiation Safety Course	3
Greg Shinsky	Process Control Systems Course	3
ACIRL	Coal Quality Course	3
Francis Pitard	Coal Sampling Course	3
Kepner-Tregoe	Problem Solving & Decision Making Course	2
AusIMM	Green Processing Conference	2
Clarkson & Assoc.	LIMN Flowsheet Processor Course	2
Milltronics	Ultrasonics Course	2
Sedgman	Coalprep Software Course	2
Dave Wiseman	LIMN Flowsheet Processor Course	1
Nulec Industries	Citect Operator Interface Course	1
SMC Pneumatics	Electro-pneumatic Positioners Course	1
Warman International	Pump Maintenance Course	1
Gateway Hydraulics	Hydraulic Systems Course	1
SKF	Bearing Course	1
AusIMM	Disposal of Mining Waste Symposium	1
Lyndon Assoc.	Calibration System Requirements Course	1
Gulf Conveyor	Conveyor Belt Design/Operation Course	1
ASBSH	International Bulk Materials Handling Conference	1

Management Courses		***Days***
Prospect Consulting	Frontline Leadership	4
BHP Coal	Self Development	4
Booz Allen & Hamilton	Internal Consulting	3
Tack International	Structured Selling	3
Wilson Learning	Managing Interpersonal Relationships	2
QCA	Open Cut Mine Official	1
AICD	Not-for-profit: Issues for Directors	0.5

Also numerous computing courses have developed very strong Excel spreadsheet skills and strong computing skills in general ie Word, Windows, Internet Explorer, Powerpoint etc.

Referees

List of personal and professional referees available upon request.

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CURRICULUM VITAE - LISA CHANDLER

PO Box 114, Bassendean WA 6934

Telephone: 08 9379 1202 Mobile: 0400 442 306 Email: lisa_aethos@ozemail.com.au

An experienced scientist and engineer, committed to innovative and practical problem solving.

Recent Professional History

2008 – 2016 Æthos Consulting Perth, WA

Director - Independent consultant providing advice on environmental assurance matters (due diligence, data and report verification, audits), environmental / social impact and risk assessment and mine closure. Recent work has included technical direction and coordination of multi-disciplinary teams, stakeholder liaison and strategic advice on environmental permitting for major infrastructure and resource projects in Western Australia and other jurisdictions.

2010 – 2012 SRK Consulting Perth, WA

Principal Consultant, Geoenvironmental – Team leader for environmental services (waste geochemistry; due diligence; impact assessment; closure planning, design and cost estimation) for an international mining consultancy. Role involved team management, business development and principal level technical analysis for mining projects in Australia and overseas from pre-feasibility stages to closure.

Previous Professional Roles

2007 – 2008 Outback Ecology Perth, WA

Principal, Environmental Approvals and Compliance – In charge of environmental impact assessment, auditing and other environmental management services for a wide range of mining and minerals processing projects. Role included strong client liaison and team leadership function, as well as technical and strategic direction.

2004 – 2007 WA Department of Environment Perth, WA

Manager, Audit - Responsible for strategic direction and delivery of compliance function. Led team that monitors regulatory compliance of major projects with environmental approval conditions. Inspector under the *Environmental Protection Act*, 1986.

2003 – 2004 Maunsell Australia Pty Ltd Perth, WA

Principal Scientist - Project management, specialist technical advice, community liaison and senior technical review for environmental impact assessments and strategic environmental studies, mainly for infrastructure, industrial and mining projects.

2002 – 2003 Department of Environmental Protection Perth, WA

Project co-ordinator (licensing) – Provided technical and strategic advice on the assessment and control of environmental impacts of airborne emissions from clay products industries in the Perth area. Responsible for the design and implementation of a communications strategy involving extensive community and industry liaison.

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2000– 2002 University of Newcastle Newcastle, NSW

Postgraduate researcher – Research into the design and assessment of stable engineered landforms for mine rehabilitation. Research focussed on use of readily available operational data for erosion modelling to define minimum design requirements for waste rock dumps. The study, which was based in the Pilbara region of Western Australia, included a novel application of statistical process control techniques for the assessment of erosional stability of natural dynamical systems.

1997– 2000 Golder Associates Pty Ltd Perth, WA

Manager, Environmental Services - Accountable for business development, technical direction and review of environmental assessment and management projects. Project management and technical advice on a wide range of environment issues including soil and groundwater contamination; environmental incident investigation; design and auditing of landfills and other waste repositories; post-mining land rehabilitation; environmental aspects of industrial due diligence, closure and pre-feasibility studies.

1996– 1997 OTEK Australia Pty Ltd Sydney, NSW

State Manager - Accountable for commercial and technical management of head office of environmental consulting firm. Consultancy mainly involved working with large petro-chemical companies and industrial/commercial users of petroleum products on environmental aspects of hydrocarbon use and management.

1993– 1996 Comalco Minerals & Alumina Weipa, QLD

Manager, Safety & Environment - Manager accountable for safety and environmental performance at one of the world's largest bauxite mines. Provided advice on legislative compliance (safety and environment), implementation of safety and environmental management systems, risk management and contingency planning; waste management, pollution prevention and control, and land regeneration at mine site and minerals processing plants.

1992– 1993 and 1990 - 1991 Victoria EPA Melbourne, VIC

Senior Consultant – Technical advisor with the EPA's chemicals management and contaminated sites group.

1991 - 1992 Maunsell Partners Pty Ltd Melbourne, VIC & Sydney, NSW

Senior Consultant - Provided specialist advice for industrial waste audits; landfill design and management; contaminated land assessment.

1989 - 1990 Rural Water Commission Melbourne, VIC

Hydrogeologist - Project leader for regional groundwater recharge research project in the Victorian Wimmera-Mallee area.

1983 - 1989 Golder Associates Pty Ltd Melbourne, VIC

Senior Geotechnical Scientist - Accountable for field supervision, data interpretation and reporting on a wide range of geotechnical and environmental investigations. Extensive involvement in contaminated land and groundwater assessment.

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Education

M Eng (Civil Engineering), University of Newcastle, NSW. Thesis topic: Geomorphic stability of engineered landforms.

Postgraduate study (Geotechnical /Environmental Engineering), University of Melbourne. Research focus: Heavy metal occurrence in Victorian rocks and soils.

Postgraduate research (Agriculture), University of Melbourne. Research focus: Behaviour of nitrogen fertilisers in irrigated cropping systems.

Postgraduate coursework in Soil Science, University of Hawaii. Research focus: Sorption of phosphate by iron/aluminium sesquioxides.

BSc (Physical Geography), McGill University, Montreal Canada.

Additional skills, qualifications and affiliations

Infrastructure Sustainability Council of Australia (ISCA) - accredited sustainability professional

Member, National Environmental Law Association

Member, Environment Institute of Australia and New Zealand

Member, Australasian Institute of Mining and Metallurgy

Adjunct senior lecturer (Environmental Management Systems, Environmental Audit) – Edith Cowan University

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Dragan Radojcic

Engineering / Maintenance Manager
Commissioning Manager

QUALIFICATIONS
- Bachelor of Engineering (Mechanical in Mining and Metallurgy), University of Belgrade, Serbia, Yugoslavia, 1981

CURRENT POSITION
- KBR - Chief Technical Adviser – Mechanical, Brisbane
- Joined the company 2012

PROFESSIONAL AFFILIATIONS AND APPOINTMENTS
- Member, Institution of Engineers Australia
- Chartered Professional Engineer, Australia
- Registered Professional Engineer, Queensland

KEY SKILLS AND EXPERIENCE

I have over 25 years' experience in the engineering management, design, project management, commissioning and maintenance of complex mining, processing / beneficiation systems and infrastructure projects.

I have considerable experience in coal, iron ore, bauxite, nickel, copper and gold metals and have worked in phosphate and pulp and paper.

Mine Infrastructure Area (MIA), Handling and Processing Plants, Power Stations and Ports:

- Due diligence;
- FEED;
- Detail design;
- Optimisation;
- EPCM;
- EPC;
- Commissioning;
- Maintenance.

In 2013 – 2015 I was engaged in troubleshooting, construction and consequent commissioning of Adani Murmugao Port Terminal – 5,000 tph Ship Unloading System, Stacking, Reclaiming and Truck / Train Loading System and construction and very successful commissioning of Adani 10 Mtpa Coal Processing Plant with allowance for upgrade to 15 Mtpa annual throughput in the future. Both projects were in India and resulted in obtaining Certificate of Completion from Adani Mining.

In 2011 – 2012, I was Principal Engineer providing technical expertise and technical guidance on the following EPCM projects: Rio Tinto Alcan, South of Embley, Alumina beneficiation detail design and execution and BMA, Crinum M Project. Both projects were in Queensland, Australia.

In 2010–11 I was Project Engineering Manager on two iron ore mining projects located in the Pilbara region of Western Australia, where I undertook engineering study for Rio Tinto's Western Turner Syncline Stage 2 project, and completed a peer review of materials handling and beneficiation infrastructure for Australian Premium Iron.

In the period 2005 – 2007, I was Maintenance Superintendent at the remote nickel laterite open-cut mine and high pressure acid leach nickel processing plant.

For the fifteen years I carried out maintenance, project and design work on heavy materials handling and mine infrastructure systems on copper and gold open-pit and underground mines and mineral processing (concentrators and refineries) plants in Serbia, some in very remote areas. This included ROM dump stations, crushing stations and mills, copper/gold concentrator, refineries, conveyors and stockpiles.

I have gained extensive international experience, working on a wide range of mining/minerals projects in Australia, Saudi Arabia, India, New Caledonia, Indonesia, New Zealand and Serbia.

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MAY 2015 PRESENT
BRIGHTWATER ENGINEERING

Consultant

Detail design and verification of the Port of Brisbane coal terminal expansion.

2012 TO MAY 2015
KELLOGG BROWN & ROOT PTY LTD (KBR), BRISBANE

Chief Technical Advisor – Mechanical / Commissioning Manager

I was responsible for the design, specification, selection and services relating to mechanical equipment, and for establishing and maintaining technical standards. I was also responsible for managing extensive and complex programs involving significant staff and resources, where I fulfilled reviewing, liaison and technical guidance roles.

During this time, I worked on the following projects:

Adani Parsa Kanta Coal Processing Plant, India: Design Review and Commissioning of 10 Mtpa Coal Processing Plant with allowance for upgrading to 15 Mtpa throughput in the future. I have successfully introduced necessary modifications to the plant that reflected actual coal quality which led into very successful plant commissioning and Certificate of Completion document from the client.

Adani Murmugao Terminal, India: Troubleshooting of 5,000 tph Ship Unloading System, Stacking, Reclaiming and Truck / Train Loading System

Alpha Coal Handling and Processing Plant (CHPP)- ECI Phase II, Queensland region, Australia: Lead Mechanical Engineer on 40 Mtpa CHPP, involving the design of ROM dump stations (6 off), sizing stations (6 off), overland conveyors, raw coal handling and storing and reclaim system, product and reject coal handling system, product coal stockpile and reclaim system and train loading (TLO) system. Commencement and completion dates, April 2013–November 2013.

Rio Tinto Iron Ore, Koodaideri Project – Preliminary Engineering Study, Pilbara region, Western Australia: Peer Reviewer on the project, involving the design of a Primary Crushed Ore (PCO) crushing station, mine infrastructure area, overland conveyor and a PCO stockpile followed by a dry crushing and screening plant and a secondary stockpile. Raw water pipeline between Snooker-Meander borefield and Koodaideri. Commencement and completion dates, November 2012–January 2013.

Adani Abbot Point Terminal, T0Termina Project – Basic engineering, Queensland region, Australia: Peer project reviewer, involving the design of a rail unloading station, stockpile management system and shiploading facility. Commencement and completion dates, July 2012–November 2012.

NOVEMBER 2011 TO JUNE 2012
BECHTEL AUSTRALIA

Principal Materials Handling Engineer

During this time, I worked on the following project:

Rio Tinto Alcan, South of Embley (SoE) Project – Detail design and project execution, North Queensland region, Australia: Lead Mechanical / Materials Handling Engineer on the project, involving the design of a bauxite crushing station, beneficiation plant, stockpile management system and shiploading facility. Commencement and completion dates, November 2011–June 2012.

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OCTOBER 2010 TO NOVEMBER 2011
CALIBRE PROJECTS, PERTH, WESTERN AUSTRALIA

Project Engineering Manager

During this time, I worked on the following projects:

Rio Tinto Iron Ore, Western Turner Syncline Stage 2 (WTS2) – Preliminary Engineering Study, Pilbara region, Western Australia: Engineering Manager on the project, involving the design of a mine crushing station, mine infrastructure area, overland conveyor and haul road and a stockpile management system as part of RTIO's expansion to achieve 330 million tons of iron ore export. Together with my engineering team I have optimized design that could achieve profitability through low capital and operating costs while maintaining high system reliability. Commencement and completion dates, January 2011–November 2011.

Australian Premium Iron, West Pilbara Iron Ore Project, Western Australia: Completed peer review of Mine to Port materials handling infrastructure and beneficiation plant and presented this in a definitive study report. Commencement and completion dates, October 2010–November 2010.

MAY 2007 TO OCTOBER 2010
GHD, BRISBANE

Principal Materials Handling Engineer

I worked on the following projects:

Nickel Mining Centres (NMC) expansion project – Feasibility / Due Diligence study, New Caledonia: Engineering and Project Manager for mine-to-port infrastructure, crushing/screening systems, haulage to the ports, stockpiling and drying, barge loading and transhipping options for five mining centres. Result of the study led into successful joint venture with POSCO. Commencement and completion dates, June 2010 - October 2010.

Bhakti Energy Persada (BEP) coal processing plant, power generation plant, haulage road and coal terminal pre-feasibility study; Indonesia: Lead Designer and Project Manager on this project, which involved the materials handling systems and infrastructure at the mine's 63 Mtpa coal processing plant, and the coal terminal at the port. I completed the design and tender documents for the run-of-mine (ROM) dump station, conveyors, crushing station, stockyard systems, truck loading and unloading stations, stockyard system at the port and the dual coal export system (barge and ship loading facilities with optional transhipping logistics). Study resulted in PT Adaro acquiring a majority of stake in BEP. Commencement and completion dates, October 2009–June 2010.

Xstrata Coal, Balaclava Island Coal Export Terminal (BICET) prefeasibility study, Queensland: Lead Materials Handling Engineer and Principal Designer for the 6000 tph rail unloading station, stockpile management system and utilities at the coal terminal, involving dust suppression and extraction, stockpile irrigation and fire protection. Commencement and completion dates, April 2009– October 2009 2010.

Lekir Import Port and TNB Janamanjung Power Station feasibility study, Malaysia: Lead Engineer and Project Manager for the coal stockpile and conveyors extension and blending implementation, as well as the coal handling system expansion design. Responsible also for tender documents preparation and bids evaluation. Commencement and completion dates, January 2009– April 2009.

Intex Mindoro nickel logistics study, Philippines: Lead Materials Handling Engineer and Job Manager for the materials handling study on barge/ship loading and unloading, conveying, storing, reclaiming, and crushing and screening of imported commodities and exported products for this nickel mine and high-

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pressure acid leach processing plant. Commencement and completion dates, September 2008– January 2009.

Loy Yang Power, coal mine overburden expansion project: Project Manager and Owner's Engineer for this project involving the expansion of the overburden, extension of dump conveyors to a higher level, implementation of the tripper drive, and relocation of travelling stackers and infrastructure. Implementation was restricted to planned shut-down times. Project resulted in the Life of Mine significant extension. Commencement and completion dates, May 2008– October 2008.

Ma'aden Az Zabirah Bauxite Mine and Refinery, Saudi Arabia: Mechanical Lead for the detail design, materials take-offs and tendering package preparation for the materials handling systems and refinery. Commencement and completion dates, December 2007– May 2008.

BHP Billiton Olympic Dam Expansion (BHPB ODX) Feasibility Study, South Australia: Owner's Engineer responsible for the review of the front-end load (FEL2) study reports and completion of tender packages for the gold, copper and uranium mineral processing plant. Commencement and completion dates, July 2007– December 2007.

PT Adaro overland conveyor Feasibility Study, Indonesia: Materials Handling Engineer responsible for the utilities design and requisition packages, including dust suppression, water management and fire protection. Prepared technical specifications and scope of works for materials handling equipment. Commencement and completion dates, May 2007– November 2007.

APRIL 2005 TO MAY 2007
MINARA RESOURCES, MURRIN MURRIN, WESTERN AUSTRALIA

Project Engineer and Superintendent

I was Project Engineer and then Refinery Superintendent implementing preventive maintenance and SAP CMMS. I was also responsible for the implementation, control and execution of multiple medium-sized projects in the complex brownfield environment of a nickel laterite open-cut mine and high-pressure acid lead processing plant and liaised with production superintendents to maintain plant efficiency and identify areas for improvement.

My projects during this time included the modification and redesign of the dust extraction system for an acid plant; modification and redesign of atmospheric flush vessels to achieve better corrosion protection; modifications to the high pressure autoclaves.

MARCH 2003 TO APRIL 2005
CARTER HOLT HARVEY PULP AND PAPER MILL, NEW ZEALAND

Chief Mill Engineer

I managed the maintenance team (mechanical and electrical) and was responsible for the mill's annual CAPEX, ensuring that that all design and control improvement projects ran smoothly and all agreed specifications were met. Preventive maintenance system was based on SAP modules of CMMS. I was also responsible for the integration of the computerised monitoring system for all paper machines.

NOVEMBER 2000 TO MARCH 2003
MCGRATH INDUSTRIES, AUCKLAND, NEW ZEALAND

Design/Project Manager

I've managed full CAD design and manufacturing, testing, installation and commissioning of air cargo handling systems for air cargo industry operators. My projects included the Lane Air cargo handling

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system for perishables for British Airways World Cargo based in Heathrow, London; and the air cargo handling system for HEIA-PT based in Cairo, Egypt. Installation and commissioning was very challenging from the logistics point of view.

MARCH 1997 TO NOVEMBER 2000
NICHOLSON AKARANA ENGINEERING, AUCKLAND, NEW ZEALAND

Mechanical Designer

I was responsible for the full CAD design and for the manufacture and testing of materials handling systems in the timber, forestry and pulp and paper industries.

My projects included:

- Kinleith Mill modernisation for Carter Holt Harvey, New Zealand: Design work on conveyors, reclaim station and reclaim conveyors at the pulp and paper mill Commencement and completion dates, December 1999– November 2000.
- Saw mill re-chipper system for medium-density fibreboard (MDF) panels for Carter Holt Harvey, New Zealand: Design, project management and commissioning. Commencement and completion dates, February 1998– September 1999.

JUNE 1981 TO NOVEMBER 1996
MINING SMELTING CORPORATION, BOR, SERBIA

Engineering Manager

For the fifteen years I carried out maintenance, project and design work on heavy materials handling systems for copper and gold open-pit and underground mines and mineral processing (concentrators and refineries) plants, often in remote areas. This included ROM dump stations, crushing stations and mills, a copper/gold concentrator, a haulage system, conveyors and stockpiles.

Projects during this time included:

- Copper flotation plant, Bor, Serbia: Materials Handling Engineer for in-plant materials handling systems, pump stations and piping. Also undertook feasibility study and detailed design. Commencement and completion dates, March 1994– June 1995.
- Copper smelter, Bor, Serbia: Materials Handling Engineer for the redesign and modification of the feed system for a reverberatory furnace producing matte and slag. Commencement and completion dates, May 1993– January 1994.
- Cerovo copper open-cut mine and concentrator, near Bor, Serbia: Engineering Manager for the feasibility study and detailed design for materials handling, a truck & shovel system, crushing system, feed preparation systems, stockpiling/reclaiming facilities and a mineral processing plant. Subsequently was Engineering Manager for the mine and concentrator—a technically and logistically challenging design and management role due to the remote location. Commencement and completion dates, January 1989– April 1993.

TESTIMONIALS*

Dragan played a major role this year in the completion and commissioning of the Parsa project – he was instrumental in redesigning a number of design defects encountered in bringing the plant into production. He also demonstrated good communication on this project.

Rating – Surpasses (SU)

*Line Manager

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Appendix B: SRK limitations, reliance on information, declaration and consent

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Limitations

SRK's opinion contained herein is based on information provided to SRK by Realm throughout the course of SRK's investigations as described in this Report, which in turn reflect various technical and economic conditions at the time of writing. Such technical information as provided by Realm was taken in good faith by SRK. SRK has not independently verified historical Coal Resources/ Reserve estimates by means of recalculation.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Realm was complete and not incorrect, misleading or irrelevant in any material aspect.

Realm have confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of their knowledge and understanding, the information provided by Realm was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

Statement of SRK independence

Neither SRK, nor any of the authors of this Report, have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Realm regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

Indemnities

As recommended by the VALMIN Code (2015), Realm has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by either Deloitte and Realm or these parties not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

Consent

SRK consents to this Report being included, in full, in Deloitte's IER in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$99,000. The payment of this professional fee is not contingent upon the outcome of the Report.

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Appendix C: References

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Appendix D: Valuation approaches

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Valuation approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods in order to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted valuation approaches:

1. Income approach
2. Market approach
3. Cost approach.

The *Income approach* is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cash Flow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Market approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties transacted in an open market (CIMVAL, 2003). Methods include Comparable Transactions, MTR and option or farm-in agreement terms analysis.

The *Cost approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the Appraised Value method and Multiples of Exploration Expenditure, where expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the property, and hence the amount and quality of the information available on the mineral potential of the property. Table D-1 presents the various valuation approaches for the valuation of mineral properties at the various stages of exploration and development.

Table D-1: Suggested valuation approaches according to Development status

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015).

The Market approach to valuation is generally accepted as the most suitable approach for valuation of an Exploration or a Pre-development project.

An income-based method, such as DCF modelling is commonly adopted for assessing the Value of Tenure containing a deposit where a Coal Reserve has been produced following an appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced, i.e. where there is no declared Coal Reserve supported by mining and related technical studies.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, before Coal Resources are reliably estimated.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The **"Market Value"** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the IVSC term of the same name. This has the same meaning as Fair Value in RG111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

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The **"Technical Value"** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

Valuation methods are, in general, subsets of valuation approaches and for example the Cost approach comprises several methods. Furthermore, some methods can be considered primary methods for valuation, while others are secondary methods or rules of thumb considered suitable only for benchmarking valuations completed using primary methods.

Valuation basis

In accordance with its Mandate, SRK has been requested to consider the value associated with exploration potential outside of currently stated Coal Resources and Reserves which have been considered by Deloitte in the preparation of its Discounted Cash Flow (DCF) analysis.

Table D-2: Valuation basis of Foxleigh Project

Tenements	Development Stage	Valuation basis
EPC855, 1139 and 1669 ML70171, 70309, 70310, 70429, 70430, 70431, 70470 and MDLA3028	Early to advanced exploration	Exploration Potential

In estimating the value of the exploration potential associated with the Foxleigh's tenements outside of those Coal Resources and Reserves considered in Deloitte's DCF analysis as at the valuation date, SRK has considered various valuation methods within the context of the VALMIN Code (2015).

When valuing an exploration project, the Practitioner is attempting to determine a value that reflects the potential of the project to yield an Ore Reserve from which a future income stream may ultimately be derived. At the same time, the valuator must also be cognisant of what the project is deemed to be worth by the market and actual transactions taking place, to ensure that the value estimates are realistic. Arriving at the value estimate is somewhat complex, as there is no single mineral asset valuation method appropriate for all circumstances.

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of the Olary Project, SRK has considered the three main approaches (based on income, market, and cost, respectively), as well as the available methodologies under each approach.

Methods traditionally used to value exploration include the following:

- Comparable Market Value Method (real estate based)
- Metal Transaction Ratio (MTR) Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage - real estate based)
- Joint Venture Terms Method (expenditure-based)
- Geoscience Ratings Methods (e.g. Kilburn – area-based)
- Multiples of Exploration Expenditure (MEE)
- Geological Risk method.
- Yardstick/ Rule of Thumb Method (e.g. A$/t resource or production unit, percentage of an in situ value)

SRK's approach has been to estimate the market value of the exploration potential primarily using transaction multiples, with support from the Geoscientific Rating method.

Comparable transactions

The Comparable Transaction approach, also known as the sales comparison or market data approach, is widely used as it takes into account the subject project's specific amenities in relation to similar or competing projects. In addition, because of the currency of its data, the approach incorporates present market realities.

It is based on the principal of substitution; that a buyer will pay no more for the subject project than would be sufficient to purchase a comparable project – and contribution – that specific characteristics add value to a project.

It is limited in that every mineral project is unique. As a result, it is often difficult to find a good reliable comparable dataset. In addition, the market must be active, otherwise sales prices lack currency and reliability.

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Using SRK's internal databases and the S&P Global Market Intelligence (S&P, formerly SNL Financial) subscription database, SRK has compiled transactions involving Queensland coal projects which were at an early to advanced stage of exploration, which were then researched and analysed in order to assess the comparability relative to the exploration status of the broader Foxleigh Project area (i.e. outside of the current mining areas). The mineral assets that were the subject of these transactions were assessed according to the project development categories outlined in the VALMIN Code (2015).

To account for differences in timing between the date of the transaction and the valuation date, SRK has normalised the data using PCI coal prices at the respective dates.

The transactions chosen cover a range of coal projects, including projects with similar geology and targets as Realm's projects, which share a similar multi-seam character, but with a dominant open pit theme.

While most of the transactions chosen involved consideration of shares with or without some cash component, some of the transactions are farm-ins and in these instances the value of future committed expenditure has been assumed as if the transaction had completed.

The review of the relevant transactions highlights a wide range of acquisition values (A$5,900 to A$237,900,000 per km^2) for potentially comparable projects. The large range of implied values is a reflection of the maturity of the projects (with some including historical or non-JORC Code compliant resources), the proximity or strategic location of projects, the area of the projects (with smaller projects typically having higher implied values because there is a floor price for projects) and also the variation in coal prices (and market sentiment) over the past five years, as well as the structure of the transaction with farm-ins attracting higher values.

In addition to changes in market perception of prospectivity, deal values are also affected by general market factors such as access to capital and commodity prices and other issues (e.g. environmental and social issues or premiums associated with company takeovers).

Table D-3: Australian Coal Transactions

Date	Project	Vendor/ Purchaser	Equity interest (%)	Consideration – 100% basis (A$ M)	Area (km^2)	Implied Price (A$/km^2)
Feb 2018	Hillalong East	Bowen Coking Coal/ Cape Coal	100%	0.62	57.41	10,800
Dec 2017	Isaac River	Bowen Coking Coal/ Aquila Coal & Eagle Downs	100%	0.20	14.00	14,300
Aug 2017	Consuelo	Consuelo Coal/ Kontrarian Resource	100%	2.00	326.85	11,850
Oct 2014	Dingo West	JOGM/ Cockatoo Coal	35%	10.00	76	237,900
Jul 2014	EPC2013	Cuesta Coal/ FMG	100%	0.64	199.03	5,900
Nov 2013	Blackall Capital	Blackall Capital/ Mozambi	100%	0.36	40.31	13,350
Jun 2013	EPC2157	Stanmore/ Unknown	100%	0.13	13.00	18,600

Source: SRK analysis

Based on these transactions, the following statistics are evident for implied values (A$/km^2) which have been normalised to account for differences in coal prices between the transaction and valuation dates.

	All transactions	Excluding Dingo West Transaction
Minimum	5,900	5,900
Median	13,800	12,600
Average	51,000	12,500
Maximum	237,900	18,600
Weighted Average	53,200	10,200

Source: SRK analysis

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Geoscientific rating

The Geoscientific Rating method attempts to assess the relevant technical aspects of a property through the use and ranking of appropriate factors applied to a Base Acquisition Cost (BAC). The BAC represents the average cost incurred by a Tenement Holder or Explorer to identify, apply for and then retain a unit area of the exploration licence of title (Goulevitch and Eupene, 1994), including statutory expenditure costs. The BAC forms the starting value from which a technical valuation range is then estimated.

The factors used for the technical rating include Off-property, On-property, Geology and Anomaly, Quality (Product type) and Location/ Infrastructure factors. The ranking of these key factors will either enhance or reduce the intrinsic value of a property. A further factor, the Market factor, may then be considered in order to derive a Market Value.

Table D-4 summarises the modified property rating criteria.

Having reviewed the technical aspects of the mineral assets, SRK considers the Geoscientific Rating approach to be appropriate for valuation of the Exploration Potential (outside of the defined Coal Resources and Reserves at Foxleigh).

1. Limitations of the Geoscientific Rating method

   The Geoscientific Rating method has limitations in that the Technical Valuation may not include all relevant factors, such as the accuracy of the BAC, the size of the property (small areas may be undervalued), other geological factors (depth of target mineralisation), or other non-geological technical factors such as environmental and cultural heritage considerations.

   For the purpose of this Valuation, SRK has not undertaken an assessment of factors such as environmental and cultural heritage, and the Geoscientific Rating method does not include a review of sovereign risk liabilities.

2. Base Acquisition Cost estimate adopted for Valuation

   SRK has estimated a BAC of A$500/km^2 for an average Exploration Licence. The rating criteria used for assessing the modifying factors are provided in Table D-5. These rating criteria have been modified by SRK.

Table D-4: Base acquisition costs for Queensland exploration permits for coal

Cost item	Unit	Cost (A$)
Application Fees	Area based conditions per hectare	1,066
Renewal Fees	Area based conditions per hectare	0
Rental Fees	A$533.00 per unit	78,840
Assigning Fee		159.90
Desktop review for acquisition area		20,000
	Total	**100,065.90**
	Total (BAC)	**A$500.33/km^2**

SRK has validated these BAC values against known current cost commitments for Queensland. This is in line with recent valuation reports by Agricola, Xstract and Optiro.

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Table D-5: Modified coal-property rating criteria

Rating	Off-property Factor	On-property Factor	Geological Factor	Anomaly Factor	Quality Factor (Product type)	Location/ Infrastructure Factor
0.1				No seams identified		
0.5	Unfavourable district/ basin	Unfavourable area	Unfavourable stratigraphy			Unable to access market
0.7			Generally favourable stratigraphy on 25% of lease or significant igneous/ structural complexity		Lignite	Located at distance to market, but supporting infrastructure in development
0.9			Generally favourable stratigraphy (50% lease) or minor igneous/ structural complexity	Few thin seams (at shallow depths)	Thermal coal with impurities	
1.0	No known mineralisation	No known mineralisation on lease	Generally favourable stratigraphy (70% lease)	Coal seams identified	PCI coal with impurities or Thermal coal without impurities	Located at distance to market, but supporting infrastructure in place
1.5	Indications of prospectivity (presence of coal (mapping, drilling, seismic evidence and/or minor workings	Indications of prospectivity (presence of coal inferred from supporting evidence in district (e.g. minor reported Resources, mapping, drilling, seismic, etc.) and/or minor workings	Generally favourable stratigraphy and simple igneous/structural features	Single consistently thick (>2 m) seam or multiple thin seams	Soft coking coal with impurities or PCI coal without major impurities	In proximity to market with appropriate infrastructure in place to access
2.0	Prospective area (coal seams identified (mapping, drilling, seismic evidence; Resource target identified and/or several old/ current workings in district	Prospective area (some supporting evidence on property (e.g. mapping, drilling, seismic, etc.) establishing occurrence of potentially mineable coal (±continuity, thickness, quality) and/or several old workings		Favourable aggregate seam thickness	Hard coking coal with impurities or soft coking coal without major impurities	

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Rating	Off-property Factor	On-property Factor	Geological Factor	Anomaly Factor	Quality Factor (Product type)	Location/ Infrastructure Factor
2.5	Mineralisation identified (along strike/down dip from identified coal Resources or mine and/or abundant workings with significant previous and/or current production)	Mineralisation identified (demonstrated continuity, thickness ±quality of coal, coal Resource identified and/or Mine or abundant workings with significant previous production	Favourable stratigraphy without igneous or structural features	2 or more consistently thick (>2 m) seams	Hard coking coal without major impurities	
3.0	Along strike or down dip from major mine	Major coal Resource identified (with demonstrated continuity, thickness and quality of coal)				
3.5	Along strike of world class mine	Major mine with significant historical production		Numerous thick seams		
4.0	World class mine				World class mine	

Source: Modified after Xstract, 2009 and Agricola Mining Consultants, 2011

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ATTACHMENT 2: TAX ADVISER'S REPORT

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23 March 2018

The Non-Affiliated Directors
Realm Resources Limited
Suite 605
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Dear Non-Affiliated Directors

Australian tax consequences for certain Realm Shareholders arising under the proposed acquisition of Realm Resources Limited by T2 Resources Fund Pty Ltd

This tax summary has been prepared at the instruction of the Non-Affiliated directors of Realm Resources Limited (**Realm**) for inclusion in the Target's Statement.

Unless otherwise defined herein, terms defined in this tax summary shall have the meaning given to it in the Target's Statement.

1.0 Introduction

This tax summary provides information of a general nature only, outlining the Australian income tax and Goods and Services Tax (***GST***) implications for Realm Shareholders in respect of the Offer.

The comments set out in this tax summary are only relevant to those Realm Shareholders who are Australian resident shareholders that hold their Realm Shares on capital account. The comments are not applicable for Realm Shareholders who:

- are in the business of share trading, are dealing in securities or otherwise hold their Realm Shares on revenue account or as trading stock;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (***ITAA 1997***) in relation to gains and losses in respect of their Realm Shares;
- acquired their Realm Shares through an employee share plan or employee share scheme;
- are not residents of Australia for tax purposes; or
- are dual residents (i.e., individuals or entities taken to be resident of Australia and another Country for tax purposes) or are "temporary residents" as that term is defined in the *ITAA 1997*.

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This tax summary is based on current Australian tax law and our understanding of how it will apply to Realm and Realm Shareholders based on established interpretations as at the date of this tax summary. Consequently, our view of the tax law, and its implications for Realm and Realm Shareholders, may differ from the view adopted by the Australian Taxation Office (***ATO***) or which is subsequently upheld in any court. In this regard, we cannot guarantee that our interpretation of the law will not be challenged by the ATO in the event of a review or an audit. Our tax summary does not take into account the implications of any proposed changes to the tax law or retrospective application of any tax law which has not received Royal Assent by the date of our tax summary. We do not undertake to update our tax summary in the event of any future changes to the tax law.

The information provided in this tax summary is general in nature and does not constitute taxation advice and cannot be relied upon as such by Realm Shareholders. This tax summary is not intended to be an authoritative or exhaustive statement of the tax legislation applicable to all Realm Shareholders. As the tax consequences for Realm Shareholders of participating in the Offer will depend on each Realm Shareholder's own individual circumstances, all Realm Shareholders are advised to seek independent professional advice regarding the tax consequences associated with the disposal of their Realm Shares.

This tax summary is neither an endorsement of the Offer nor a recommendation as to whether Realm Shareholders should accept the Offer. RSM expresses no opinion in respect of the Target's Statement.

2.0 Australian tax implications

The disposal of Realm Shares by a Realm Shareholder pursuant to the Offer will constitute a CGT event.

The CGT event will happen at the time the Realm Shareholder disposes of its Realm Shares. Realm Shareholders should:

- make a capital gain if the capital proceeds on disposal of their Realm Shares are greater than the cost base of their Realm Shares; or alternatively
- make a capital loss if the capital proceeds on disposal of their Realm Shares are less than the reduced cost base of their Realm Shares.

A Realm Shareholder's capital proceeds should be equal to the cash consideration received of A$0.90 cents for each Realm Share held. A Realm Shareholder's cost base of their Realm Shares should generally include the amount paid (or deemed to be paid) by the Realm Shareholder to acquire the Realm Shares plus any non-deductible incidental costs incurred in relation to the acquisition or disposal of the Realm Shares (e.g. brokerage fees). The reduced cost base is determined in a similar but not identical manner to the cost base calculation.

If a Realm Shareholder has held, or is taken to have held, their Realm Shares for at least 12 months (for CGT discount purposes) at the time of the disposal of their Realm Shares, the CGT discount may be applicable (refer below). Alternatively, at the election of the individual taxpayer, if the Realm Shareholder acquired (or was taken to have acquired) their Realm Shares on or before 21 September 1999, the cost base of their shares may be indexed for inflation (refer below).

2.1 Calculation of capital gain or loss

Where the Realm Shareholder accepts the Offer, the Realm Shareholder must calculate the relevant capital gain or loss on disposal of their Realm Shares by reference to the capital proceeds and the cost base or reduced cost base of those shares.

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Capital gains and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in a taxpayer's assessable income and is subject to income tax at the taxpayer's applicable tax rate.

If a taxpayer has a net capital loss in an income year, these losses may not be offset against other income for tax purposes, but may be carried forward to offset future capital gains made by the taxpayer (subject to satisfying any loss recoupment requirements).

a) CGT discount

Where the CGT discount rules apply, the rules should enable a net capital gain (i.e., after application of current and prior year capital losses) arising from the disposal of Realm Shares to be calculated as follows:

- 50% for individuals and trusts; and
- 33 1/3% for complying superannuation funds.

The CGT discount concession is not available to companies (including corporate beneficiaries of trusts) or to other taxpayers that elect to apply indexation (refer below).

It is recommended that Realm Shareholders seek their own independent professional tax advice to determine whether the CGT discount can be applied or whether capital losses can be applied against capital gains made by the Realm Shareholder.

b) Indexation

For Realm Shareholders that acquired (or were taken to have acquired) their Realm Shares at or before 11.45am by legal time in the Australian Capital Territory on 21 September 1999, for the purpose of calculating a capital gain (but not a capital loss), the Realm Shareholder may choose that the cost base of their Realm Shares is indexed for inflation to 30 September 1999 (which would only be of any practical effect if the Realm Shares were acquired prior to 1 July 1999).

The choice to apply indexation rather than the discount capital gain provisions must be made by the Realm Shareholder on or before the day the Realm Shareholder lodges their income tax return for the income year in which the CGT event happens.

Whether it is better for any given Realm Shareholder to make the choice to apply indexation will depend upon the particular individual circumstances relevant to each Realm Shareholder. Realm Shareholders should consult their own tax advisors in this regard.

3.0 GST

Realm Shareholders should not be liable for Australian GST in respect of the disposal of their Realm Shares.

However, the ability of Realm Shareholders to claim input tax credits or reduced input tax credits, associated with GST included in the cost of acquisitions (if any) related directly or indirectly to the disposal of shares, may be restricted.

This is a complex area of the GST law and GST registered Realm Shareholders should seek their own independent professional tax advice in this regard.

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4.0 Disclaimer

This tax summary does not constitute financial product advice as defined in the *Corporations Act 2001* (Cth). This tax summary is confined to tax issues and is only one of the matters a shareholder needs to consider when making a decision about their investments. Realm Shareholders should consider taking advice from a licensed advisor before making a decision about their investments. RSM is not required to hold an Australian Financial Services Licence under the *Corporations Act* in order to provide Realm Shareholders will this tax summary.

We consent to the inclusion of this tax summary in the Target's Statement. This consent has not been withdrawn at the date of this letter.

We have not caused and take no responsibility for the publication of any part of the Target's Statement in which this letter appears, other than the letter itself.

* * * * *

Yours sincerely

RSM Australia Pty Ltd

RSM AUSTRALIA PTY LTD

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ATTACHMENT 3: REALM ASX ANNOUNCEMENTS SINCE 31 DECEMBER 2017

Date	ASX Announcment
23/03/2018	Change of Director's Interest Notice
16/03/2018	Change in substantial holding
15/03/2018	Second Supplementary Bidder's Statement
15/03/2018	Bidder's Statement – Notice of despatch
14/03/2018	Supplementary Bidder's Statement
12/03/2018	Letter to shareholders
09/03/2018	Letter to shareholders
01/03/2018	ASIC Form 484
27/02/2018	Appendix 3B
27/02/2018	Announcement of buy-back – Appendix 3C
23/02/2018	Takeover Bid – notice of becoming a substantial holder
23/02/2018	Takeover Bid – Notice of Record Date
23/02/2018	Bidder's Statement
23/02/2018	Takeover Offer – Take No Action
12/02/2018	Exercise of Options Appendix 3B
09/02/2018	Notice Of Intention To Make A Takeover Bid
01/02/2018	Quarterly Activities and Cashflow Report
09/01/2018	Initial Director's Interest Notice

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Michael Davies
Staffan Ever
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