realm resources

ASX Announcement
Media Release

Notice of Meeting and Resumption of Trading

Highlights

- Extraordinary General Meeting to be held on 14 July 2017 to consider the acquisition of a 70% interest in the Foxleigh Coal Mine.
- ASX has allowed the Company's securities to resume trading up to the date of the Extraordinary General Meeting.

Extraordinary General Meeting

Realm Resources Limited (ASX: RRP) (**Realm** or the **Company**) is pleased to announce that it will hold an Extraordinary General Meeting (**EGM**) on 14 July 2017 to consider, among other items, the acquisition of a 70% interest in the Foxleigh Coal Mine for the purposes of ASX Listing Rule 11.1.2 and 11.1.3.

The EGM will be held on 14 July 2017 at Maddocks Lawyers, Level 27, Angel Place, 123 Pitt Street, Sydney NSW 2000 at 11.00 am.

Attached is a Notice of Extraordinary General Meeting dispatched to the Company's shareholders today.

Resumption of trading

The Company is also pleased to confirm that ASX has allowed the Company's securities to resume trading with effect from the dispatch of the Notice of Extraordinary General Meeting.

In accordance with ASX policy, ASX has confirmed that the Company's shares will then be suspended from the close of trading on 13 July 2017, being the last trading day before the EGM, until such time as the Company has re-complied with chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list.

Information on Realm Resources Limited is available on the Company's website at www.realmresources.com.au

For further information, please contact:

Gemma Yeates
Financial & Corporate Relations (FCR)
T: +61 2 8264 1005
g.yeates@fcr.com.au

Date 14/06/2017

REALM RESOURCES LIMITED

ABN 98 008 124 025

NOTICE OF EXTRAORDINARY GENERAL MEETING

AND

EXPLANATORY STATEMENT

Date of Meeting:	14 July 2017
Time of Meeting:	11.00 am (AEST)
Place of Meeting:	Maddocks Lawyers Level 27 Angel Place 123 Pitt Street Sydney NSW 2000

This Notice of Extraordinary General Meeting and Explanatory Statement (including the Schedules) should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss the matters in this Notice of Extraordinary General Meeting, please do not hesitate to contact Theo Renard (Company Secretary) by email at theo.renard@realmresources.com.au.

NOTICE OF EXTRAORDINARY GENERAL MEETING

REALM RESOURCES LIMITED
ABN 98 008 124 025

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TIME AND PLACE AND HOW TO VOTE

VENUE

Notice is hereby given that the Extraordinary General Meeting of Realm Resources Limited (**Realm** or the **Company**) will be held at Maddocks Lawyers, Level 27, Angel Place, 123 Pitt Street, Sydney, NSW 2000, on 14 July 2017, at 11.00 am (AEST) to conduct the business set out in this Notice of Meeting.

The Explanatory Statement (including the Schedules) which accompanies and forms part of this Notice of Meeting describes the various matters to be considered and contains a glossary of defined terms that are not defined in full in this Notice of Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

YOUR VOTE IS IMPORTANT

The business of the Extraordinary General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- online at www.investorvote.com.au;
- in person at: Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia;
- by post to: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC, 3001 Australia;

- by facsimile to: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or

- Custodians, nominees, non-broker participants, portfolio administrators, portfolio aggregators and eligible financial advisers may also lodge their proxy online. Visit www.intermediaryonline.com.

Note that the Proxy Form must be received by the Company not later than 11.00 am AEST on 12 July 2017. Proxy Forms received later than this time will be invalid.

For further information on voting by proxy a copy of the Proxy Form, please refer to Proxy Instructions Form attached to this Notice of Meeting.

ENTITLEMENT TO ATTEND AND VOTE

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders at 5.00 pm AEST on 12 July 2017.

BUSINESS OF THE MEETING

AGENDA

RESOLUTION 1 - Change to scale of activities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional upon the passing of each of the Resolutions, for the purpose of ASX Listing Rule 11.1.2 and 11.1.3 and for all other purposes, approval is given for the company to make a change to the scale of its activities resulting from the company acquiring a 70% interest in the Foxleigh Joint Venture, as described in the Explanatory Statement accompanying this notice."*

Voting Prohibition Statement - the Company will disregard any votes cast on this resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 – Consolidation of Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional upon the passing of each of the Resolutions, for the purposes of section 254H of the Corporations Act, Listing Rule 7.20 and for all other purposes, approval is given for the issued capital of the Company to be consolidated on the basis of:*
>
> *(a) every 10 Shares be consolidated into one Share; and*
>
> *(b) every 10 Options be consolidated into one Option with the exercise price amended in an inverse proportion to that ratio,*
>
> *with this Consolidation taking effect on a date announced to ASX in accordance with the Listing Rules and with fractional entitlements to a Share or an Option being rounded up to the nearest whole number on the terms and conditions set out in the Explanatory Statement accompanying this notice."*

RESOLUTION 3 – Approval for issue of shares under the Capital Raise

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional upon the passing of each of the Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the company to issue up to 25,000,000 fully paid ordinary shares in the Company (on a post-Consolidation basis), on the terms and conditions set out in the Explanatory Statement accompanying this notice."*

Voting Prohibition Statement - the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who might obtain a benefit, except a

benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ADDITIONAL INFORMATION

Resolutions Inter-conditional

Resolutions 1, 2 and 3 are inter-conditional. This means that each of these Resolutions needs to be passed for the approval sought in respect of the company's acquisition of a 70% interest in the Foxleigh Joint Venture.

Given the Resolutions are inter-conditional:

a) if any person is excluded from voting on one Resolution, they will also be precluded from voting on the other Resolutions; and

b) if any one of the Resolutions are not passed, the Company will not be able to comply with the requirements of Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list and the Company will remain suspended from trading on ASX.

All Resolutions are proposed as ordinary Resolutions, requiring the approval by a simple majority of votes cast by eligible Shareholders present and voting at the Extraordinary General Meeting.

BY ORDER OF THE BOARD

Mr Theo Renard
Company Secretary
Realm Resources Limited

12 June 2017

EXPLANATORY STATEMENT

EXTRAORDINARY GENERAL MEETING

REALM RESOURCES LIMITED
ABN 98 008 124 025

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting be held at Maddocks Lawyers, Level 27, Angel Place, 123 Pitt Street, Sydney, NSW 2000, on 14 July 2017, at 11.00 am (AEST).

The purpose of the Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

The Directors recommend that Shareholders read this Explanatory Statement, which form part of the accompanying Notice of Meeting, before determining whether to support the Resolutions or otherwise. If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice of Meeting, please contact the Company Secretary, your stockbroker, your accountant, or other professional adviser before determining whether to support the Resolutions or otherwise.

Capitalised terms used in this Explanatory Statement are defined in the glossary to this document (unless otherwise defined in the corresponding Schedules).

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1. OVERVIEW OF CHANGE TO SCALE OF ACTIVITIES

1.1 General background

ASX has advised the Company that it considers that the Foxleigh Transaction constitutes a significant change in the nature or scale of the Company and that it has exercised its discretion under Listing Rule 11.1.2 to require the Company to seek shareholder approval for the Foxleigh Transaction.

In addition, ASX has exercised its discretion under Listing Rule 11.1.2 and 11.1.3 to require the Company to comply with chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list (**Re-compliance**).

In considering the Foxleigh Transaction, Shareholders should note that the Foxleigh Transaction requires the approval of Realm's shareholders under the Listing Rules and therefore the Foxleigh Transaction may be unwound and the Company would no longer have any interest in Foxleigh in the event that Shareholder approval is not received at the Extraordinary General Meeting.

1.2 Regulatory disclosures

In accordance with Guidance Note 12 issued by ASX in connection with ASX Listing Rule 11, the Company has requested that ASX allow the Company's securities to resume trading following release of this Notice of Meeting for a period ending immediately before the Extraordinary General Meeting is held.

In the event that ASX allows the Company's Shares to resume trading, investors should take account of the following uncertainties in deciding whether or not to buy or sell Realm Shares:

1.2.1 the Foxleigh Transaction requires Shareholder approval under the Listing Rules and therefore may be unwound if that approval is not forthcoming;

1.2.2 Realm is required to re-comply with ASX's requirements for admission and quotation and therefore the Foxleigh Transaction may be unwound if those requirements are not met; and

1.2.3 ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list and to re-quote its securities and therefore, the Foxleigh Transaction may be unwound if ASX exercises that discretion.

Realm notes that ASX takes no responsibility for the contents of this Notice of Meeting and the Explanatory Statement.

Realm confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

1.3 Foxleigh Transaction

As announced to the ASX on 31 August 2016, Realm through its 99.9% owned subsidiary Middlemount South Pty Ltd (**Middlemount**), completed a transaction with Anglo American Metallurgical Coal Assets (**AAMC**) comprising:

1.3.1 the acquisition of 100% of the shares in Foxleigh Coal Pty Ltd (**FCL**), which holds:

(a) a 70% interest in the Foxleigh Joint Venture (**Foxleigh Joint Venture**); and

(b) a 100% interest in EPC 855; and

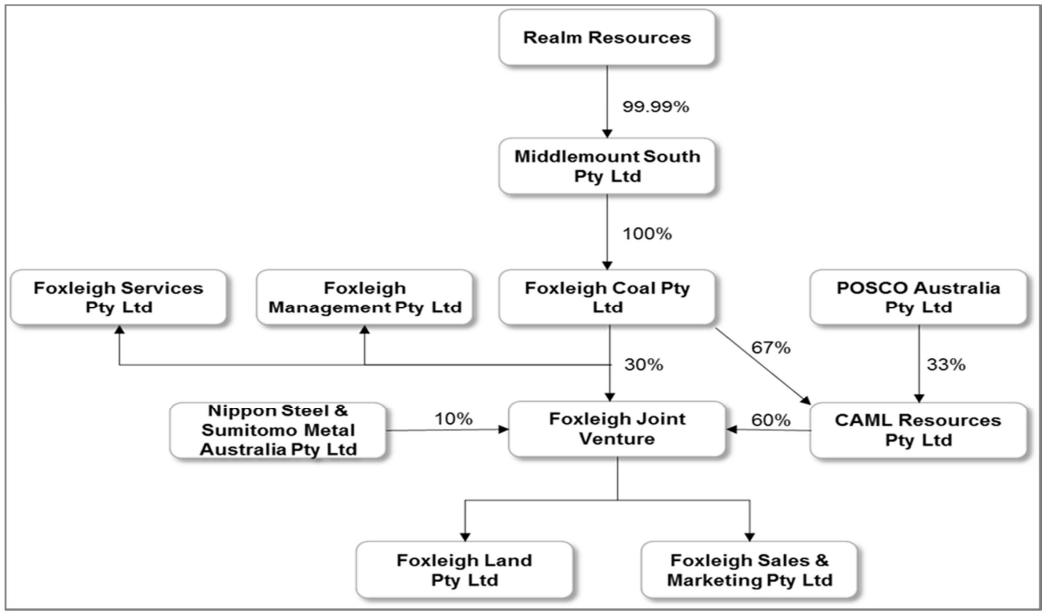
1.3.2 the acquisition of 100% of EPC 1669,

(the **Foxleigh Transaction**).

Foxleigh is owned and operated as a joint venture, with POSCO and Nippon owning 20% and 10% respectively. POSCO and Nippon are longstanding customers of the Foxleigh Coal Mine (**Foxleigh**).

As a result of the Foxleigh Transaction, Middlemount has a 30% direct interest in Foxleigh via its ownership of FCL and an indirect 40% interest via FCL's shareholding in CAML Resources Pty Ltd (**CAML**). CAML is a 60% shareholder in the Foxleigh Joint Venture. CAML's shareholders are POSCO (33%) and FCL (67%). Please refer to Figure 1 below for a group structure chart of the Foxleigh Joint Venture.

Figure 1: Foxleigh ownership chart



Under a separate operating agreement, Middlemount is the manager and operator of Foxleigh via its 100% ownership of Foxleigh Management Pty Ltd.

The agreement for the EPC 1669 acquisition was subject only to Ministerial consent which the Company obtained on 12 April 2017 from the Queensland Government Department of Natural Resources and Mines.

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

Foxleigh has a diversified base of longstanding customers and its premium high quality LV PCI coal is sold to key export markets including South Korea, Japan and Taiwan.

Tenement details for Foxleigh and its surrounding area are provided in ASX Announcement 'Foxleigh Transaction' dated 31 August 2016 and set out in the Solicitor's Tenement Report in Schedule 2 to this Explanatory Statement.

The management team has settled in and is focussing on ensuring an efficient and effective operational transition. Importantly, the focus on occupational health and safety and environmental, social and governance matters is ongoing.

The Foxleigh Transaction represents a significant milestone in Realm achieving its stated key objectives and has already delivered outstanding value to the Company's shareholders.

An Independent Geologist's Report of Foxleigh is provided in Schedule 1 to this Explanatory Statement and a Solicitor's Tenement Report is provided in Schedule 2 to this Explanatory Statement. The Board considers that this information is material to Shareholders and Shareholders are advised to read this information carefully.

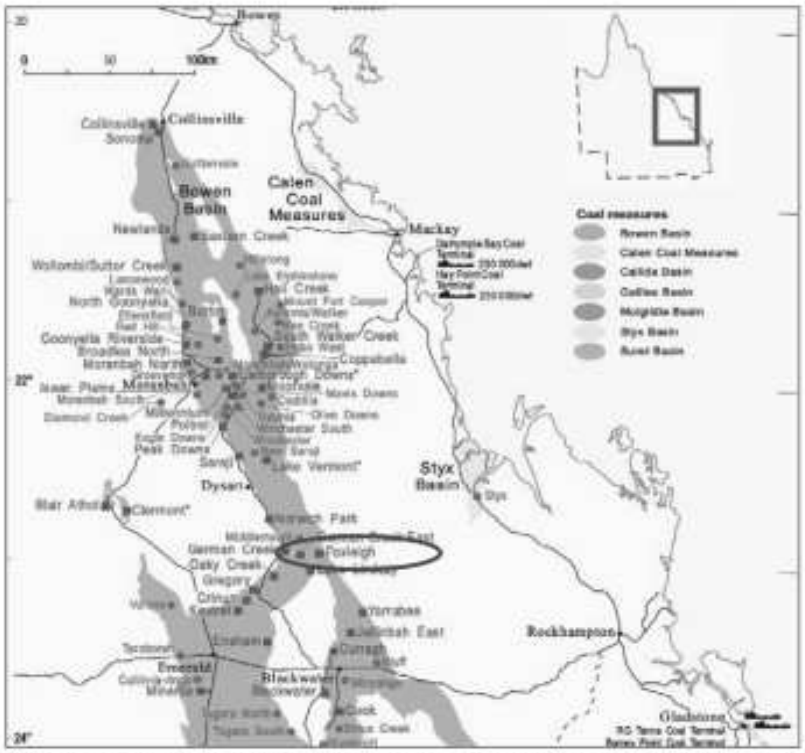
1.4 Details of Foxleigh

1.4.1 Location of Foxleigh

Foxleigh is located in Queensland's Bowen Basin coalfield, 22 kilometres southeast of Middlemount and 272 kilometres northwest of Rockhampton (see Figure 2 below). The mine was established in 1999 as an open cut operation producing benchmark quality, LV PCI coal for the export market. Saleable production in CY2016 (100% basis) was approximately 3.1 million tonnes.

Foxleigh is comprised of seven Mining Leases and three Exploration Permits for Coal (**EPC**). Ownership of these tenures is summarised in the Solicitor's Tenement Report set out in Schedule 2 to this Explanatory Statement.

Figure 2: Foxleigh Location and Infrastructure Map



Source: Queensland Government – Department of Mines and Energy

1.4.2 **Principal activities and business model**

Foxleigh is an open-cut coal mining operation which mines a number of coal seams in the Rangal Coal Measures. Foxleigh has been operating since 2000, producing low-ash Pulverised Coal Injection (PCI) metallurgical coal.

Foxleigh was operated by AAMC which was acquired by Middlemount as part of the Foxleigh Transaction.

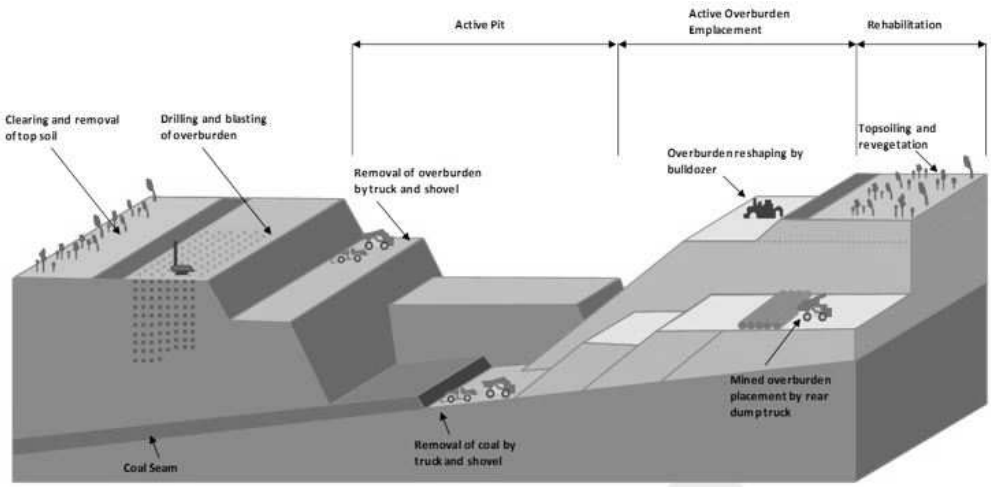
For further detail on the principal activities and business model of Foxleigh, please refer to the Independent Geologist's Report in Schedule 1 to this Explanatory Statement.

1.4.3 **Mining process**

Mining is undertaken using truck and shovel, with raw coal delivered to Foxleigh's coal handling and preparation plant with a processing capacity in excess of 4Mtpa of raw coal for washing.

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

Figure 3: Surface Mining Process



Source: WorldCoal.org

For further details on Foxleigh, please refer to the Independent Geologist's Report in Schedule 1 to this Explanatory Statement and the Solicitor's Tenement Report in Schedule 2 to this Explanatory Statement.

1.5 Due diligence of the Foxleigh Transaction

Middlemount undertook due diligence in relation to the Foxleigh Transaction including detailed technical, commercial, legal and financial due diligence.

Middlemount also engaged in discussions and negotiations with the Foxleigh Joint Venture partners regarding transitional arrangements and revisions to existing mine plans.

Realm has conducted a detailed review of Foxleigh's operations since the Foxleigh Transaction was completed. As part of its review, Middlemount has undertaken the necessary geological assessments and studies required in accordance with the JORC 2012 code and has issued a new assessment of the coal resources (refer to the Initial JORC Statement for further details).

Realm has also obtained the Independent Geologist's Report set out in Schedule 1 to this Explanatory Statement and the Solicitor's Tenement Report set out in Schedule 2 to this Explanatory Statement. The Board considers this information is material to Shareholders and Shareholders are advised to read this information carefully.

1.6 Material terms of the Foxleigh Transaction

The material terms of the Sale Agreement are set out below.

1.6.1 Consideration and Royalty Payments

As part of the Foxleigh Transaction:

(a) bank guarantees totalling A$87.3m have been put in place on a back to back basis to AAMC to cover the underlying guarantees as follows:

(i) in favour of the State of Queensland in respect of the mining licences of the Foxleigh Joint Venture and the EPC's; and

(ii) in favour of various counterparties to Foxleigh Joint Venture contracts;

(b) the Company has also paid A$43.7 million cash to AAMC to date. This amount is subject to a further working capital adjustment. A claim has been submitted to AAMC and is currently under discussion;

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

(i) if ACPA is greater than A$105 per tonne then a payment of A$1.00 per tonne; or

(ii) if ACPA is greater than A$115 per tonne then a payment of A$2.00 per tonne; or

(iii) if ACPA is greater than A$130 per tonne then a payment of A$3.00 per tonne.

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

1.6.2 **Representation and warranties**

The Sale Agreement included representations and warranties from each of the parties that are standard for an agreement of this nature.

1.6.3 **Indemnities**

AAMC has agreed to indemnify Middlemount against third party claims.

AAMC has also indemnified Middlemount against:

(a) any amount payable by any group company after completion pursuant to the AAMC group tax deed; and

(b) a tax liability of a group company that is in respect of any of:

(i) period occurring on or prior to the completion date;

(ii) act, transaction, event or omission or any instrument executed or performed on or prior to the completion date; or

(iii) supplies, acquisitions or importations made on or prior to the completion date.

The Sale Agreement otherwise contains clauses typical for agreements of this nature.

1.7 Financial position of FCL

Please refer to Schedule 4 to this Explanatory Statement for the general purpose audited accounts for FY2016 for FCL. Please also refer to Schedule 5 to this Explanatory Statement for the special purpose audited accounts for FY2015 for FCL. Also set out are the corresponding audit reports for these historical accounts.

1.8 Key operating results

Key operating results for Foxleigh (on a 100% basis) for the period 29 August 2016 to 31 May 2017 are set out below:

Thousands of tonnes	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Since acquisition
ROM coal produced	283	348	406	265	440	424	133	274	341	2,915

Thousands of tonnes	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Since acquisition
ROM strip ratio (bcm waste / ROM t)	12.8:1	6.7:1	5.7:1	7.5:1	5.1:1	4.3:1	11.1:1	8.4:1	5.9:1	6.9:1
Saleable coal produced	260	322	282	262	311	272	199	n/a	230	2,136
Total coal sales	293	242	286	161	183	475	40	65	333	2,078
Product coal stockpiles	225	256	241	398	535	321	444	411	311	n/a

The operating results for April 2017 were significantly impacted by Tropical Cyclone Debbie. Refer to ASX Announcement dated 4 April 2017 'Update on impact of Tropical Cyclone Debbie' and ASX Announcement dated 24 April 2017 'Further update on impact of Tropical Cyclone Debbie' for further information.

As at 31 May 2017, Foxleigh has produced 2,136 thousands of tonnes of saleable production and shipped and sold 2,078 thousands of tonnes since completion of the Foxleigh Transaction.

1.9 Attributable cash receipts

	29 Aug 2016 to Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017
Cash receipts	A$19.4 million	A$28.9 million	A$21.0 million	A$43.5 million	A$21.0 million	A$32.7 million	A$38.0 million	A$11.0 million	A$38.2 million

Attributable cash on hand for the Company as at 31 May 2017 was A$100.9 million.

1.10 Financial effect of the Foxleigh Transaction on the Company

The effect of the Foxleigh Transaction on the Company is set out below:

Particulars	Before Foxleigh Transaction	Increase/Decrease due to Foxleigh Transaction (revenue and profits annualised)	After Foxleigh Transaction
Total Consolidated Assets (rounded to nearest $ million) –	A$15.4 million	A$171.5 million	A$186.9 million
Total Equity Interests (rounded to nearest $ million) –	A$46.3 million	A$0	A$46.3 million
Annual Revenue	A$4.7 million	A$332.4 million	A$337.1 million

Particulars	Before Foxleigh Transaction	Increase/Decrease due to Foxleigh Transaction (revenue and profits annualised)	After Foxleigh Transaction
Annual Expenditure	A$5.5 million	A$271.1 million	A$276.6 million
Annual Profit before tax	(A$1.0 million)	A$62.1 million	A$61.1 million

An Independent Geologist's Report of Foxleigh is provided in Schedule 1 to this Explanatory Statement and a Solicitor's Tenement Report is provided in Schedule 2 to this Explanatory Statement. The Board considers that this information is material to Shareholders and Shareholders are advised to read this information carefully.

1.11 Capital Raise

In order to meet the conditions for Re-Compliance, the Company will need to undertake a capital raising.

ASX has imposed a 20% minimum free float requirement on new listings (and for those entities that have to re-comply with Chapters 1 and 2 of the Listing Rules) under Condition 7 of Listing Rule 1.1 (**20% Free Float Requirement**).

For the purposes of the Listing Rules, 'Free float' is the percentage of the entity's main class of securities that are not restricted securities or subject to voluntary escrow and are held by shareholders who are not:

1.11.1 a related party of the Company;

1.11.2 an associate of a related party of the Company; or

1.11.3 a person whose relationship to the Company, or a related party, or its associate, of the Company, is such that in ASX's opinion, they should be treated as an affiliate of the Company.

To achieve the 20% Free Float Condition, the Company will issue at least 24,780,009 Shares on a post-Consolidation basis (and up to a maximum of 25,000,000 Shares on a post-Consolidation basis) to investors that are not affiliated with the Company's majority Shareholder, Taurus Funds Management Pty Ltd or a related party of the Company.

As such, the Company intends to undertake a capital raise pursuant to a Prospectus that complies with the requirements of section 710 of the Corporations Act. The capital raise will be undertaken by way of an offer of at least 24,780,009 Shares on a post-Consolidation basis (and up to a maximum of 25,000,000 Shares on a post-Consolidation basis) to institutional, sophisticated and retail investors (**Capital Raise**). As part of the Capital Raise, it is intended that a priority offer (but not an entitlement offer) will be made to existing Shareholders to allow them to participate in the Capital Raise (**Priority Offer**). The Priority Offer will be at least 10% of the Capital Raise.

It is expected that the Capital Raise will be conducted at a price which will be determined at a future date by the Company, in consultation with the Lead Manager, taking into account prevailing market conditions at the time. The minimum price will be determined in accordance with:

1.11.4 the requirements of Condition 2 of Listing Rule 2.1, being an issue price of least $0.20; and

1.11.5 the requirements of Listing Rule 7.3.3 being, a price that is at least 80% of the volume weighted average market price of the Company's shares calculated over the last 5 days on which sales in the Shares were recorded before the date of the Prospectus.

All shares issued under the Capital Raise, will rank equally with existing Shares on issue.

The Company's majority Shareholder, Taurus Funds Management Pty Ltd, has indicated that it will not participate in the Capital Raise (including the Priority Offer).

The offer size and structure of the Capital Raise may be subject to change at the discretion of the Board. Further, the Board and the Lead Manager will determine to whom the Capital Raise Shares will be issued.

The Company has mandated Morgans Corporate Limited as Lead Manager to assist with the Capital Raise.

As noted earlier in this Notice, the Company has requested that ASX allow the Company's securities to resume trading following release of this Notice of Meeting for a period ending immediately before the Extraordinary General Meeting is held.

If the Resolutions are passed, Shares under the Capital Raise will be issued after the Consolidation has been effected.

Further information on the Capital Raise is provided at section 6 of this Notice. While the Company will provide additional information in respect of the Capital Raise in the Prospectus to be issued by the Company, for the purposes of Guidance Note 12, the Company provides the following information in respect of the Capital Raise:

Item	Note
Nature of issue	The Company is continuing to finalise the details of the of the Capital Raise. In line with the information provided in section 1.11 of this Notice, the Capital Raise will be undertaken via a Prospectus that is compliant with section 710 of the Corporations Act. The shares issued under the Capital Raise will be offered to institutional, sophisticated and retail investors. It is intended that a Priority Offer will be made to existing shareholders to allow them to participate in the Capital Raise.
Minimum subscription	$500.
Underwritten	It is proposed that the Capital Raise will be fully underwritten by the Lead Manager, subject to the underwriting terms being agreed and formal documentation being entered into by the parties and other market standard conditions precedent.
Amount to be raised	It is expected that the Capital Raise will raise a minimum of $5,000,000, subject to the determination of the final issue price.
Use of funds	The Capital Raise will be conducted to satisfy the 20% Free Float Requirement and additional proceeds may be used to retire some or all of the debt sourced for the purpose of the Foxleigh Transaction. The Company may also use the funds raised for general working capital requirements.

1.12 Capital structure and impact on total equity interests of the Company

As the Foxleigh Transaction was debt financed, there was no impact or change to the total equity interests of the Company. As the Company is required to conduct the Capital raise as a condition for Re-compliance, the Company will need to issue Shares which will impact the capital structure of the Company.

A pro-forma capital structure following completion of the Foxleigh Transaction, any approvals received at the AGM and following the Capital Raising on a post-Consolidation basis is set out below:

Capital Structure	Shares	Options
Existing Securities (pre-Consolidation)	2,448,760,417	102,000,000
Post-Consolidation (Resolution 2)	Approximately 244,876,042 (subject to rounding)	10,200,000
Capital Raise Shares issued (under Resolution 3 - post-Consolidation)	25,000,000	Nil
Final post-Consolidation (subject to all Resolutions being approved and completion of Capital Raise)	269,876,042	10,200,000

Please refer to Schedule 3 to this Explanatory Statement for a pro-forma statement of financial position for the last full year to 31 December 2016 for Realm prepared to show the impact of the Capital Raising on the equity interests of the Company.

The Capital Raise is intended to be completed in accordance with the timetable set out in section 1.20 of this Notice.

Excluding the impact of the Capital Raise, the Foxleigh Transaction had no bearing on the control or voting power attached to any of the shareholders of Realm.

1.13 Funding

Realm has provided funding for the Foxleigh Transaction through a A$50 million bridge loan from Taurus Resources Fund No. 2. Additionally, Middlemount received a US$98.5 million performance guarantee and working capital facility from Taurus Mining Finance Fund.

Details of these funding arrangements are provided in ASX Announcement 'Foxleigh Transaction' dated 31 August 2016.

If the Foxleigh Transaction is unwound, any funding arrangements relating to the Company and Taurus Resources Fund No. 2 and Taurus Mining Finance Fund would likely need to be novated.

Since the Company acquired its interest in Foxleigh, the corporate costs that it has incurred have been funded by Middlemount. If the Foxleigh Transaction is unwound, the Company would need to repay these corporate costs and there are no guarantees that Realm would be in a financial position to do so.

Following completion of the Foxleigh Transaction and related financing arrangements for Foxleigh, Realm has an attributable cash balance of approximately A$100.9 million as at 31 May 2017.

1.14 Recent issues of securities

Realm did not issue any securities in the six months preceding the announcement of the Foxleigh Transaction.

Subsequent to the Foxleigh Transaction, Realm has issued 61,500,000 fully paid ordinary shares and 2,000,000 options. For further information, please refer to ASX Announcement dated 24 March 2017.

1.15 Modification of Realm business model

The Foxleigh Transaction was the acquisition of an operating mine. Realm has appointed relevant officers to oversee and manage these operations. These appointees are highly qualified and together, have many years of experience operating and managing operations of this nature.

The Foxleigh Transaction has resulted in no material change in operations for Realm. Realm continues to operate in a manner and structure consistent with the way it operated prior to the Foxleigh Transaction.

The senior management and operations personnel of Foxleigh report to Scott Graham as Chief Operating Officer for Middlemount for operational matters who in turn reports to Glen Lewis as Managing Director of Realm. In light of this structure, Realm has not been required to modify its business model to accommodate the change in scale of its activities. Realm's Directors and key management personnel continue to support Glen Lewis and Scott Graham in the management and development of Foxleigh.

1.16 Composition of the Board and Directors

Realm and Middlemount have strengthened their corporate capabilities with new board and management appointments.

Board and management appointments have been made as follows:

1.16.1 Gordon Galt has been appointed as the Non-Executive Chairman of Realm;

1.16.2 Staffan Ever and James Beecher have been appointed as Non-Executive Directors of Realm;

1.16.3 Glen Lewis has been appointed as the Managing Director of Realm; and

1.16.4 Scott Graham has been appointed as the Chief Operating Officer of Middlemount.

Following the appointment of Glen Lewis, Richard Rossiter stepped down from his role as Executive Director to focus on his role of Executive General Manager – Business Development. Likewise, Theo Renard stepped down as Executive Director but will continue in his role as Chief Financial Officer and Company Secretary. Refer to ASX Announcement 'Board and Management Changes' dated 10 February 2017 for further information.

1.17 JORC Resources and Reserves

1.17.1 Initial JORC statement of Coal Resources and Reserves for Foxleigh

The Company is pleased to provide further detail on the JORC Coal Resources and Reserves for Foxleigh as disclosed in the ASX Announcement 'Initial JORC Statement of Coal Resources and Reserves' dated 20 December 2016 (**Initial JORC Statement**) set out in the Independent Geologist's Report in Schedule 1 to this Explanatory Statement.

This is provided to disclose the scheduling, financing and economic assumptions in relation to the Coal Reserves and more detail on the Modifying Factors used in the conversion from Coal Reserves to Marketable Coal Reserves. This does not change the economic assessment of the mine or the previously stated Coal Resources or Coal Reserves. Please refer to Appendix 3 of the Independent Geologist's Report attached at Schedule 1 to this Explanatory Statement.

1.17.2 **JORC disclosure**

The information contained in the Initial JORC Statement was estimated by Encompass Mining Services on behalf of Realm. The information was reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves, 2012 and the Listing Rules.

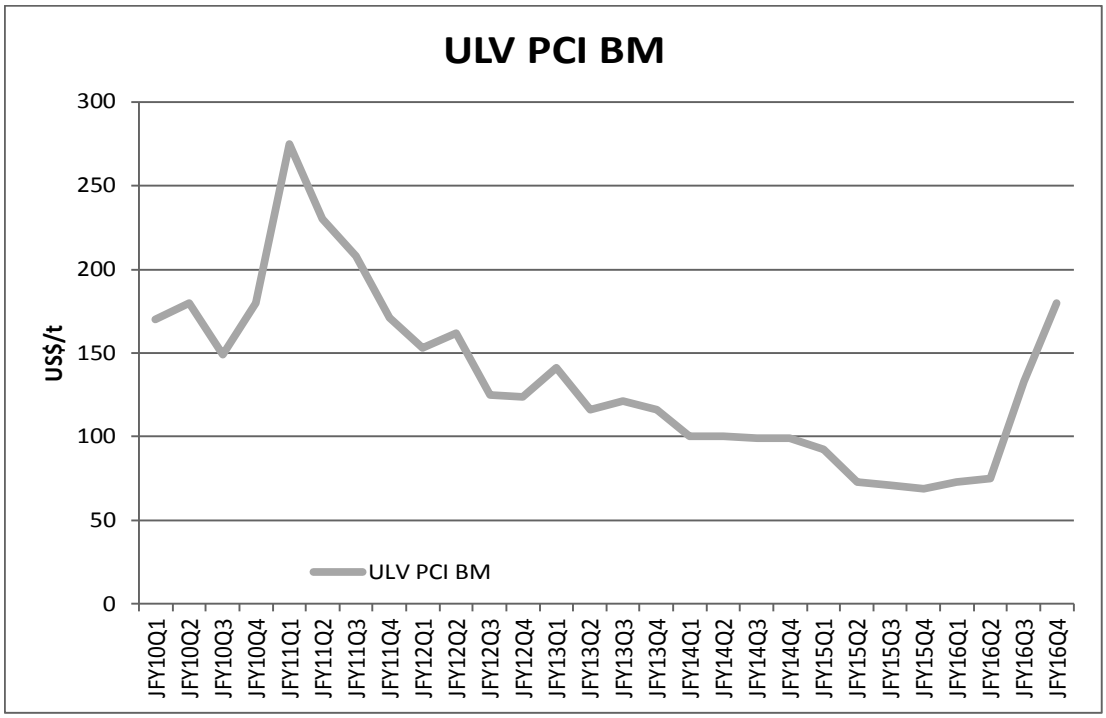
Refer to the Initial JORC Statement for details of the Competent Persons Statement.

Except as set out in this Notice and the Independent Geologist's Report, Realm confirms that it is not aware of any new information or data that materially affects the information included in the Initial JORC Statement and, in the case of the Coal Resources and Coal Reserves, that all material assumptions and technical parameters underpinning the estimates in the Initial JORC Statement continue to apply and have not materially changed.

1.18 Coal Price and Market Update

The March 2017 quarterly benchmark price for low-volatile PCI coal price has been set at US$180 per tonne. Refer to Figure 4 below and ASX Announcement 'Foxleigh Mine - Coal Price Update' dated 21 December 2016 for further details.

Figure 4: Quarterly Benchmark Coal Prices – for premium LV PCI Coals (Japanese FY)



Note: Japanese financial year starts 1 April

Discussions for the quarterly benchmark price for low-volatile PCI ("LV PCI") for the period April to June 2017 (i.e. JFY Q1), have not been finalised as negotiations have been hampered by price volatility associated with Tropical Cyclone Debbie.

1.19 Key dependencies for Foxleigh

The success of Foxleigh, and the Company as a result of its interest in Foxleigh, is affected by and is dependent upon a range of factors, including:

1.19.1 regulatory approvals, licences to operate and regulatory compliance, particularly with respect to safety and the environment;

1.19.2 social and community standing and ability to attract and retain quality staff;

1.19.3 reliable mining and coal processing equipment, as well as logistics (truck and rail) and port facilities required to transport and export the coal product;

1.19.4 discovery of additional resources and reserves to sustain the mining operations; and

1.19.5 favourable economic conditions including the coal demand and price, exchange rates, and costs of inputs, largely being labour, fuel, and equipment.

1.20 Indicative timetable

The Board expects that requisite Realm shareholder approvals and confirmation from ASX that the Company has met the requirements for Re-compliance permitting the Company's securities to be traded on ASX will occur by September 2017.

The Company will continue to keep Shareholders updated as the Re-compliance process progresses.

Realm has provided an indicative only timetable below which may be subject to change as the Re-compliance progresses.

No.	Item	Proposed Date
1.	Dispatch Notice of EGM to Shareholders	15 June 2017
2.	Trading of Realm's securities to re-commence (subject to ASX's discretion)	15 June 2017
3.	Trading of Realm's securities suspended and last day for trading pre-Consolidated securities	13 July 2017
4.	EGM held to approve Resolutions	14 July 2017
5.	ASX informed of Shareholder approvals (including Consolidation)	14 July 2017
6.	Last day to register transfers on a pre-consolidated basis	19 July 2017
7.	First day for the Company to send notice to each security holder of the change in their details of holdings following the Consolidation. First day for the Company to register securities on a post-Consolidation basis. First day for the issue of new holding statements	19 July 2017
8.	Last day for the issue of new holding statements	25 July 2017
9.	Lodgment of Prospectus with ASIC	4 August 2017
10.	End of ASIC exposure period (subject to 7 day extension)	14 August 2017
11.	Capital Raise period opens	14 August 2017

12.	Capital Raise period closes	23 August 2017
13.	Re-compliance with Chapters 1 and 2 of ASX Listing Rules	30 August 2017
14.	Issue of Shares under Prospectus*	31 August 2017
15.	Dispatch of holding statements*	1 September 2017
16.	Expected date for Shares to be reinstated to trading on ASX (subject to ASX's discretion) and trading of post-Consolidated securities begins	6 September 2017

*The Shares to be issued under the Capital Raise will only be issued after ASX has confirmed that the Company has satisfied the requirements of Chapter 1 and Chapter 2 of the Listing Rules as if it were applying for admission to the official list of ASX.

The Directors reserve the right to change the above timetable without requiring any disclosure to Shareholders.

The Company will prepare and lodge a Prospectus (together with the listing application and associated documents) with the ASX as part of the Re-compliance. The Company will also be required to lodge the Prospectus with ASIC which it expects to do around 4 August 2017.

ASX have confirmed that the Company's shares will be suspended from the period ending immediately before the Extraordinary General Meeting until the Company has completed the Re-compliance (re-complied with Chapters 1 and 2 of the Listing Rules).

1.21 Regulatory approvals or waivers required

Other than as set out in this Notice of Meeting, the Company does not require any approvals or waivers in connection with the Foxleigh Transaction or the Re-Compliance.

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2. ADVANTAGES AND DISADVANTAGES OF THE FOXLEIGH TRANSACTION

2.1 Advantages

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1 to approve the Foxleigh Transaction:

2.1.1 the Company's financial standing may be improved;

2.1.2 the Company may have the ability to self-fund further acquisitions;

2.1.3 the Company has acquired EPCs and tenements that will be explored for further resources and reserves;

2.1.4 the Company's ability to raise funds in the future and to attract strategic investors may be improved;

2.1.5 the Foxleigh Transaction may encourage new investors into the Company which may lead to increased liquidity of Shares and greater trading depth than at present; and

2.1.6 the Capital Raise may have the effect of bringing one or more key strategic institutional or sophisticated investors to the Company.

2.2 Disadvantages

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolution to approve the Foxleigh Transaction:

2.2.1 the Company will change the scale of its activities which may not be consistent with the objectives of all Shareholders; and

2.2.2 the Capital Raise to be conducted by the Company to meet the 20% Free Float Requirement may have a dilutionary impact on existing Shareholders.

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3. KEY RISKS

There are a number of risks, both specific to Realm and Foxleigh which may, either individually or in combination, affect the future operational and financial performance of Realm or Foxleigh, including the value of Realm's shares.

The risks summarised below are not exhaustive and do not take into account the individual circumstances of shareholders. Realm does not give any assurances or guarantees of the future performance or profitability of Realm or the value of its Shares. Additionally, Realm does not give any assurances or guarantees that the risks set out in this Notice of Meeting will not change. Any future dividends, the value of Realm's assets and the market value or price of Shares of Realm may be influenced by these and other risk factors. Some of the risks may be mitigated by the use of safeguards and appropriate systems and controls, however many risks that may affect Realm are outside of its control.

Each Shareholder or prospective investor should rely on its own knowledge of Realm, refer to disclosures made by Realm and consult its professional advisers concerning any investment in the Company.

A summary of some of the key risks associated with Foxleigh is set out below.

3.1 Risks relating to the change in nature and scale of activities

3.1.1 Risk of not re-complying

In considering the Foxleigh Transaction, shareholders should note that the ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list and to quote its securities. The Foxleigh Transaction may be unwound if ASX exercises that discretion.

3.1.2 Risk of the Realm Shareholders not approving the Foxleigh Transaction

Given the Resolutions are inter-conditional, if any one of the Resolutions are not passed, the Company will not be able to comply with the requirements of Chapters 1 and 2 of the Listing as if it were applying for admission to the official list and the Company will remain suspended from trading on ASX.

There is also the risk that the Foxleigh Transaction may be unwound.

3.1.3 Re-quotation of Shares on ASX

The Foxleigh Transaction constitutes a significant change in the scale of the Company's activities and the Company. The Company's Shares will be suspended from the date of the Extraordinary General Meeting and will remain suspended until the Company completes the Re-compliance (re-complies with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the official list of ASX).

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able

to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

3.1.4 **Dilution Risks**

As noted in section 1.11 of this Notice, ASX has imposed a '20% minimum free float' requirement on new listings (and for those entities that have to re-comply with Chapters 1 and 2 of the Listing Rules) under Condition 7 of Listing Rule 1.1.

As at the date of this document, the Company's majority Shareholder holds approximately 88% of the total Shares on issue. This Shareholder has stated that it does not wish to sell any of its Shares.

In order to satisfy the 20% Free Float Requirement, the Company has decided to undertake the Capital Raise. To satisfy the 20% Free Float Requirement, the Company will be required to issue at least 24,780,009 Shares on a post-Consolidation, based on the number of Shares on issue at the date of this Notice (and up to a maximum of 25,000,000 Shares on a post-Consolidation basis).

Should existing minority Shareholders not participate in the Capital Raise, they may be diluted by approximately 8.3%.

3.1.5 **Realm's majority shareholder**

Realm's majority Shareholder, Taurus Funds Management Pty Ltd, has advised the Company that it will vote in favour of any Resolution to approve the Foxleigh Transaction and intends to provide the Company with a voting intention statement.

3.2 Foxleigh Project risks

Foxleigh is subject to key project risks. Some of these are set out below.

3.2.1 **Mining**

Foxleigh commenced operations in 1999. The geology of Foxleigh is well understood and a conservative approach to mine design is in place to manage associated risks. Also, additional exploration is currently underway and further exploration is being planned however, as with all other mining projects, geology remains a risk.

3.2.2 **Plant and machinery**

There are risks associated with the plant and machinery at Foxleigh, however in order to minimise and mitigate any such risks, full preventative maintenance is scheduled and undertaken. Further, reasonable insurance cover is in place, including business interruption.

3.2.3 **Infrastructure**

Full preventative maintenance is scheduled undertaken. Further, reasonable insurance cover is in place, including business interruption.

3.2.4 **Exposure (flood)**

Construction of levees and creek diversions has been completed to a high standard. Further, reasonable insurance cover is in place which includes coverage for floods and business interruption.

3.2.5 **Fire Protection**

Fire protection systems are in place and are maintained with regular inspections. There are gaseous fire suppression systems in high risk switch rooms and foam systems on

all major mining equipment. Further, reasonable insurance cover is in place, including business interruption.

3.2.6 **Supply Chain**

The Company considers that appropriate contracts are in place to secure the supply chain for Foxleigh and such contracts contain the usual contractual protections available to the parties under contracts of this nature.

3.2.7 **Management systems**

A PULSE ERP system has been implemented at Foxleigh operations. The Company now has an integrated production and financial system in place.

3.2.8 **Concentration**

Greater than 50% of Foxleigh product is sold to one customer. This one customer has a very high credit rating, and further the customer is a party to the Foxleigh JVA.

3.2.9 **Social**

Foxleigh is subject to various environmental, social and community risks.

3.3 Operational

A number of operational risks have the potential to impact Realm. Some of these are:

3.3.1 **General operation risks**

The Company's mining operations may encounter operational difficulties that may impact the amount of coal produced, delay coal deliveries or increase the cost of mining for varying lengths of time. Such difficulties include weather, natural disasters, availability of personnel with appropriate skills, industrial action, unexpected maintenance or technical problems and failure of key equipment. These factors may have an adverse impact on the Company's performance.

3.3.2 **Mining and development risk**

Mining and development operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events. In respect of its business activities, the Company has made estimates of capital expenditures, operating costs and working capital requirements based on current circumstances and its current understanding of those matters. There is a risk that actual circumstances may differ from the Company's estimates and current understanding, with adverse consequences.

3.3.3 **Risk of adverse publicity**

Following completion of the Foxleigh Transaction, the Company's activities involve mineral exploration and mining and regulatory approval of its activities may generate public controversy. Political and social pressure and adverse publicity could lead to delays in approval and increased expenses for Foxleigh's activities. The nature of the Company's business may attract a high level of public and media interest and, in the event of adverse publicity, the Company's reputation may be harmed.

3.3.4 **Strength of the natural resources and coal sector**

The prices of coal and other natural resource commodities fluctuate widely and are affected by numerous factors beyond the control of the Company, such as industrial, retail supply and demand, technological change, government policy, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales as well as other global or regional political, social or economic events. Future serious price declines in the market value of coal could cause the continued

development of, and eventually the commercial production from, company projects to be rendered uneconomic. Depending on the prices of coal, the Company could be forced to discontinue production or development. There is no assurance that, even as commercial quantities or coal are produced, a profitable market will exist for it.

3.3.5 **Dependence on key management personnel**

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services could be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

3.3.6 **Current and future funding requirements**

The Company's activities will require substantial expenditure. There can be no guarantees that the Company will be able to raise sufficient funds to successfully achieve all of the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund development after the exhaustion of the existing cash position, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing, if available, may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material effect on the Company's activities.

3.4 Other risks

3.4.1 **Country and State risk such as changes to the economic, political, judicial, administrative and/or security climate**

The financial performance of Foxleigh may be adversely impacted by current or future fiscal or regulatory regimes, local laws and regulations or changes to the economic, political, judicial, administrative and/or security climate, policies or conditions in those States and geographies.

3.4.2 **Market risks**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(a) general economic outlook;

(b) interest rates and inflation rates;

(c) currency fluctuations;

(d) commodity price fluctuations;

(e) changes in investor sentiment towards particular market sectors;

(f) the demand for, and supply of, capital; and

(g) terrorism and other hostilities.

3.4.3 Legislative changes

The Company has no control over the actions of State or Federal governments and the legislation that they pass. Legislation may be passed that has an adverse effect on the ability of the Company to operate in all or part of its business or on the ability of the Company to continue to own its tenements or other assets, including legislation that may result in the tenements being revoked and the Company being unable to recover the value of the tenements, including the expected profits from the exploitation of the tenements, or the costs expended by the Company in exploring and mining those tenements.

3.4.4 Government regulation

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the exploration and development activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurances can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining or more stringent implementation thereof could have a substantial adverse impact on the Company.

3.4.5 Commodity and exchange rate risk

To the extent that the Company is involved in mineral production, the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas at present the income and expenditure of the Company are mainly, and will be taken into account, in Australian currency, exposing the Company to the fluctuations and volatility between the relative values of the United States dollar and the Australian dollar as determined by international markets.

In addition to adversely affecting any reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until such a reassessment can be completed.

3.4.6 Domestic and global economic conditions

The financial performance of Foxleigh could be affected by changes in economic conditions in Australia and overseas. Such changes include:

(a) changes in underlying cost structures for labour and service charges;

(b) changes in fiscal, monetary or regulatory policy by governments or government agencies or instrumentalities, including in relation to inflation and interest rates, which may impact the profitability of Realm or cause a general fall in the demand for Realm's goods or services;

(c) declines in aggregate investment and economic output in Australia or in key offshore regions; and

(d) national or international political and economic instability or the instability of national or international financial markets including as a result of terrorist acts or war.

3.4.7 **Asset impairment**

The Realm board regularly monitors impairment risk. Consistent with accounting standards, Realm is periodically required to assess the carrying value of its assets. Where the value of an asset is deemed to be less than its carrying value, Realm is obliged to recognise an impairment charge in its profit and loss account. Impairment charges can be significant and operate to reduce the level of a company's profits and potentially, its capacity to pay dividends. Impairment charges are a non-cash item.

3.4.8 **Changes in accounting policy**

Accounting standards may change. This may affect the reported earnings of the Foxleigh and its reported financial position from time to time.

3.4.9 **Taxation**

Future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, or other relevant jurisdictions in which Foxleigh operates, may affect taxation treatment of an investment in Realm shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted may impact the future tax liabilities of Realm.

3.4.10 **Litigation**

As with all businesses, Foxleigh is exposed to potential legal and other claims or disputes in the course of its business. Although Realm seeks to minimise the risk of such claims arising, and their impact if they do arise, such claims will arise from time to time and could adversely affect Realm's business, operations or financial performance.

3.4.11 **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

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4. RESOLUTION 1 - CHANGE TO THE SCALE OF ACTIVITIES

4.1 General

Resolution 1 seeks approval from Shareholders for the Company to make a change in the scale of its activities resulting from the company acquiring a 70% interest in in the Foxleigh Joint Venture as described at section 1.1 of this Notice.

4.2 Statutory and regulatory requirements

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

4.2.1 provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

4.2.2 if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

4.2.3 if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that as a result of the significant change in the scale of the Company's activities as a result of the Foxleigh Transaction, the Company is required to obtain Shareholder approval in accordance with ASX Listing Rule 11.1.2.

ASX has also indicated to the Company that the change in the scale of the Company's activities as a result of the Foxleigh Transaction requires the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

Accordingly, if Resolution 1 is approved at the Meeting, it is expected that the Company will, subject to the satisfaction of the relevant conditions to admission and quotation set out in Chapters 1 and 2 of the Listing Rules, be re-instated to quotation on ASX when the Re-compliance occurs.

For this reason, the Company is seeking Shareholder approval pursuant to Resolution 1 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

Guidance Note 12 issued by the ASX requires that the contents of the Notice of Meeting must include a reasonable level of detail about the Foxleigh Transaction, including an assessment of the financial effect of the Foxleigh Transaction on the Company and on the interests of the Shareholders.

If Resolution 1 is not passed, the Company will not be permitted to change the nature and scale of its activities and the Foxleigh Transaction may be unwound.

4.3 Directors' recommendation and voting intention

All of the Directors are of the opinion that the Foxleigh Transaction and the change to the scale of the Company's activities are in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

The Directors' recommendations are based on the reasons outlined above.

Each of the Directors intends to vote all of their Shares in favour of this Resolution.

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5. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

5.1 Background

Resolution 2 seeks Shareholder approval to consolidate the number of Shares and Options on issue on a one for 10 basis.

The purposes of the Consolidation is to implement a more appropriate capital structure for the Company and to enable the Company to satisfy Chapters 1 and 2 of the Listing Rules, specifically Condition 2 of Listing Rule 2.1 which requires the issue price for which the Company seeks quotation to be at least 20 cents, and to facilitate approval from ASX for the re-instatement of the Shares on ASX should Shareholder approval be obtained for all of the other Resolutions.

In addition to reducing the number of Shares on issue, the Consolidation should increase the imputed value of each Share which is expected to establish a share price more appropriate for a listed entity of its size and more comparable to those of its peer companies. This is also expected to assist in positioning the Company for long term growth by making an investment in the Company's securities more attractive to institutional and other investors.

Resolution 2 is interconditional which means that each of the other Resolutions needs to be approved for Resolution 2 to be effective.

5.2 Legal Requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

ASX Listing Rule 7.20 provides that if an entity proposes to reorganise its share capital, it must advise Shareholders of certain matters, which are set out below.

5.3 Fractional Entitlements

Not all Shareholders will hold a number of Shares or Options that can be evenly divided by 10. Where a fractional entitlement occurs (as a result of a Share holding not being divisible by 10), the Company will round that fraction up to the nearest whole number.

5.4 Taxation

Shareholders are advised to seek their own tax advice in relation to the effect of the Consolidation and the other Resolutions proposed in this Notice. Neither the Directors, nor their advisers, accept any responsibility for the individual taxation implications arising from the Consolidation or the other Resolutions.

5.5 Holding statements

From the date of the Consolidation, all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares and Options to be issued to holders of those securities.

It is the responsibility of each security holder to check the number of securities held on a post-Consolidation basis prior to disposal.

5.6 Options

In accordance with Listing Rule 7.22, the Options will be consolidated on the same basis as the Shares, that is every 10 Options will be consolidated into one Option and their exercise price amended in an inverse proportion to that consolidation ratio.

Other than the number of Options and corresponding exercise price of the Options, there are no other changes to the terms of the Options. In all other respects, the terms of the Options are confirmed and remain in full force and effect.

Accordingly, the existing Options will be consolidated on the following basis:

PRE-CONSOLIDATION			POST-CONSOLIDATION		
Number of Options	**Expiry Date**	**Exercise Price**	**Number of Options**	**Expiry Date**	**Exercise Price**
100,000,000	12 February 2018	$0.05	10,000,000	12 February 2018	$0.50
2,000,000	21 March 2020	$0.0615	200,000	21 March 2020	$0.615

5.7 Effect on capital structure

The effect which the Consolidation and the Shares issued in connection with the Capital Raise will have on the Company's capital structure is set out in section 1.12 of this Notice.

5.8 Indicative timetable

If this Resolution 2 is passed, the Consolidation will take effect in accordance with the indicative timetable contained in section 1.20 of this Notice.

5.9 Recommendation of the Directors

The Board unanimously recommends that the Shareholders approve Resolution 2.

Each of the Directors intends to vote all of their Shares in favour of this Resolution.

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6. RESOLUTION 3 - APPROVAL FOR THE ISSUE OF SHARES UNDER THE CAPITAL RAISE

6.1 General

Resolution 3 seeks Shareholder approval under Listing Rule 7.1 for the Company to issue up to 25,000,000 fully paid ordinary shares in the Company (on a post-Consolidation basis) under the Capital Raise at a price to be determined by the Company in consultation with the Lead Manager. This price will take into account market conditions at the time. The minimum price for the Capital Raise will be determined in accordance with:

6.1.1 the requirements of Condition 2 of Listing Rule 2.1, being an issue price of least $0.20; and

6.1.2 the requirements of Listing Rule 7.3.3 being, a price that is at least 80% of the volume weighted average market price of the Company's shares calculated over the last 5 days on which sales in the Shares were recorded before the date of the Prospectus:

Resolution 3 is inter-conditional which means that each of the other Resolutions needs to be approved for Resolution 3 to be effective.

The Capital Raise will be conducted to satisfy the 20% Free Float Requirement and additional proceeds may be used to partially repay the bridge loan and performance guarantee sourced for the purpose of the Foxleigh Transaction. The Company may also use the funds raised for general working capital requirements.

The Shares to be issued under the Capital Raise will only be issued after ASX has confirmed that the Company has satisfied the requirements of Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list of ASX.

6.2 Listing Rules information requirements

Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting of the precise terms and conditions of the proposed issue.

If approval is obtained for Resolution 3, the issue of the Shares under the Capital Raise will not be included in calculating the Company's 15% issuing capacity for the purposes of Listing Rule7.1.

In accordance with Listing Rule 7.3, the following information is provided to enable Shareholders to assess the merits of Resolution 3 for the purposes of Listing Rule 7.1:

6.2.1 the maximum number of securities to be issued is 25,000,000 fully paid ordinary shares in the Company for the purposes of satisfying the 20% Free Float Requirement;

6.2.2 the Shares issued under Resolution 3 will:

(a) only be issued after ASX has confirmed that the Company has satisfied the requirements of Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list of ASX; and

(b) all be issued at the same time as soon as reasonably practicable following completion of the Capital Raise but in any event, the Shares will be issued no later than 29 September 2017, being the date 3 months after the date of the Extraordinary General Meeting;

6.2.3 the issue price of the Shares will be determined closer to the time of the Capital Raise but in any event will be in accordance with:

(a) the requirements of Condition 2 of Listing Rule 2.1, being an issue price of least $0.20; and

(b) the requirements of Listing Rule 7.3.3 being, a price that is at least 80% of the volume weighted average market price of the Company's shares calculated over the last 5 days on which sales in the Shares were recorded before the date of the Prospectus;

6.2.4 the Directors and the Lead Manager will determine to whom the Capital Raise Shares will be issued. The allottees will likely be a combination of institutional and sophisticated investors, existing Shareholders and retail investors but none of these persons will be related parties of the Company;

6.2.5 the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the existing Shares on issue and the Company will apply for quotation of the Shares on ASX;

6.2.6 the Priority Offer will be at least 10% of the Capital Raise; and

6.2.7 the Company will limit the number of Shares it issues to a Shareholder to the higher of 5% of all the Shares being offered under the Priority Offer and the number the Shareholder would be entitled to under a Pro rata issue of all of those Shares.

The Company currently expects that the Capital Raise will be undertaken at a premium to the minimum price stated in section 6.2.3 above.

6.3 Recommendation of the Directors

The Directors consider that the Capital Raise is in the best interests of the Company and necessary to meet the 20% Free Float Requirement under Condition 7 of Listing Rule 1.1.

The Board unanimously recommends that the Shareholders approve Resolution 3.

Each of the Directors intends to vote all of their Shares in favour of this Resolution.

GLOSSARY OF TERMS

The following terms and abbreviations used in the Notice of Meeting and this Explanatory Statement have the following meanings:

20% Free Float Requirement has the meaning given to that term in section 1.11 of the Explanatory Statement.

AAMC means Anglo American Metallurgical Coal Assets Pty Ltd.

AEST means Australian eastern standard time.

AGM means the AGM to be held by the Company on 31 May 2017 or any adjournment thereof.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or the securities exchange conducted by ASX, as the context requires.

Board means the board of Directors of the Company.

CAML means CAML Resources Pty Ltd.

Capital Raise has the meaning given to that term in section 1.11 of the Explanatory Statement.

Chair means the person appointed to chair the Meeting convened by this Notice.

Company or **Realm** means Realm Resources Limited ABN 98 008 124 025.

Consolidation means consolidation of the Company's share capital on the basis that every 10 Shares be consolidated into one Share and every 10 Options be consolidated into one Share

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company, from time to time.

Encompass Mining Services means Encompass Mining Services Pty Limited.

EPC means exploration permit for coal.

Explanatory Statement means this explanatory statement (including the Schedules) that accompanies and forms part of this Notice.

Extraordinary General Meeting or **Meeting** means the extraordinary general meeting of Shareholders to be held at Maddocks Lawyers, Level 27, Angel Place, 123 Pitt Street, Sydney NSW 2000 on 14 July 2017 at 11.00 am (AEST) or any adjournment thereof.

FCL means Foxleigh Coal Pty Limited (formerly Anglo Coal (Foxleigh) Pty Ltd).

Foxleigh means the Foxleigh coal mine located in Queensland's Bowen Basin coalfield, 22km southeast of Middlemount and 272km northwest of Rockhampton.

Foxleigh Transaction has the meaning given to that term in section 1.3 of the Explanatory Statement.

Foxleigh Joint Venture means the joint venture between FCL, POSCO and Nippon which owns and operates Foxleigh in accordance with the Foxleigh JVA.

Foxleigh JVA means the Foxleigh joint venture agreement between FCL, CAML and Nippon.

Independent Geologist's Report means the independent geologist report dated 17 May 2017 prepared by Encompass Mining Services Pty Limited on Foxleigh, as set out in Schedule 1 to this Explanatory Statement.

Initial JORC Statement means the ASX Announcement 'Initial JORC Statement of Coal Resources and Reserves' dated 20 December 2016.

JORC means the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' 2012 edition published by the Australasian Joint Ore Reserves Committee.

Lead Manager means Morgans Corporate Limited.

Listing Rules means the official listing rules of ASX.

Middlemount means Middlemount South Pty Ltd.

Nippon means Nippon Steel & Sumitomo Metal Pty Ltd.

Notice or **Notice of Meeting** means the notice of extraordinary general meeting to which this Explanatory Statement (including the Schedules) and the Proxy Form is attached.

Option means an option to acquire a Share.

POSCO means POSCO Australia Pty Ltd.

Priority Offer means the priority offer to existing Shareholders as detailed in section 1.11.

Prospectus means a full form prospectus in accordance with section 710 of the Corporations Act with respect to the Re-Compliance.

Proxy Form means the proxy form attached to this Notice.

Re-compliance means the re-compliance with chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the official list.

Related Party has the meaning given to that term in section 228 of the Corporations Act.

Resolution means a resolution in this Notice of Meeting.

Sale Agreement means the sale agreement entered into between Anglo American Australia Limited and AAMC and Middlemount in respect of the Foxleigh Transaction.

Schedule means a Schedule attached to the Explanatory Statement and forming part of this Notice of Meeting, including:

a) Schedule 1 – Independent Geologist's Report;

b) Schedule 2 – Solicitor's Tenement Report;

c) Schedule 3 – Realm Pro-Forma Statement of Financial Position 31 December 2016;

d) Schedule 4 – Audited General Purpose Foxleigh Accounts FY2016; and

e) Schedule 5 – Audited Special Purpose Foxleigh Accounts FY2015.

Shareholders means registered holders of Shares.

Shares means fully paid ordinary shares in the capital of the Company.

Solicitor's Tenement Report means the report on the Foxleigh tenements dated 17 May 2017 prepared by ClarkeKann, as set out in Schedule 2 to this Explanatory Statement.

Schedule 1 Independent Geologist's Report

Foxleigh Mine - Independent Geologist's Report 2017

Published by Encompass Mining on behalf of Realm Resources Limited

17th May 2017

FINAL REPORT

Report Distribution and Revision Control

Job Number: RRFX336X

Date Issued: 17/05/2017

Distribution	
Name	**Company**
Richard Rossiter	Realm Resources Limited

Document Control				
Revision	**Date**	**Prepared by**	**Approved by**	**Comments**
1.0	28/04/2017	Lyndon Pass, Damien Perkins	Troy Ince	Draft Report
1.1	02/05/2017	Lyndon Pass, Damien Perkins	Troy Ince	Draft Report
1.2	03/05/2017	Lyndon Pass, Damien Perkins	Troy Ince	Draft Report
1.3	05/05/2017	Lyndon Pass, Damien Perkins	Troy Ince	Final Report
1.4	17/05/2017	Lyndon Pass, Damien Perkins	Troy Ince	Final Report(updated)

Disclaimer

Whilst every effort has been made within the time constraints of this assignment to ensure the accuracy of this report, Encompass Mining accepts no liability for any error or omission. Encompass Mining takes no responsibility if the conclusions and findings of this report are based on incomplete or misleading data. Each statement or opinion is made by Encompass Mining in good faith and in the belief that it is not false or misleading.

Encompass Mining and the authors are independent of Realm Resources Limited, and have no financial interests in Realm Resources Limited or any associated companies. Encompass Mining is being remunerated for this report on a standard fee for time basis, with no success incentives.

This report will become a public document and therefore due care has been taken when disclosing sensitive or proprietary information.

Glossary of Terms Used in this Report

ad	Air Dried
adb	Air Dried Basis
ARD	Apparent Relative Density
AUD	Australian Dollar
BCM	Bank cubic metre
cc	Cubic centimetre
CHPP	Coal Handling and Preparation Plant
CY	Calendar Year
DCF	Discounted Cash Flow
EPC	Exploration Permit for Coal
g	Gram
LOM	Life of Mine
LOX	Line of Oxidation
km	Kilometres
M	Millions
m	Metres
ML	Mining Lease
mm	Millimetres
Mt	Million tonnes
Mtpa	Million tonnes per annum
NATA	National Association of Testing Authorities
PCI	Pulverised Coal Injection
PoB	Point of Observation
Prodt	Product tonne
QA/QC	Quality Assurance/Quality Control
RL	Reduced Level (survey elevations)
ROM	Run of Mine
ROMt	Run of Mine tonne
ROMtpa	Run of Mine tonnes per annum
SR	Product or ROM strip ratio
t	Tonnes
USD	US Dollars

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1 EXECUTIVE SUMMARY

Realm Resources Limited ("Realm Resources") acquired a 70% interest in the Foxleigh Mine through its 99.9% owned subsidiary Middlemount South Pty Ltd from Anglo American Metallurgical Coal on the 29th August 2016. For further detail refer to ASX company announcement dated 30th August 2016.

The Foxleigh Mine is an open-cut coal mining operation located in the Bowen Basin in Central Queensland. The mine is located 22km to the southeast of the town of Middlemount. The Foxleigh Mine has been in operation mine since 1999 producing a low ash, low volatile Pulverised Coal Injection (PCI) coal from the Rangal Coal Measures within the Bowen Basin. The Foxleigh Mine has been primarily targeting the Middlemount, Tralee and Pisces seams of the Rangal Coal Measures.

The Foxleigh Mine is located between the Jellinbah Fault to the west and the Foxleigh/Yarrabee Fault to the east, a strip about 6 km wide. Strikes of both strata and structure are north-north-northwest/north-west. The Jellinbah Fault has a throw of about 600 metres. The main faults are thrusts with east over west displacements. The Foxleigh deposit is a syncline which is orientated in a NNW-SSE direction, with the apex of the syncline in the SSE. The length of the syncline under mining lease is approximately 22 kilometres, and at the widest point, the width is 6 kilometres. There is extensive folding and thrust faulting causing seam repetition and more synclines and anticlines within each of the main eastern and western limbs of the syncline. Substantial exploration has occurred within the Foxleigh Mine tenements since its beginning in 2000. Over 4,081 exploration holes have been drilled ranging from rotary and partially cored holes (slim core, medium diameter and large diameter). 2D seismic surveys have also been conducted over the tenements to target the more structurally complex geological areas.

The Foxleigh Mine is currently producing approximately 3 Mtpa of PCI coal (product). The wash plant has a capacity of 4.5 Mtpa (ROM) which the operation supplies. Customers for the PCI coal are steel manufacturers in Korea, Japan, China, Taiwan, India and throughout Europe. The Foxleigh Mine produces an 8% – 8.5% ash PCI product coal. The coal is of semi-anthracite rank, with a maximum vitrinite reflectance (RoMax) of 2.0% - 2.4% and low volatile matter content of 10% – 13% (adb). Due to the high rank of the coal the coking properties of the coal have diminished.

The Foxleigh Mine has been subdivided into ten different project areas (Roper Creek, Eagles Nest, Foxleigh Plains, Foxleigh North, One Tree-Pipeline, Western Corridor, Foxleigh West, Far South, Carlo Creek and Daggers Tip). The coal seams have been predominantly mined out in Foxleigh North and Carlo Creek with the remaining resource mostly confined to the northern, southern and eastern parts of the syncline (Foxleigh Plains, Far South, One Tree-Pipeline). Potential additional resource areas are at Eagles Nest, Far South and Daggers Tip.

The Foxleigh Mine has a Resource estimate of 86.9 Mt (33.3 Mt Measured, 29.2 Mt Indicated and 24.4 Mt Inferred) as of 31st October 2016 (JORC Code 2012).

The following table details the Resource tonnages at the 31st October 2016.

Foxleigh Mine - Resource Summary

Coal Resources (Millions of Tonnes In Situ)			
Measured	**Indicated**	**Inferred**	**Total**
33.3	29.2	24.4	86.9

This report also contains additional information for the ASX Company Announcement released on 20th December 2016 - Initial JORC Statement of Coal Resources and Reserves for Foxleigh Coal Mine provided as Appendix 3 Sections 2 – 6 (Summary of Information to Support the Coal Reserves Estimate).

2 INTRODUCTION

2.1 Terms of Reference

Encompass Mining Services Pty Ltd ("Encompass Mining") were commissioned by Realm Resources Limited ("Realm Resources") to provide an Independent Geologist's Report on the Foxleigh Mine located in the Bowen Basin in Queensland, Australia.

This Independent Geologist's Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("The VALMIN Code" – 2015 Edition) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition.

Both codes are binding upon Members of the Australian Institute of Geoscientists ("AIG"), the Australasian Institute of Mining and Metallurgy ("AusIMM"), the Australasian Code of Reporting of Identified Mineral Resources and Ore Reserves and the rules and guidelines issued by such bodies as ASIC and Australian Securities Exchange ("ASX"), which pertain to Independent Experts' Reports.

The author has taken due note of the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission ("ASIC") and the ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports and ASIC Regulatory Guide 112 – Independence of Experts.

2.2 Qualifications and Experience

Encompass Mining is a consulting group specialising in the provision of business solutions in the fields of geology, geotechnical engineering, open cut and underground mine design, planning services, site secondment and professional development for the mining industry.

Lyndon Pass is the author of this report. Lyndon is a geologist working since 1995 in the coal industry in Australia, Indonesia and India. He specialises in geological databases, modelling and resource estimation. Lyndon has also been extensively involved in geological audits and due diligence studies for many major mining clients. His expertise ranges from developing and evaluating geological models to updating resource models to produce Resource statements in accordance with the JORC code. Lyndon is a Member of the AusIMM and has the appropriate relevant qualifications, experience, competence and independence to author this report.

2.3 Principal Sources of Information

The principal sources of information used to compile this report comprise previous technical reports and data variously compiled by Realm Resources Limited and their partners or consultants, publically available information such as ASX releases, historical reports and discussions with Foxleigh Mine technical and corporate management personnel.

Encompass Mining has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to Realm Resources Limited, prior to finalisation by Encompass Mining, requesting that Realm Resources Limited identify any material errors or omissions of facts prior to its final submission. Encompass Mining does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

This review is based on the information provided by the current title holders, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the areas.

2.4 Statement of Independence

Neither Encompass Mining 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 Encompass Mining.

Encompass Mining has no prior association with Realm Resources Limited in regard to the mineral assets that are the subject of this report. Encompass Mining has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

Encompass Mining's fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

2.5 Warranties

Realm Resources Limited has represented to Encompass Mining that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

2.6 Consents

Encompass Mining consents to the Report being included in full in the Realm Resources Limited "*Notice of Extraordinary General Meeting*" to the Australian Securities Exchange ("ASX"), in the form and context in which the technical assessment is provided.

Encompass Mining provides this consent on the basis that the technical assessments expressed in the Executive Summary and in the individual sections of this report are considered with, and not independently of, the information set out in the complete report.

2.7 Inputs, Subsequent Changes and No Duty to Update

Encompass Mining has created this report using data and information provided by or on behalf of Realm Resources Ltd (and the Company's agents and contractors). The opinions stated herein are given in good faith. Encompass Mining has exercised all due care in reviewing the supplied information and believes that the information and data supplied to it are factual and correct and the interpretations are reasonable. Encompass Mining has independently analysed the data for the Foxleigh Mine but the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data.

The conclusions and opinions contained in this report apply as at the date of this report. Events (including changes to any of the data and information that Encompass Mining used in preparing this report) may have occurred since that date which may impact on those conclusions and opinions and make them unreliable. Encompass Mining is under no duty to update the report upon the occurrence of any such event, though it reserves the right to do so.

2.8 Competent Persons Statement

The information in this Independent Geologist's Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information complied by Lyndon Pass, who is a Member of The

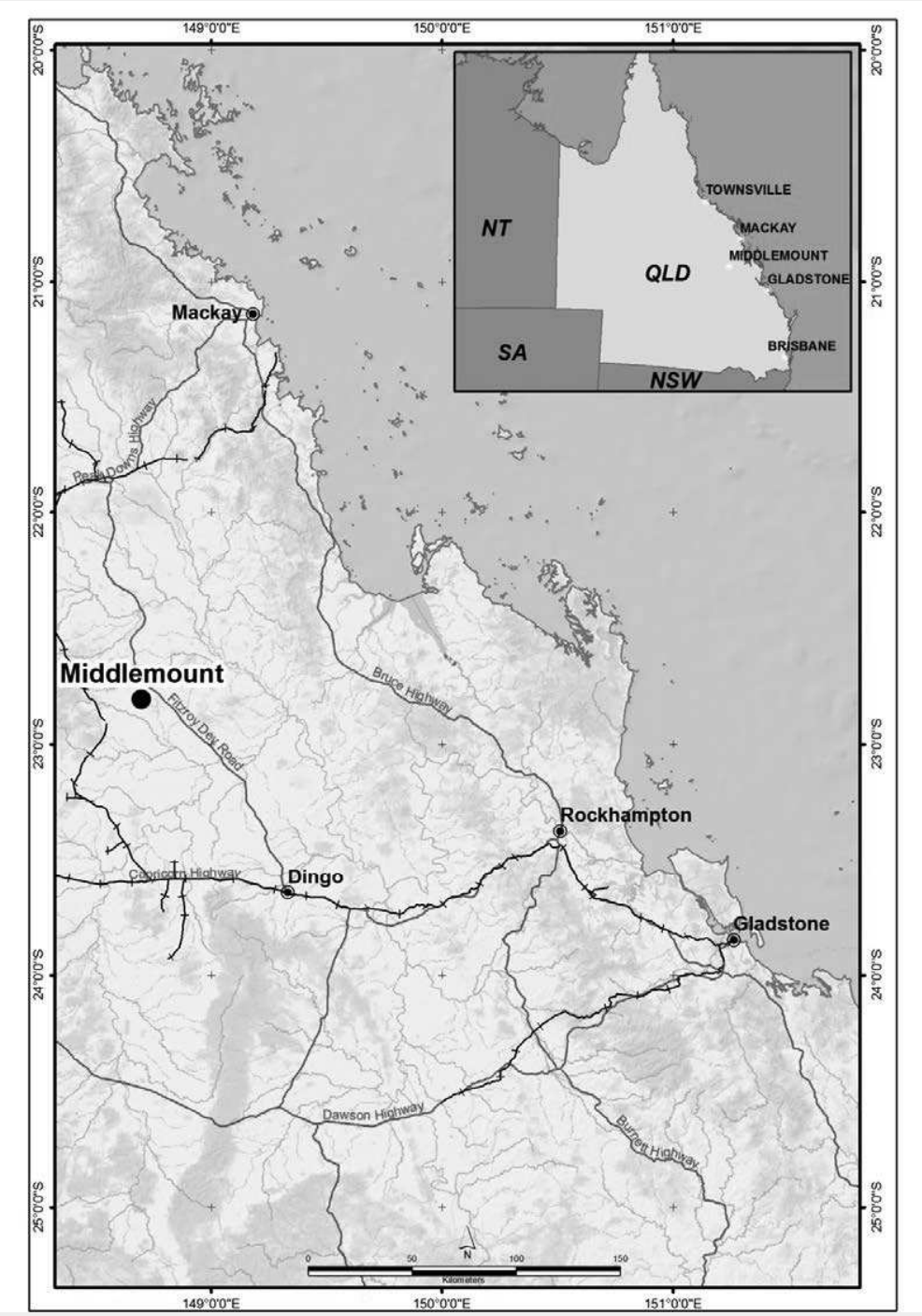
Australasian Institute of Mining and Metallurgy ("AusIMM"). He is a consulting geologist, trading as Encompass Mining, and is not employed by Realm Resources Ltd. He has more than 20 years' experience in the style of mineralisation and type of deposit under consideration, and to the activity that he is undertaking, to qualify as a Competent Person as defined in JORC 2012. He consents to the inclusion of this report in the Realm Resources Limited *Notice of Extraordinary General Meeting,* in the form and context in which they appear.

3 LOCATION AND TENURE DETAILS

3.1 Location

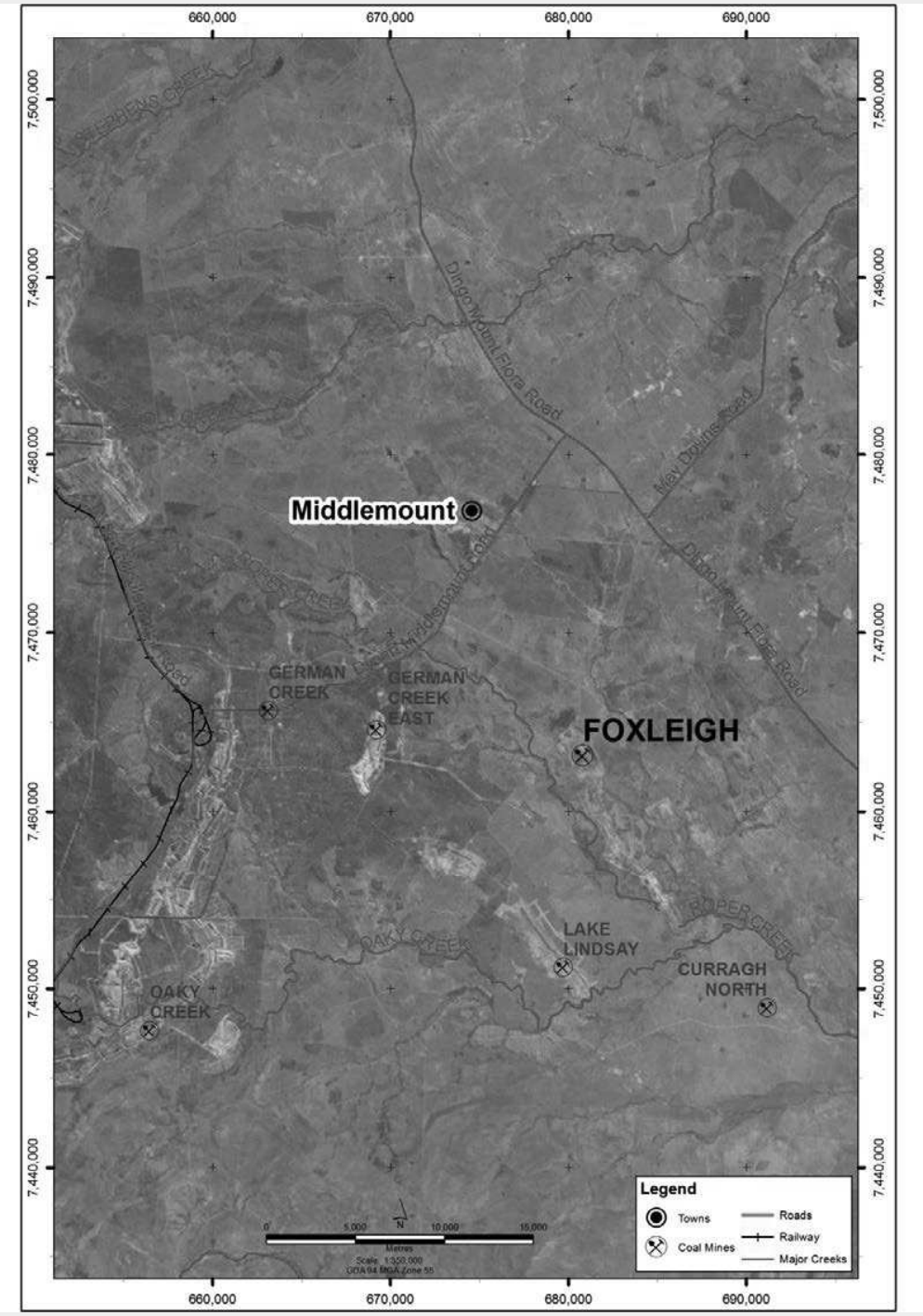
Foxleigh Mine is an open-cut operation located in the Bowen Basin in Central Queensland. The mine is situated approximately 22 km southeast of Middlemount and 200km northwest of Rockhampton.

Figure 1 Location Plan



encompass mining	**LOCATION PLAN**	**Source:** **Encompass Mining 2016**

Figure 2 Foxleigh Mine Location Relative to Middlemount



encompass mining	**FOXLEIGH MINE LOCATION** **Relative to Middlemount**	**Source:** **Encompass Mining 2016**

3.2 Property Tenure

Foxleigh Mine is comprised of seven Mining Leases (ML) and three Exploration Permits for Coal (EPC). Ownership of these tenures is detailed in the tables below. No application for tenure renewal on existing mining leases is required until 2034.

Table 1 Tenure Ownership Details - Mining Leases

Holder	Tenement	Grant Date	Term	Expiry Date	Encumbrances	Native Title	Comments
CAML Resources Pty Ltd (60%) (**CAML**) Foxleigh Coal Pty Ltd (30%) (**FC**) Nippon Steel & Sumitomo Metal Pty Ltd (10%) (**NSSM**)	ML 70171	04.11.99	35 years	30.11.34	Mortgage registered 28.05.08. Mortgagor – CAML (60% interest mortgaged). Mortgagee – FC and POSCO Australia Pty Ltd. Mortgage registered 18.02.2011. Mortgagor – CAML (60%), FC (30%), NSSM (10%). Mortgagee - CAML, FC, NSSM, Foxleigh Management Pty Ltd.	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd Overlaps with EPC2033 held by Anglo American Metallurgical Coal Pty Ltd. Overlaps with EPC726 held by Anglo Coal (German Creek) Pty Ltd Overlaps with EPC1455 held by Anglo Coal (German Creek) Pty Ltd
	ML 70309	28.10.04	30 years, 1 month	30.11.34	Mortgage registered 28.05.08. Mortgagor – CAML (60% interest mortgaged). Mortgagee – FC and POSCO Australia Pty Ltd. Mortgage registered 18.02.2011. Mortgagor – CAML (60%), FC (30%), NSSM (10%). Mortgagee - CAML, FC, NSSM, Foxleigh Management Pty Ltd.	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd

Holder	Tenement	Grant Date	Term	Expiry Date	Encumbrances	Native Title	Comments
	ML 70310	02.10.15	19 years, 1 month	30.11.34		Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with EPC2033 held by Anglo American Metallurgical Coal Pty Ltd. Overlaps with EPC726 held by Anglo Coal (German Creek) Pty Ltd Overlaps with EPC1455 held by Anglo Coal (German Creek) Pty Ltd
	ML 70429	22.09.14	20 years, 2 months	30.11.34	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd
	ML 70430	22.09.14	20 years, 2 months	30.11.34	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd
	ML 70431	22.09.14	20 years, 2 months	30.11.34	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd

Holder	Tenement	Grant Date	Term	Expiry Date	Encumbrances	Native Title	Comments
	ML 70470	13.11.12	22 years	30.11.34	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd

Table 2 Tenure Ownership Details - Exploration Permits for Coal

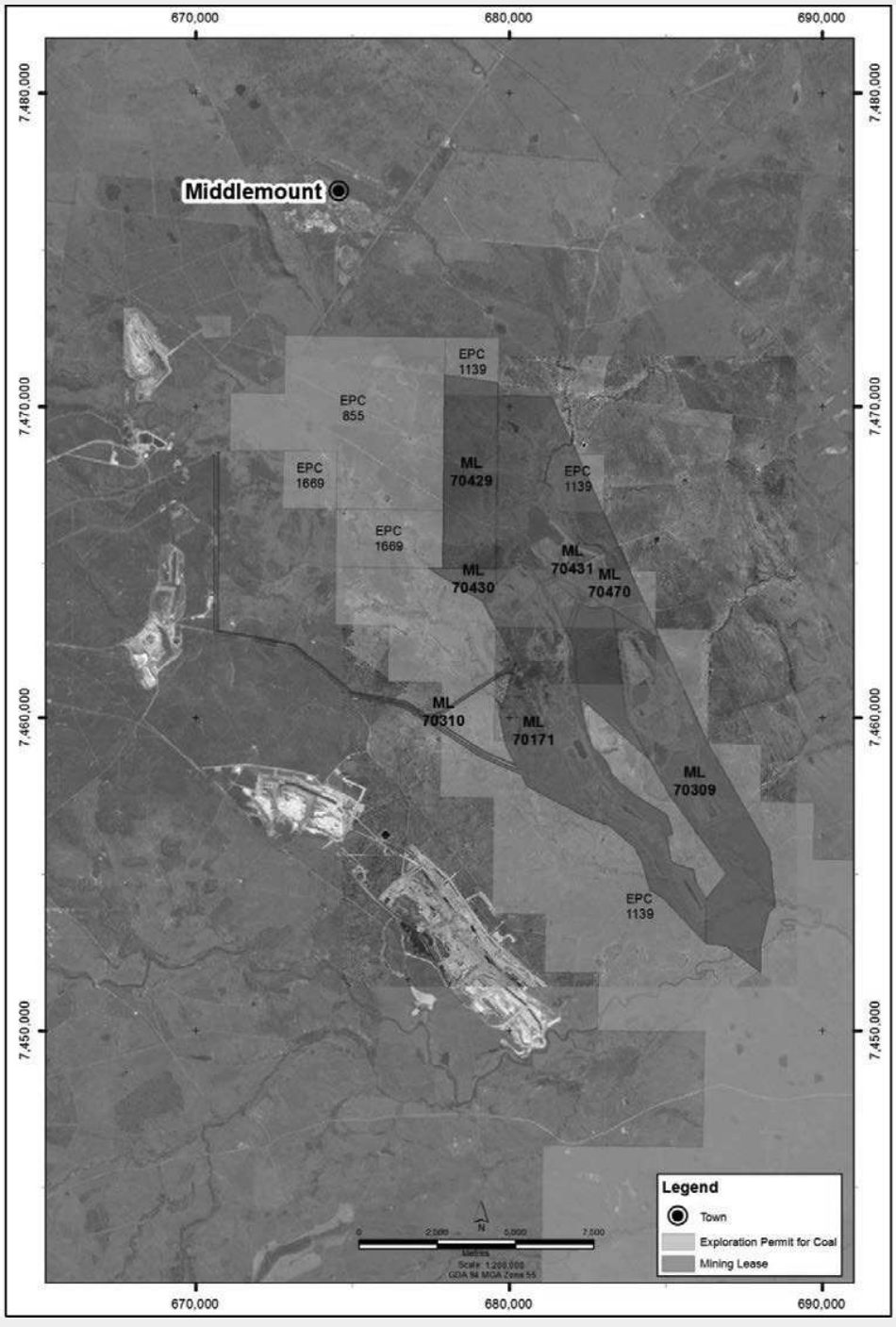
Holder	Tenement	Grant Date	Term	Expiry Date	Area Size (Sub-blocks)	Relinquishments				Native Title	Comments
						Year	Relinquishment Date	Sub-blocks relinquished	Sub-blocks retained		
CAML Resources Pty Ltd (60%) Foxleigh Coal Pty Ltd (30%) Nippon Steel & Sumitomo Metal Pty Ltd (10%)	EPC 1139	07.08.07	5 years (renewed term commenced 07.08.2012)	06.08.17	143 Sub-blocks	7	06.08.14	9	143	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Application to vary the Conditions of EPC 1139 made 2 June 2015 to vary sub-blocks held retained during 2015-2017 period to 143 sub-blocks was approved on 24 June 2016. Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd
						10	06.08.17	72	71		

Holder	Tenement	Grant Date	Term	Expiry Date	Area Size (Sub-blocks)	Relinquishments				Native Title	Comments
						Year	Relinquishment Date	Sub-blocks relinquished	Sub-blocks retained		
Foxleigh Coal Pty Ltd (100%)	EPC855	20.10.03	5 years (renewed term commenced 20.10.2012)	19.10.17	9 Sub-blocks	14	19.10.17	4	5	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Application to vary conditions of EPC855 made 3 August 2015 to vary sub-blocks held retained during 2008-2017 period to 9 sub-blocks was approved on 23 September 2015. Overlaps with ML 70417 held by Middlemount Coal Pty Ltd and Ribfield Pty Ltd. Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd
						5	19.10.08	5	9		
						4	19.10.07	3	14		

Holder	Tenement	Grant Date	Term	Expiry Date	Area Size (Sub-blocks)	Relinquishments				Native Title	Comments
						Year	Relinquishment Date	Sub-blocks relinquished	Sub-blocks retained		
Middlemount South Pty Ltd (100%)	EPC 1669	11.11.09	5 years (renewed term commenced 11.11.2014)	10.11.19	3 Sub-blocks	8	10.11.17	1	2	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd

The locations of the mining tenures for the Foxleigh Mine are shown in Figure 3.

Figure 3 Foxleigh Mine Tenure Location Map

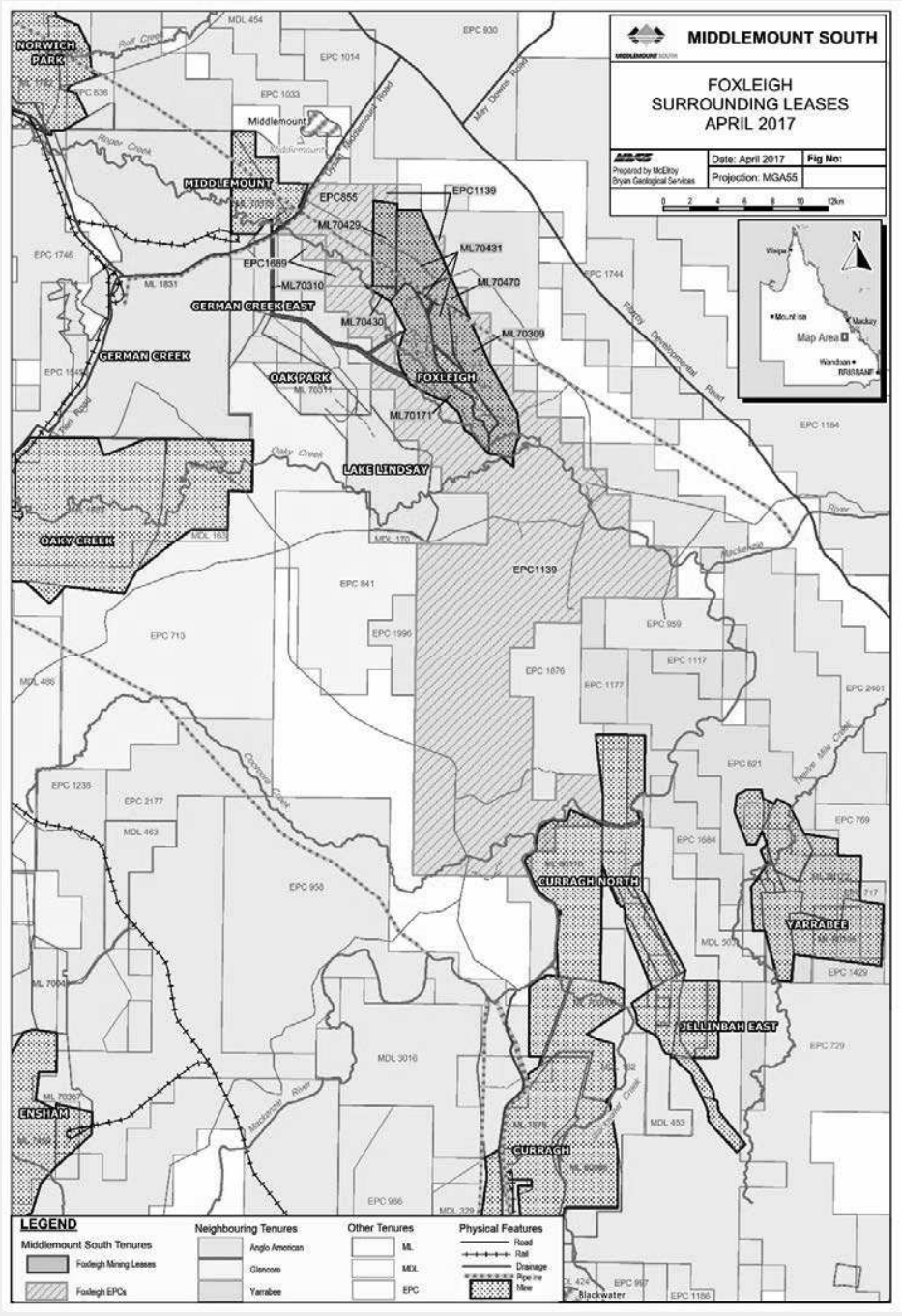


encompass mining	**FOXLEIGH MINE TENURE LOCATION MAP**	**Source:** **Encompass Mining 2016**

3.3 Property Boundaries

The Foxleigh Mine is adjacent to the western boundary of Anglo American's Capcoal operation. Figure 4 illustrates the location of the Foxleigh Mine with respect to the surrounding mining operations.

Figure 4 Neighbouring Operations



encompass mining	**NEIGHBOURING OPERATIONS**	**Source: Middlemount South 2017**

3.4 Community Relations and Environmental Regulation

Middlemount South Pty Ltd (a 99.9% owned subsidiary of Realm Resources Limited) acquired the majority stake (70%) in the Foxleigh Mine in August 2016 from Anglo American Metallurgical Coal (AAMC). The mine was acquired as a going concern and continues to be run as an owner operator style operation. As part of the transaction, all licenses, mining tenements and liabilities were acquired.

This operation has environmental guidelines in place such as a Plan of Operations to detail the environmental requirements for the operation. There is no present requirement to alter mining strategy or location based on environmental considerations.

4 EXPLORATION HISTORY

4.1 Historical Information

The early historical information and exploration for the Foxleigh Mine area is summarised below.

Utah Development Corporation (Utah): early to mid-1960s: a brief relinquishment report, but no borehole records are available.

Geological Survey of Queensland (GSQ): there was a mapping programme at a regional scale of 1:250000 during the 1960s, and Roper Creek East borehole drilling program, in what is now the German Creek East area and at other locations to the north and south of German Creek East.

Capricorn Coal Management (Capcoal): exploration drilling programs at:

- German Creek East – subsequently developed as an open-cut mine,
- Middlemount – the Foxleigh North area, now part of EPC 597 held by Ellrock,
- Roper Creek East – the Foxleigh South area, now part of the Foxleigh Joint Venture's EPC 1139
- Capcoal named the area between the Jellinbah and Foxleigh Faults the Foxleigh Block, and
- A preliminary mining feasibility study at Foxleigh South was made by Shell on behalf of Capcoal.

Girrah (Lake Lindsay): exploration drilling programs at the Girrah (formerly Lake Lindsay) prospect.

Australian Bulk Minerals: exploration drilling program at Duneed (Wilpeena), south of the Foxleigh prospect.

Kanematsu, C.O.A.L., Ingwe: successive holders from late 1995 to late 1997 of EPC 1139 and its immediate precursor EPC 598. No field work was done.

C.A.M.L.: Conducted exploration drilling programs and a mining feasibility study on the Foxleigh prospect, from early 1998.

4.2 Exploration by Other Parties

There have been numerous phases of exploratory drilling programs carried out by past tenement holders, as listed beneath:

Utah: drilled one traverse line which included holes east of the Jellinbah Fault (at least five of them east of Roper Creek), but the data is not publicly available. The bore locations may not have extended quite far enough easterly to intersect the Rangal Coal Measures of the Foxleigh Block, or, if they did, the Rangal Coal Measures were not recognised and the drillhole sites cannot be located in the field.

G.S.Q: Scout drilling in the German Creek East area, west of the Jellinbah Fault.

Capcoal: 44 scout boreholes in the northern part of the current EPC 1139. The great majority of sites were located along fence lines, and are still easy to find. Cores of coal intersections were taken at some of the bore locations. Foxleigh has made use of Capcoal borehole data collected within Foxleigh tenure areas.

Girrah: Five scout boreholes in the south-west of EPC 1139; only the Burngrove was intersected.

Lake Lindsay: The Burngrove Formation was present at sub-crop. The sites were east of the Jellinbah Fault, but not far enough east to intersect Rangal Coal Measures.

Duneed (Wilpeena): one west-east traverse about ten kilometres south of EPC 1139, drilled in 1997; the Rangal Coal Measures were sought, but only the Burngrove Formation was found. It is unclear where the Rangal sub-crop might be in relation to the Duneed traverse; both folding and faulting are present in the area. The only data directly relevant to the current operations, and publicly available, is that of Capcoal. However, exploration at Girrah has encountered structures which have many similarities to those at Foxleigh, and which require a similar density of drilling to define them. The area with the most attractive open-cut mining potential at Girrah has been drilled at a density similar to that to be achieved at Foxleigh at the end of Stage 3 exploration, and several faults with displacements of 10 – 20 m have been interpreted there.

4.2.1 Foxleigh Joint Venture Drilling

Exploration drilling after the early historical exploration has largely been undertaken by CAML Resources Pty Ltd. Exploration after 2007 has been conducted under AAMC and been governed by AAMC standards and requirement documents. The following details the exploration history under the Foxleigh Joint Venture (CAML).

Stage 1A: The first work in the field for Stage 1A was to drill validation bores within the area previously drilled by Capcoal, at four sites close to representative Capcoal sites, on traverse lines spaced two kilometres apart. This validation was for thickness and quality of the Rangal seams at open-cut depths. More bores were then drilled on each line, to investigate the previous structural interpretation and to obtain additional core intersections. 34 open and partly-cored holes were drilled for structural and quality control in April, May and June 1998; hole diameter was approximately 120 mm, core diameter was 63.5mm (HMLC).

Capcoal's conclusions on coal quality were confirmed. However, Capcoal's structural interpretation and open-cut reserve quantities, and Shell's mining study, were found to be only partially valid, as their drilling did not locate the main Rangal subcrop in the north-western part of EPC 1139.

Stage 1B: the Stage 1B investigations took the form of drilling on traverse lines spaced one kilometre apart, in the area previously drilled by Capcoal, and also to the south as far as the south-east boundary of the EPC. In total, 58 open holes of diameter about 120 mm were drilled.

Drilling began in August 1998. Completion was delayed by rain from late August to early October 1998, and the remaining bores were drilled in October, November and December 1998 in conjunction with Stage 2. These holes confirmed extension of the sub-crop of the Rangal Coal Measures to the south-eastern boundary of EPC 1139, 5.5 kilometres further south than had been reached by Capcoal drilling.

Stage 2: for Stage 2 exploration, drill traverses were spaced 500 metres apart between all the 1 kilometre lines drilled previously, and also for 2 km north of the MLA boundary (Lines 6500, 6000, 5500 and 5000). Exceptions were Traverse Lines 8500 East (partly compensated for by Capcoal holes), 7500 East, 6500 East and 6000 West. On each traverse line, from two to five open holes were drilled for structural control. The number of holes on each line was controlled by the proximity of Capcoal bores and the strata dip. Holes generally were 200 m apart. Each seam of the Rangal Coal Measures was cored within open-cut depth on each traverse, using HMLC equipment cutting core 63.5 mm in diameter. The Roper Seam was an exception; only a few cores of it were taken, as it is not relevant to the first 10 or so years of mining. Two fully-cored geotechnical holes were drilled on Traverse Line 13000, in the centre of the mineable area.

Thirteen large-diameter bores which retrieved 200 mm diameter cores were taken in each seam at intervals of 3 to 4 km along strike. Priorities changed during the course of drilling; more slim open-holes than had been anticipated were drilled for structural control and to control the 200 mm diameter coring, and fewer 200 mm cores than anticipated were taken as quality along strike was found to be generally quite consistent.

In total, 91 bores were drilled.

Figure 5: Historical Drilling Summary for the Foxleigh Mine

Company	Year	Expl Stage	Coal Sought	Holes Non-Cored	Holes Partly Cored Slim	Holes Partly Cored Large	Holes Fully Cored Slim	Holes Total
Utah	1963		Coking	5				5
Capcoal	1989-91		Coking	38	5	1		44
CAML	1998	1A	PCI	21	13			34
CAML	1998-9	1B	PCI	45	13			58
CAML	1998-9	2	PCI	58	18	13	2	91
All				**167**	**49**	**14**	**2**	**232**

All of CAML's holes have been cased to the base of the Quaternary, and so far have not been sealed, but have been secured with PVC caps.

4.2.2 Large Diameter Drilling

A total of 13 large diameter sites have been drilled. Each seam has been intersected at intervals of three to four kilometres along strike; originally, bores were planned for intervals of one kilometre along strike, but consistency of coal quality has made this unnecessary, particularly for the Middlemount Seam.

Five cores of the Middlemount Seam have been taken, five of Tralee 1 Seam, five of Tralee 2 Seam, four of Pisces 1 Seam, four of Roper 1 Seam, and one of Roper 2 Seam. Some fault repetitions were also cored. The cores were sampled on site in accordance with quality data obtained previously from slim bores. The probable workable section was sampled as a single ply where possible; where the workable roof or floor was not obvious, separate samples were taken. Probable workable sections were based on known quality and on visual assessment of realistic mining horizons. At least 150 mm each of roof and floor were taken as separate samples.

4.2.3 Geotechnical and Drilling

Two geotechnical holes were drilled on Traverse Line 13000. Borehole CF 164c intersected the Pisces 1 Seam, which at this location was sheared and attenuated. Borehole CF 166c intersected the Roper and Middlemount seams; little shearing was encountered at this site.

Borehole locations were designed to intersect the main seams at their approximate final highwall positions, Pisces 1 Seam at about 60 m and Middlemount Seam at about 90 m; the Pisces 1 Seam was intersected shallower than predicted, probably because of the local shearing.

4.2.4 Anglo American Metallurgical Coal (AAMC) Exploration (2007-2016)

Anglo American Metallurgical Coal (AAMC) has undertaken considerable exploration since acquiring the Foxleigh Mine in 2007. The AAMC exploration has occurred during 2007-2016 and focussed on increasing the geological confidence and knowledge within the existing mining areas but also allowed for the exploration of new potential resource areas such as Foxleigh Plains, Far South, Roper Creek and Eagles Nest. The exploration used a combination of rotary holes and cored holes (slim core and medium diameter) to investigate the Foxleigh deposit.

Non-Cored Boreholes

The non-cored boreholes drilled by AAMC are rotary drilled holes. Geophysical logging is undertaken routinely, and seam depths are corrected to the geophysical logs. Given structure is the biggest issue at Foxleigh, rotary holes were often drilled rather than cored holes due to the significantly lower costs associated with rotary drilling.

Cored Boreholes

The number of cored boreholes at Foxleigh is less than that observed for other similar deposits. The cored holes undertaken by AAMC are a combination of slim core (63 mm) and medium diameter (either 83 mm or 100 mm). The slim core holes are fully cored, and drilled predominantly for geotechnical data, but the coal is sent for quality analysis as well. The large diameter holes are partially cored and the coal sent for analysis.

The AAMC drillholes use a naming convention to differentiate the types, the initial D in the name denotes slim core, and an L denotes large diameter core. All of the AAMC cored holes are geophysically logged, and seam depths and sample depths are corrected to geophysics.

2D seismic surveys have been conducted by AAMC during their ownership. The 2D seismic surveys were used to assist with identifying the structure due to faulting and folding at the Foxleigh Mine. The seismic surveys targeted the more complex geological areas.

Figure 6: Drilling Summary for the Foxleigh Mine including AAMC Exploration Drilling

Area	Modelled Holes	Open Holes		Cored Holes		Geophysically Logged Holes	
		No.	%	No.	%	No.	%
Foxleigh Plains	365	350	96	15	4	301	82
Pipeline	1065	1045	98	20	2	887	83
One Tree	1082	1063	98	19	2	901	83
Carlo Creek-Daggers Tip	1129	1095	97	34	3	1129	100
Far South	348	292	84	56	16	233	67
Western Corridor	326	306	94	20	6	222	68
Foxleigh North	1519	1495	98	24	2	1280	84
Eagles Nest	308	304	99	4	1	254	82
Roper Creek	126	126	100	0	0	34	27
Foxleigh West	226	220	97	6	3	152	67

4.2.5 Middlemount South Exploration (2016 to Present)

At the time of writing this report, an exploration campaign had just been completed by Middlemount South Pty Ltd. The exploration drilling focussed on the Foxleigh Plains area with an aim of increasing the resources defined in the area and validating historical drilling results.

5 GEOLOGY

5.1 Introduction

The Foxleigh Mine has been operating since January 2000 with extensive geological and mining knowledge obtained during this period. The Foxleigh Mine is a structurally complex mine with many faults and synclinal or monoclonal structures. The coal quality of the deposit is well understood with seam qualities generally showing consistent ash, yield and other quality properties. Seam faulting has disrupted this quality continuity in localised areas of the Foxleigh Mine. The experienced gained from over 17 years of mining at Foxleigh has shown that seam quality can be reasonably well predicted at Foxleigh, whereas seam structure tends to be less consistent due to regional and localised faulting.

5.2 Regional Geology

The Bowen Basin is the northern part of the 1,800 km long Bowen-Sydney-Gunnedah Basin. The Bowen Basin is a thick accumulation of Permian and Triassic sediments with extensive coal measure development. Two major groups of economic coal measures are present within the Bowen Basin. The basin-wide Rangal Coal Measures (and equivalents) and the German Creek/Moranbah Coal Measures, restricted to platform areas on the western side of the basin. The Foxleigh Mine is located within the Central Bowen Basin along with numerous other operating mines such as the German Creek Mine, Lake Lindsay Mine, Middlemount Mine and Oaky Creek Mine.

The Foxleigh deposit is in a plunging syncline with strike north-north-west/north-west, flanked by large scale regional faults, the Jellinbah fault to the west which divides Foxleigh Mine from Foxleigh West, and the Foxleigh/Yarrabee fault to the east. The area is very structurally complex with folding and thrust faulting causing seam duplication.

The regional stratigraphy of the region comprises the Late Permian Fairhill Formation and overlying Burngrove Formation (Fort Cooper Coal Measures equivalents). The Burngrove Formation is overlain by the coal bearing Rangal Coal Measures which are overlain by the Early Triassic Rewan Group and more recent Tertiary and Quaternary sediments (refer to Figure 7). The Rewan Formation and underlying Rangal Coal Measures are the predominant formations within the Foxleigh Mine area.

The generalised stratigraphic sequence is:

- Quaternary – unconsolidated sand, clay, and basal gravel and pebbles,
- Tertiary – weathering profile, with unconsolidated sediment,
- Triassic – Rewan Formation sediment,
- Permian – Rangal Coal Measures – siltstone, fine-grained sandstone, mudstone and coal,
- Permian – Burngrove Formation – siltstone, claystone, sandstone, and coal; often tuffaceous,
- Permian – Fairhill Formation - banded with tuffaceous claystones, siltstones with coal.

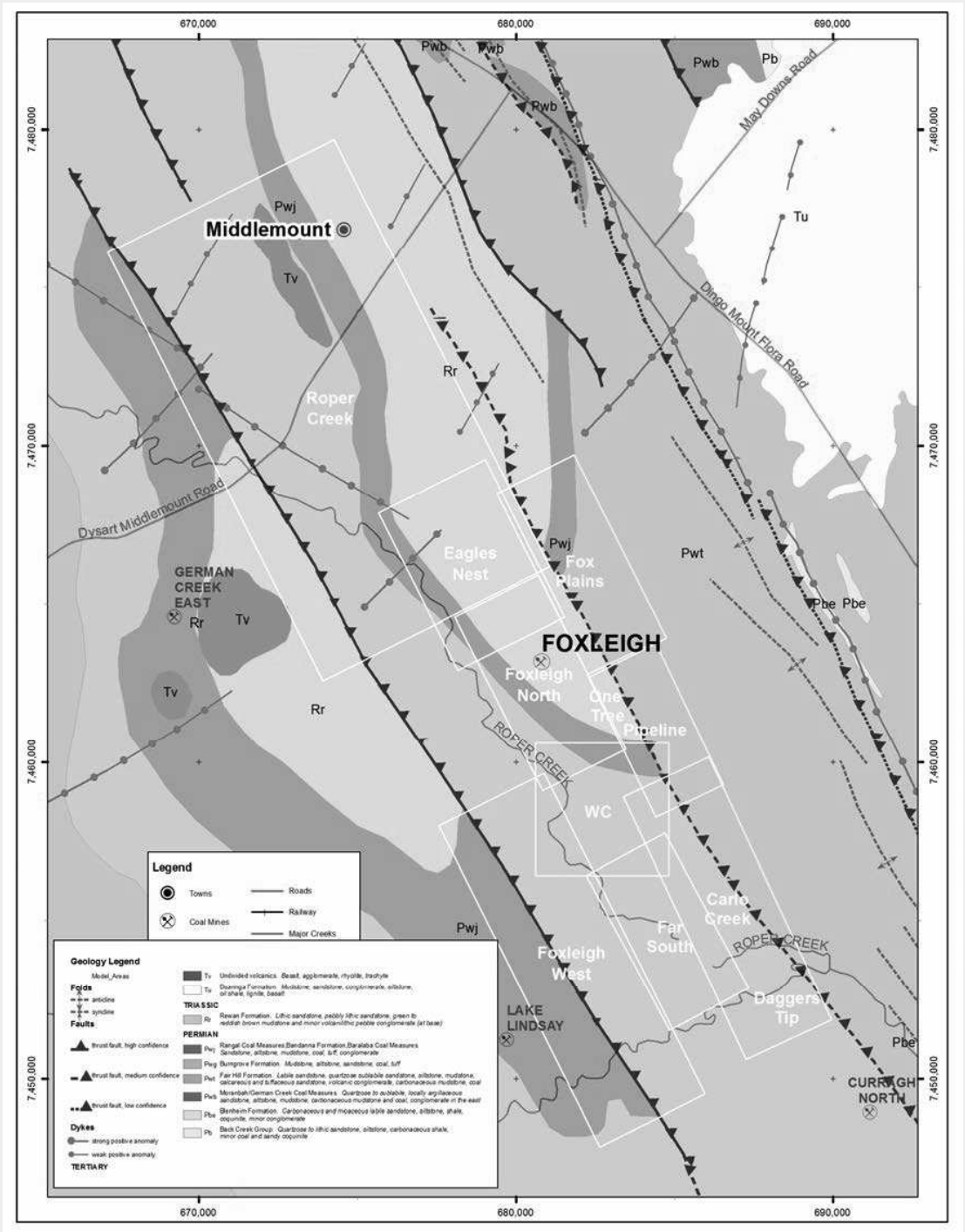
5.3 Local Geology

The Foxleigh Mine is located between the Jellinbah Fault to the west and the Foxleigh/Yarrabee Fault to the east, a strip about 6 km wide. Strikes of both strata and structure are north-north-northwest/north-west. The Jellinbah Fault has a throw of about 600 metres. The main faults are thrusts with east over west displacements.

The Foxleigh deposit is a syncline which is orientated in a NNW-SSE direction, with the apex of the syncline in the SSE. The length of the syncline under mining lease is approximately 22 kilometres, and at the widest point, the width is 6 kilometres. There is extensive folding and thrust faulting causing seam repetition and more synclines and anticlines within each of the main eastern and western limbs of the syncline.

The Foxleigh Mine has been subdivided into ten different project areas (Roper Creek, Eagles Nest, Foxleigh Plains, Foxleigh North, One Tree-Pipeline, Western Corridor, Foxleigh West, Far South, Carlo Creek and Daggers Tip).

Figure 7 Solid Geology of the Foxleigh Mine



encompass mining	**SOLID GEOLOGY OF THE FOXLEIGH MINE (WITH GEOLOGICAL MODEL AREAS)**	**Source:** **Encompass Mining 2016**

In Foxleigh Plains, there are multiple seams in the resource, the deepest is the Pisces 2 seam at approximately 200 m, and the shallowest are all the seams where they subcrop. In Pipeline, the resources extend down to the Middlemount and Middlemount Lower where the depth ranges from subcrop to 150 m.

The Foxleigh Mine area contains a complete sequence of the Rangal Coal Measures. The Rangal Coal Measures contain the five main target seam groups for the Foxleigh Mine; Roper, Middlemount, Tralee, Pisces 1 and Pisces 2 seams. The Rangal Coal Measures are overlain by the Rewan Formation and underlain by the Burngrove Formation.

To date, the main seams mined at Foxleigh from the Rangal Coal Measures are the Roper, Middlemount, Tralee and Pisces 1 seam groups. The Pisces 2 seam group straddles the division between the Rangal Coal Measures and the Burngrove Formation. The Pisces 2A split is located within the Rangal Coal Measures above the Yarrabee Tuff (a recognised marker band within the Bowen Basin) which means the Pisces 2B split is located below the Yarrabee Tuff within the traditionally less economic seams of the Burngrove Formation. There is limited exploration data below the Pisces 2 seam for the other less attractive seams of the Burngrove Formation. The lithology and character of each major seam group is discussed in more detail below in downhole stratigraphic order. A typical stratigraphic section for the Foxleigh Mine area is shown in Figure 8.

5.3.1 Roper Seams

The Roper seams are the uppermost seam group of the Rangal Coal Measures and there are typically one to three Roper seams present across the Foxleigh deposit. The Roper 1 seam is the more consistent of the three seams and is generally present, the Roper 2 seam is common but not as pervasive, whilst the Roper 3 seam has only a limited presence at Foxleigh.

The Roper 1 seam has a density in the 1.30 – 1.50 g/cc range, being a bright coal with dull bands. The Roper 2 has a density in the 1.50 – 1.60 g/cc range, being a dull coal with bright bands. The Roper 3 is thinner, averaging 0.5 m, with a density in the 1.60 – 1.70 g/cc range, being a dull coal.

There is limited quality data for the Roper 1 and 2 seams and none for the Roper 3 Seam. The Roper 3 is not regarded as a Resource as it is too thin and too intermittent with no quality data. The Roper 1 and Roper 2 quality data is mostly on the western limb and in the Foxleigh Plains area.

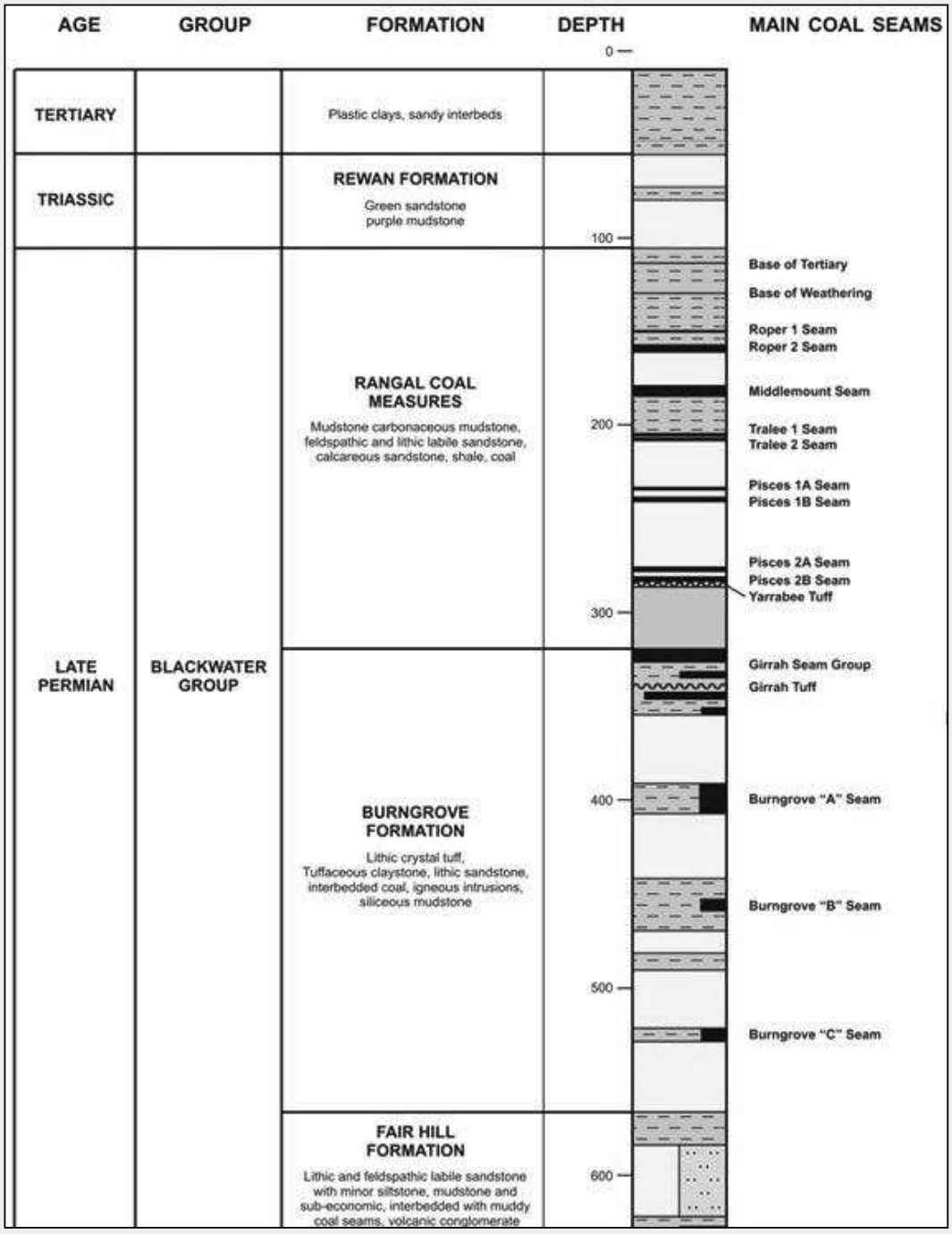
The Roper 1 seam is the main target seam for the Foxleigh Mine. The seam tends to be mined if it is present with the Middlemount seam and if it exhibits reasonable qualities.

5.3.2 Middlemount Seams

The Middlemount seam is the main economic target seam in the Foxleigh Mine area and has been almost entirely mined out on the western limb of the syncline. The Middlemount seam ranges in thickness from 3- 6 metres, with the average thickness being approximately 4.5 metres. The Middlemount seam is bright coal with dull bands; it has a low density in the range of 1.30 to 1.36 g/cc. On the eastern limb of the syncline the Middlemount seam has been faulted and over-thrusted to a point where seam thicknesses can reach more than 20 metres. The occurrences of fault thickening in the Middlemount seam are usually restricted to small localised areas.

Locally, the Middlemount Upper and Middlemount Lower seams occur above and below the Middlemount seam. These splits are often localised and are not consistent across the deposit. The correlation of the Middlemount Lower seam is also often an issue as it can occur as a discrete seam entirely separate from the Middlemount seam or as a dull coal / shaley coal contiguous with the floor of the Middlemount seam. In some drill holes where the Middlemount Lower seam is contiguous with the Middlemount seam, the two seams have been sampled and analysed together. This practice often results in a poorer quality Middlemount seam with higher ash and lower yield results.

Figure 8 Typical Stratigraphic Section of the Foxleigh Mine



encompass mining	**TYPICAL STRATIGRAPHIC SECTION OF THE FOXLEIGH MINE**	**Source:** **Anglo CP Report 2015**

The Middlemount seam contains the most quality data of all the Foxleigh seams. The quality data on the western limb, where it has been sampled and analysed the most, indicates that the quality for the Middlemount seam is very consistent. Recent quality results from the Foxleigh Plains area suggest that there is increasing variability in the quality of the Middlemount seam at the northern end of the eastern limb and more data is required. This review has highlighted that a number of the quality results for Foxleigh Plains are questionable and are inconsistent when comparing ash and yield to ash and relative density quality relationships. It is recommended that the quality samples for Foxleigh Plains be reviewed and re-checked with the testing laboratory.

The raw ash content of the Middlemount seam ranges between 8% and 14% on an air-dried basis (adb). The total sulphur content is typically between 0.45% and 0.70% (adb) with occasional isolated values greater than 1%. Phosphorus content is variable, but generally in the range 0.06% to 0.10 % (adb).

Product coal yields generally range between 75% and 90%, with an ash content of 7% to 8.5% (adb). The total sulphur is generally less than 0.5% and phosphorus generally less than 0.08%.

The Middlemount seam is the main target seam for all of the Foxleigh Mine pits. The consistent nature of the Middlemount seam thickness and quality, results in the seam being the most attractive seam for mining purposes.

5.3.3 Tralee Seams

The Tralee seam group consists of two Tralee seam splits, Tralee 1 and Tralee 2. The Tralee seams are dull coal with thickness ranging from 0.3 – 1.5 metres, with the average thickness approximately 0.8 metres. The overall Tralee seam has an average thickness of 7 – 8 metres. Both the Tralee 1 and Tralee 2 seams split further into sub-seams with a suffix of A and B.

The Tralee 1 is generally a thin poorly developed seam consisting mainly of dull coal, with the thickness ranging from 0.3 - 1.5 m, with the average about 0.8 m. When the Tralee 1 seam splits into Tralee 1A and 1B the interburden in between the splits can reach up to 5 metres. The Tralee 2 seam is a thicker, more consistent seam, up to 2.5 m thick, with an average thickness of approximately 1.5 metres. When the Tralee 2 seam splits, the Tralee 2A is a thin, poor quality shaley coal, averaging 0.3 m, forming a gradational roof to the better seam below. The Tralee 2B is a thicker split of approximately 2 metres seam of mainly bright coal with a few dull bands.

The majority of the sampling has been undertaken on the Tralee 2 seam, with only a few samples available for the Tralee 1 seam. Where the Tralee 2 seam is not split, it has a raw ash content generally ranging between 15% and 40% (adb). Total sulphur and phosphorus contents are higher than the overlying Middlemount seam and range between 0.5% to 1.0% and 0.01% and 0.20%, respectively (air-dried basis). The Tralee 2B has raw ash values ranging between 10% and 16% and similar total sulphur and phosphorous to the entire seam.

Product coal yield ranges for the entire Tralee 2 seam between 30% to 35% at 9% ash, except for in the Foxleigh Plains area, where the yield is 70% to 90% at 9% ash. In the other areas the Tralee 2A yields at about 40% at 11% ash, and the Tralee 2B yields at about 70% at 9% ash. Total sulphur contents are generally between 0.5% and 0.6 % and phosphorous between 0.01% and 0.02%.

The Tralee 2 seam is the targeted seam as it contains more consistent and economically attractive quality and structural results.

5.3.4 Pisces 1 Seam

The Pisces 1 seam is generally divided into the Pisces 1A, Pisces 1B and Pisces 1C splits. The Pisces 1 seam ranges in thickness from 2.5 – 5.5 metres. The Pisces 1A and 1B coalesce in some areas, but remain mostly as

discrete seams. The Pisces 1A and 1C are not consistent over the Foxleigh Mine area and tend to pinch or shale out. The Pisces 1A and 1C are both thin, averaging approximately 1 metre in thickness and have high relative densities in the range of 1.70 g/cc to 2.0 g/cc. There is only limited quality data for the Pisces 1A and 1C seams.

The Pisces 1B is the seam of economic interest, particularly at Foxleigh Plains, where the seam is well-developed. The Pisces 1B seam is on average a 2.5 metre thick seam of mainly bright coal with a few dull bands. On the eastern limb of the Foxleigh Syncline the Pisces 1B has only been sampled at Carlo Creek and Foxleigh Plains. The raw ash content of the Pisces 1B seam ranges between 10% and 20% (adb) and has a total sulphur content of between 0.5% to 1.0% (adb). The phosphorus content of the seam ranges between 0.04% to 0.15%.

Product coal yield for the Pisces 1B seam ranges between 70% and 75% with an ash content of 8% to 8.5% (adb) in Foxleigh Plains to 55% to 65% yield at 8% ash in the rest of the deposit. Product sulphur ranges between 0.45% and 0.65% (adb). Product phosphorus results range between 0.05% and 0.10%.

The Pisces 1B seam is the target seam of the Pisces 1 seam group.

5.3.5 Pisces 2 Seam

The Pisces 2 Seam is at the junction of the Rangal Coal Measures and the Burngrove Formation. The Pisces 2 seam contains the tuffaceous marker horizon, the Yarrabee Tuff. The Yarrabee Tuff marks the base of the Rangal Coal Measures and the top of the Burngrove Formation. The Pisces 2 seam splits into the Pisces 2A, Pisces 2B and Pisces 2C seams.

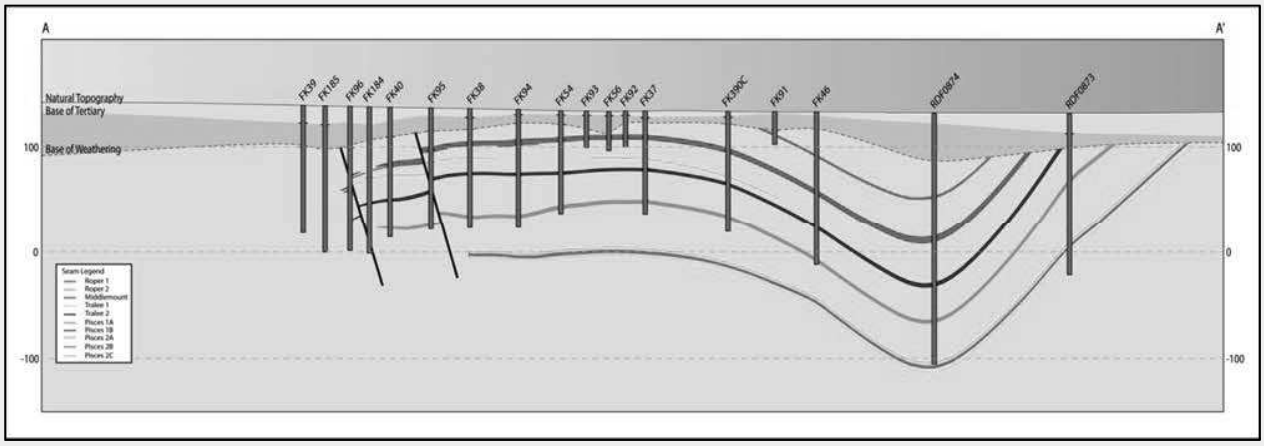
The Pisces 2A is the thickest split averaging 2.5 m in thickness. The Pisces 2A has a moderate density in the 1.50 g/cc range. The Pisces 2A seam is mostly a dull coal, with calcite veins and is immediately underlain by the Yarrabee tuff. Below the tuff is the Pisces 2B seam which is generally a poorer quality coal with a high density in the range of 1.70 g/cc. The Pisces 2C is not always present, it is very poor quality dull coal, with a high density in the range of 1.90 g/cc.

Quality data for the Pisces 2 seam only exists in the Foxleigh Plains and Carlo Creek areas. The Pisces 2A has a raw ash of about 24%, total sulphur of 0.44% and phosphorous of 0.90% (adb). The Pisces 2B has a raw ash of approximately 38% and Pisces 2C raw ash of approximately 49% (adb).

The Pisces 2 seam is generally not targeted at Foxleigh mainly due to the limited drilling and quality information for the seam and the general poor quality results the seam produces.

A typical cross section through the Foxleigh Plains deposit is shown in Figure 9 (Roper seam =magenta, Middlemount seam = red, Tralee seam = blue, Pisces 1 seam = orange, Pisces 2 seam = green).

Figure 9 Typical Cross Section through the Foxleigh Plains Area



encompass mining	**TYPICAL CROSS SECTION THROUGH THE FOXLEIGH PLAINS AREA**	**Source: Encompass Mining 2016**

6 GEOLOGICAL DATA AND MODEL REVIEW

The following section covers the key issues dealing with various aspects of data acquisition. The data in question can have material adverse effects on estimates if not acquired or managed properly.

6.1 Collar Surveys

The majority of drill holes in the Foxleigh Mine area were located by conventional surveying methods using the GDA94 MGA Zone 55 coordinate system. All drill hole collar elevations have been checked against the DTM topography surface and have been found to be within less than 2 metres of the DTM surface for the Foxleigh Plains and Pipeline geological model areas.

6.2 Drilling and Sampling

The majority of the drill holes in the Foxleigh Plains and Pipeline geological data set are holes drilled by Anglo American Metallurgical Coal. There are a small number of older drill holes in the Pipeline geological model area that were drilled by the previous owners (CAML).

The exploration holes used for modelling are a combination of three types of drilling; open holes, 63 mm fully cored holes (geotechnical and coal quality) and large 83mm or 100mm diameter partially cored holes (coal quality). It is important to note that the partially cored holes do not always intersect the full suite of seams (Roper to Pisces 2) for each hole. Therefore only subsets of the seams were intersected in each drill hole.

The drill hole data does not contain any downhole verticality data so all holes are modelled as vertical. This is not ideal as it can lead to modelling inaccuracies where downhole deviation is present in drill holes. Generally, the deeper the drill hole the increased chance of downhole deviation. Overall the lack of verticality data will only have a small impact on the elevation of seams and should not have any material impact on the geological models for Foxleigh Plains and Pipeline.

6.3 Logging

The Foxleigh Mine drilling data has been logged to standard geological dictionaries using conventional lithological codes and logging standards. The exploration data has been logged in coding sheets in the field and transferred to Microsoft Excel for loading in the Acquire database. The exploration data was reviewed in ABB's Stratmodel software. There were no major issues identified with the exploration drilling data, with all correlations, seam naming, lithological logging and depths mostly free of errors. There were a few minor errors identified regarding the logging of the Middlemount (MMT1) and Middlemount Lower (MMTL) but they were considered by Encompass to have minimal impact on the resulting geological model. ABB's Stratmodel software validates data upon loading according to predefined rules and parameters. During the process of checking there were no problems identified with the drill hole data for the Foxleigh Plains or Pipeline geological data sets. Additional checks were undertaken to examine for discrepancies in topography, collar locations and base of weathering thickness issues. No issues were identified with the logging of these intervals.

The majority of the drill holes in the Foxleigh Plains and Pipeline geological models have been geophysically logged (on average over 83%). The ratio of logged to not logged drill holes is quite high and provides considerable confidence in the accuracy of the drill holes and correlations. The holes that were not geophysically logged were due to either poor ground conditions or historical data not being available. All drill holes without geophysics have not been utilised for the Resource estimation.

Currently all exploration holes are routinely geophysically logged using a standard suite of sondes. Geophysical data acquired includes, but is not limited to:

- gamma ray
- density (long and short spaced)
- sonic
- caliper
- verticality/dipmeter
- resistivity

6.4 Sample Preparation

Conventional field sampling methods have been used at the Foxleigh Mine to date. Historical coal quality coring programs focused on collecting both HMLC (63 mm) and large diameter 4C (100 mm) samples for all seams. The cores were sampled on site in accordance with quality data obtained previously from slim bores. The probable workable section was sampled as a single ply where possible; where the workable roof or floor was not obvious, separate samples were taken. Probable workable sections are based on known quality and on visual assessment of realistic mining horizons. At least 150 mm each of roof and floor were taken as separate samples.

Currently holes drilled for geotechnical purposes are HQ (63 mm) cored holes. These holes are fully cored and are also sampled for coal quality. The dedicated coal quality holes are partially cored and are either 83 mm (PQ) or 100 mm (4C) in diameter. The seams are sampled as plies, which are analysed at the laboratories for apparent relative density (ARD). These results are returned, and the plies are allocated to working sections for further analysis.

All quality testing for the analytical programs, and the majority of the historical data sets, has been carried out by NATA accredited laboratories. In 2007, a quality control program was developed by the owner of the Foxleigh Mine at the time for analytical laboratories to monitor the repeatability and reproducibility of analyses including check analyses and round robin testing. This quality control program was introduced in 2008 and is a routine part of all analytical testing. The SGS laboratory in Mackay is the currently contracted laboratory for coal analyses.

Washability data treatment changed around 2005-2006, mainly due to the changeover from using Capcoal CHPP to the new Foxleigh wash plant. AB Mylec rationalised the disparate sets during their study in July-August 2009.

Responsibility for the sampling process rests with the exploration geology supervisor, as follows:

- Prior to any coal quality analysis Foxleigh personnel need to ensure that the borehole passes >90% core recovery in coal (although 95% is the standard, in the Foxleigh environment this is difficult to achieve, and 90% recovery can be accepted).
- The ply samples are analysed for apparent relative density (ARD). The ARD goes back to the geology supervisor, who decides on working sections, and advises the laboratory accordingly.
- Once the working section is identified the plies are combined into the working section sample, a portion undergoes raw analysis, and the remainder is drop shattered, dry sized, drum tumbled, wet sized and taken into washability.
- On completion of the washability the Clean Coal Composite (CCC) needs to be determined. The CCC is simulated from the washability curves and the laboratory is advised of its makeup. The CCC for the different seams may vary based on the natural washability, but in general it would be between 7.5 and 12% ash.

Raw coal and non-coal analysis is controlled by the site-specific analytical procedures. Figure 10 summarises the analytical standards used in these analyses.

Figure 10 Summary of Raw Coal Analysis Parameters and Standards for Foxleigh Mine

Raw Coal Analysis	Analysis Standard
RD	AS1038.21.1.1 (+2); AS2434.4
Moisture	AS1038.3 (+4, 5, 7)
Ash Content	AS1038.3 (+4, 8)
Volatile Matter	AS1038.3 (+4)
Fixed Carbon	AS2434.6.1
Total Sulphur	AS1038.6.3.1 (+2,3); AS2434.6.1
Phosphorous	AS1038.9.1 (+2, 3)
Specific Energy	AS1038.5
Hardgrove grindability	AS1038.20
Moisture Holding Capacity	AS1038.17

Washability is usually carried out on working sections, but due to the thickness of some seams, two or more composite samples may be analysed across a seam. The float/sink methodology currently employed attempts to mirror the coal sizing and beneficiation process of the Foxleigh CHPP which uses dense medium cyclone, reflux classifiers and froth floatation. A summary of the sizing and washability float fraction parameters used for Foxleigh sample analysis is contained in Figure 11.

Figure 11 Summary of Sizing and Washability Float Fraction Parameters for Foxleigh Mine

Washability size fraction	Washability float fraction	Analyses
-50 +1.4	1.30	Mass
-1.4 +0.25	1.35	Ash
-0.25 +0	1.4	Total sulphur
	1.45	
	1.50	
	1.60	
	1.70	
	1.80	
	1.90	
	2.00	

For the first two size fractions, the sample is washed to the ten float fractions in the table, then the ten float fractions plus the final sinks fraction are weighed and analysed for ash and total sulphur. The fines (-0.25 to +0) fraction, undergoes tree flotation and ash and total sulphur are analysed on four froth and two tailings samples.

The washability and sizing data are used to simulate yields at set ash cut-offs. The resulting data is then used to calculate default yield and product ash values which are used for reporting Reserves.

Clean coal product analysis is controlled by the site-specific analytical procedure(s). Figure 12 summarises the analytical standards used in the clean product analyses. Washability data is processed through a program that simulates plant factors. A 'recipe' of proportions of size and float fractions is generated to produce an

approximation of a PCI product. The recipe is sent to the laboratories where the 'clean coal composite' (CCC) sample is combined from the washed fractions in the specified proportions and then the combined float fraction samples is analysed. The target ash varies from seam to seam, and has evolved over the years. Currently the targets are approximately:

- Roper - 10.5% ash
- Middlemount - 8% ash
- Tralee - 9% ash
- Pisces - 8% ash.

Figure 12 Summary of Clean Coal Analysis Parameters and Standards for Foxleigh Mine

Raw Coal Analysis	Analysis Standard
RD	AS1038.21.1.1 (+2); AS2434.4
Moisture	AS1038.3 (+4, 5, 7)
Ash Content	AS1038.3 (+4, 8)
Volatile Matter	AS1038.3 (+4)
Fixed Carbon	AS2434.6.1
Total Sulphur	AS1038.6.3.1 (+2,3); AS2434.6.1
Clean Phosphorous	AS1038.9.1 (+2, 3)
Specific Energy	AS1038.5
Hardgrove grindability index	AS1038.20
Petrographics	AS2856.1 (+2)
Ash analysis	AS1038.14.3
Trace Elements	AS1038.10.1
Ash Fusion temperature	AS1038.15
Ultimate Analysis	AS1038.6.1; AS1038.6.2

All recent quality results collected from drilling have been received from the laboratory in electronic format (Microsoft Excel) in standardised reporting templates. Previously an independent consultant has been used to undertake Quality Assurance/Quality Control (QA/QC) on all of these results. Currently, QA/QC is carried out by the site geologist using a template set up by the original consultant. Any anomalous data is sent back to the laboratory for checking and re-analysis if required.

Typical checks undertaken by the site geologist on the analytical results are:

- data in expected ranges
- proximate sum to 100
- Ash vs. CV ratios realistic
- Ash vs. RD ratios realistic
- Ash oxides sum to between 98 and 102
- Ash fusion temperatures consecutive
- Fluidity temperatures consecutive
- Vitrinite reflectance steps sum to 100
- Macerals + minerals sum to 100
- Reflectance (RoMax) realistic.

6.5 Deposit Type

The Foxleigh deposit produces a low ash, low volatile PCI coal for the export market. The Foxleigh Mine is located in the central part of the Bowen Basin which contains numerous important coal producing intervals in the Permian stratigraphy. The Late Permian Rangal Coal Measures host the coal intervals mined at Foxleigh. The main rock types of these measures are sandstone, siltstone and conglomerate which occur with coals and tuffaceous claystones. The Foxleigh deposit is in a plunging syncline with strike north-north-west/north-west, flanked by large scale regional faults, the Jellinbah fault to the west which divides Foxleigh Mine from Foxleigh West, and the Foxleigh/Yarrabee fault to the east. The area is structurally complex with folding and thrust faulting often causing seam duplication.

The economic coal seams at the Foxleigh Mine occur within the Rangal Coal Measures of the Permian Blackwater Group. Coal seams within the Rangal Coal Measures include: Roper, Middlemount, Tralee 1, Tralee 2, Pisces 1A, Pisces 1B, Pisces 2A and Pisces 2B. Splitting and coalescing of the seams occurs in a number of the seams. The Yarrabee Tuff is a marker bed beneath the Pisces 2B seam which marks the base of the Rangal Coal Measures and the start of the underlying Burngrove Formation.

Coal seams from the Rangal Coal Measures have been mined at Foxleigh from sub-crop using the open-cut strip mining method since 2000. The Foxleigh Mine is located between the Jellinbah Fault to the west and the Foxleigh/Yarrabee Fault to the east, a strip approximately 6 km wide. Strikes of both strata and structure are north-northwest/northwest. The Jellinbah Fault has a throw of approximately 600 metres. The main faults in Foxleigh are thrust faults, with east over west displacement. The coal measures are contained within a plunging syncline. Geological structure, including seam continuity, sub crops and oxidation zones and faulting is generally well defined with a moderate density of open hole drilling in advance of the operating areas. Overall, the structure of the Foxleigh deposit is considered favourable to open-cut mining methods.

6.6 Deposit Dimensions, Production and Expected Mine Life

The Foxleigh Mine extends 18km from north to south and 2km from east to west in the current mine plan. The mine is projected to have a life of 21 years extending until 2038 at an average production rate of 3.3M ROMtpa. The mine is currently an open-cut truck and excavator operation and will remain in this configuration for the anticipated mine life.

7 DATA COLLECTION AND SAMPLING

7.1 Deposit Definition

The coal at the Foxleigh Mine is defined by a program of core drilling (5.4%) and open hole drilling (94.6%). The ratio of cored holes to open holes is low in regards to other comparable operations. The structural drilling coverage is reasonable, so an increase in the number of core quality holes would most likely see a distinct lift in Resource categories for a number of the model areas. Coring has predominantly been undertaken using a combination of slim core (63mm) and medium diameter (either 83mm or 100mm) cores. The slim core is fully cored and drilled predominantly for geotechnical purposes, but the coal is sent for quality analysis also. The medium diameter holes are partially cored and the coal sent for coal quality analysis. All of the modern exploration cored holes are geophysically logged and seam depths and sample depths are corrected to the geophysical logs.

The non-cored drillholes in the geological models are rotary holes which yield chips for logging via samples every one metre. The modern drillholes have geophysical logging undertaken routinely and seam depths corrected to the geophysical logs.

The coal seams at Foxleigh are within a plunging syncline, with the axis in an approximately NNW-SSE direction, and the apex of the syncline being in the southern end of the Carlo Creek – Daggers Tip model area. The eastern limb is a high structural complexity domain, drillholes are drilled at a 12m–50m intervals down dip, and at a 75m–120m intervals along strike, in the mining areas. On the western limb, which is the domain of lower structural complexity, holes are drilled at 50m intervals down dip and at 100m–300m intervals along strike. This excludes drilling for the limit of oxidisation (LOX), close to subcrop which is at 5m–10m intervals down dip.

Due to the structural complexity and generally sparse quality data, only limited areas are regarded as having sufficient data to be a Measured Resource. In view of the structural complexity, infill structural and coal quality drilling will be required before predominantly Measured and Indicated Resources can be achieved.

Structural data for Foxleigh West, Eagles Nest and Roper Creek is sparse, and there is insufficient coal quality data for these areas to produce a reliable and representative coal quality model. Hence, these deposits are not reported as containing a Resource.

The drillhole data for each geological model is summarised in Table 3 and

Table 4. Note that there is duplication of drillholes between geological models due to overlapping model areas.

Table 3 Summary of Modelled Boreholes for Foxleigh Resource Areas

Project Area	Total No. of Modelled Holes	Open Holes		Cored Holes		Geophysically Logged Holes	
		No.	%	No.	%	No.	%
Foxleigh Plains	450	428	95	22	5	443	98
Pipeline	1065	1045	98	20	2	887	83
One Tree	1082	1063	98	19	2	901	83
Carlo Creek-Daggers Tip	1129	1095	97	34	3	1129	100
Far South	348	292	84	56	16	233	67

Table 4 Summary of Modelled Boreholes for Foxleigh Mined Out or Not Classified Areas

Project Area	Modelled Holes	Open Holes		Cored Holes		Geophysically Logged Holes	
		No.	%	No.	%	No.	%
Western Corridor	326	306	94	20	6	222	68
Foxleigh North	1519	1495	98	24	2	1280	84
Eagles Nest	308	304	99	4	1	254	82
Roper Creek	125	125	99	1	1	34	27
Foxleigh West	226	220	97	6	3	152	67

The survey control network at Foxleigh consists of coordinates based on Map Grid Australia, Zone 55 (MGA55) in compliance with Section 59 of the Coal Mining Safety and Health Regulation 2001. The table below contains the existing parameters of the survey control system.

Table 5 Survey Control Network Details

Parameter	Control
Coordinate System	UTM Zone 55 South
Projection	Transverse Mercator
Ellipsoid	GRS80
Scale Factor on central meridian	0.9996
Zone width	6° (3° either side of each central meridian)
Latitude of Origin	0° (Equator)
Central Meridian	147° E
False co-ordinates at origin	+ 500 000mE + 10 000 000mN
Horizontal Datum	GDA94 (Geocentric Datum of Australia)
Height Datum	AHD (Australian Height Datum)
Unit of measure	International Metre

This control was established in 2005 by surveyors Edmundson & Associates and a re-adjustment in 2012 concluded that the quality of the survey control for Foxleigh Mine was within the tolerances outlined in the Queensland Recognised Standard 10, 2011.

The pre-mining topography is normally derived from LiDAR aerial data which has historically had an accuracy of ±0.15 m on-site. LiDAR over the active areas is completed monthly and for all other areas it is carried out on request. Full flights covering all Foxleigh leases occur intermittently due to the scale and the costs of the flight; the last flight of this scale was completed in December 2009. Drillholes are set-out by RTK GPS and following drilling, collars are surveyed using the same method which carries a centimetre level accuracy.

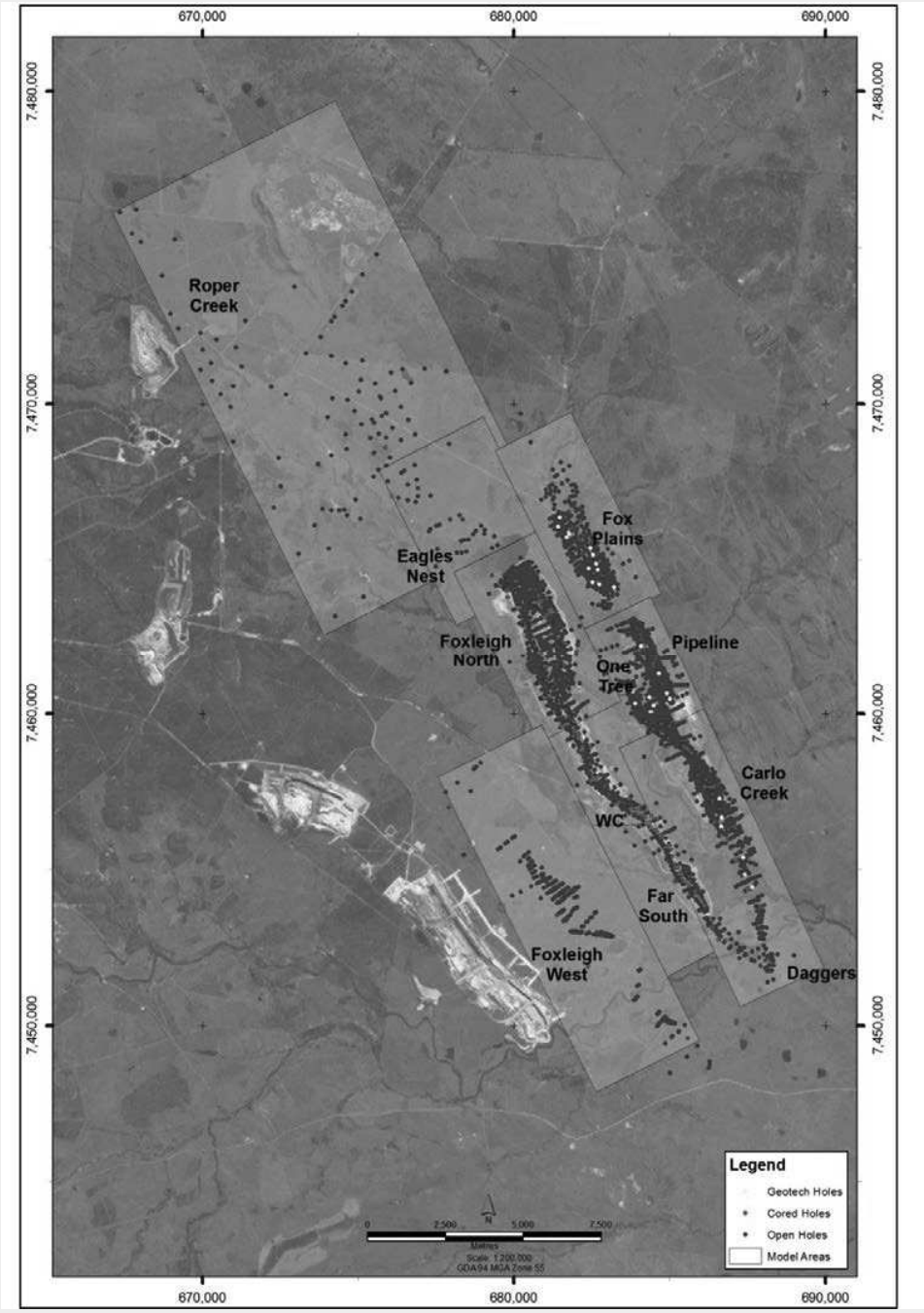
All exploration sites are laid out by the Exploration Senior Geologist managing the exploration program. After the drillhole is completed the final collar position is re-surveyed by the survey crew. The collar position is measured from the ground level, with drill cuttings around the hole cleared so that an accurate ground level position can be measured. Several validation checks are performed on the final surveyed coordinates to ensure the correct hole location has been measured. The final surveyed easting and northing coordinates of the holes are compared to the original GPS coordinates to confirm that the position is consistent with the original planned location. The elevation of the final surveyed collar is compared to the topographical elevation at the coordinate to ensure that the elevations are consistent.

Standardised logging systems are utilised for all modern drilling, logging and sampling at the Foxleigh Mine.

At the time of writing this report, the new owners, Middlemount South Pty Ltd had just completed its maiden exploration program since acquiring the Foxleigh Mine from AAMC in August 2016.

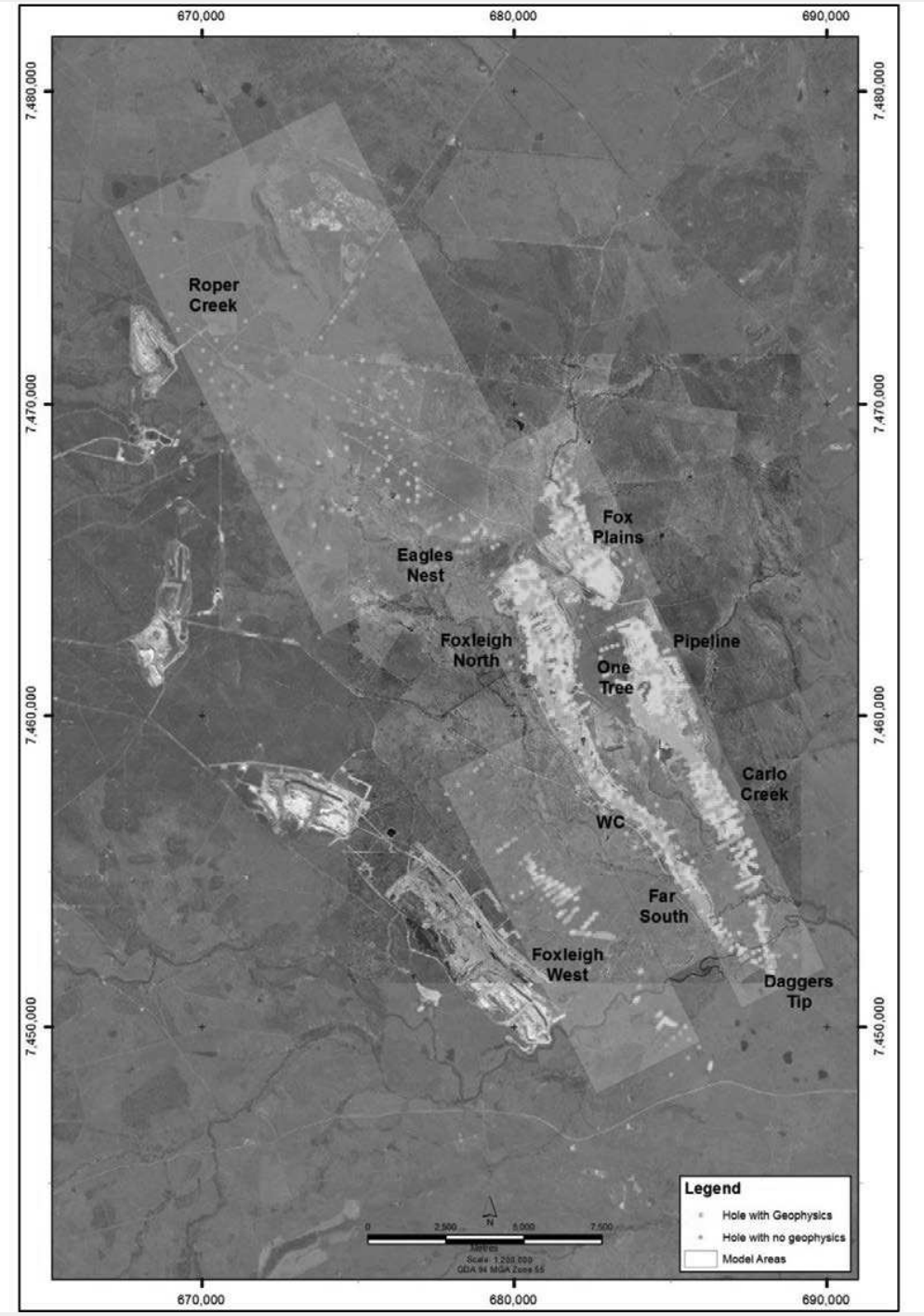
A plan of the Foxleigh Mine drillhole locations by type and holes with geophysical logging is provided in Figure 13 and Figure 14, respectively.

Figure 13 Location Plan of Drillhole Types



encompass mining	**LOCATION PLAN OF DRILLHOLE TYPES**	**Source:** **Encompass Mining 2016**

Figure 14 Location Plan of Drillholes with Geophysical Logging



encompass mining	**LOCATION PLAN OF DRILLHOLES WITH GEOPHYSICAL LOGGING**	**Source:** **Encompass Mining 2016**

7.2 Geological Information

Geological and geophysical logging of the Foxleigh drillholes has been, up until September 2016, governed by AAMC standard(s) and Requirements Document(s). Based on recent checks and validation procedures, the standard of logging and data capture is considered to be high. All core holes are logged for geological and geotechnical changes, with open hole chip samples taken every metre and logged as lithology changes. Quantitative logging of lithology, stratigraphy, texture and hardness is conducted using standard dictionary definitions. Colour and any additional qualitative comments are also recorded.

Historically, down-hole geophysical logging was carried out by BPB (Reeves) Wireline Services, Geoscience Associates, Auslog, Robertson Geologging Services Australia and Weatherfords. All holes were logged with the DD3 tool, which records Bed Resolution Density (BRD), Long Spaced Density (LSD), Natural Gamma, and Caliper for borehole diameter. All recording was digital, with data obtained both as hard copy and in digital form. In selected drillholes, verticality and discontinuity dip were also measured. An analysis of drillhole verticality results determined that deviation is minimal at depths less than 50m, and at depths between 50m and 100m is not large enough to need consideration for current mine planning purposes. All holes at Foxleigh are assumed to be vertical, and are modelled as such. The seams, however, can dip from 0°, to close to 90°.

In geotechnical drillholes, neutron and sonic logs are also run; the neutron logs provide additional lithological information and the sonic logs provide information on sound velocity and hence give an indication of the hardness of the lithology.

The AAMC exploration drillholes have been routinely geophysically logged using a standard suite of sondes. Geophysical data acquired includes, but is not limited to: gamma ray, density (long and short spaced), sonic, caliper, verticality/dipmeter and resistivity.

Geological interpretation under AAMC ownership occurred in the following series of steps:

- Initial seam correlations were determined for the encoded data collected in the field, with reference to geophysical logs and site geology reference manuals. Individual holes were entered electronically in the logging software (LogCheck) formatted text files, Excel spreadsheets, and LAS files. Drillhole data obtained during exploration and mining activities was stored both physically in a compactus system and electronically. With the hardcopy, each borehole on file contains a summary sheet, original log sheet, paper copies of the downhole geophysics, and paper originals of any point load, geotechnical, spontaneous combustion, and coal quality laboratory testing.
- The lithology and seam data was loaded into an acQuire database, which was the primary repository of all drilling data. Data was also loaded into a GDB database which was used prior to the establishment of the acQuire database, and was used for correlating and modelling purposes.
- A QA/QC process in acQuire tracked the completion and integrity of data in the database, with signoff once all borehole data was deemed, by the responsible person, to be corrected and valid.
- A structural geology model was created and drillhole postings, contours and sections were created to identify and validate seam correlations.
- Correlations were examined and fixed where required after close consultation with drillhole data and geophysical logging.
- Faulting was determined from missing or repeated sequences in drillholes in conjunction with regional and local structural interpretation.

Base of weathering data was determined from a combination of visual base of weathering data from the original exploration drillhole logging and the chemical base of weathering from limit of oxidation holes (LOX) where they were available. The base of weathering is adjusted 2m higher in the geological model than that recorded in drillholes as the Foxleigh Mine has historically had the mining practice of removing the first 2m

of weathered coal and blending with the fresh coal mined. The poorer quality weathered coal has no significant impact on the resulting coal properties.

7.3 Sampling

A combination of open holes (for structural definition) and cored (for coal quality and geotechnical definition) have been used at Foxleigh. The data collection and coal sampling has largely been governed by AAMC standard(s) and Requirements Document(s). The documents outline the sampling, storage and testing procedures to be used for all sampling at site.

The early coal quality coring programs at Foxleigh focussed on collecting both HMLC (63mm) and medium diameter 4C (100mm) material for all seams. The cores were sampled on site in accordance with the quality data obtained previously from slim cores. The probable workable section was sampled as a single ply where possible; where the workable roof or floor was not obvious, separate samples were taken. Probable workable sections are based on known quality and on visual assessment of realistic mining horizons. At least 150mm each of roof and floor material were taken as separate samples.

Holes drilled for geotechnical purposes are HQ (63mm) cored holes. These holes are fully cored and are also sampled for coal quality. The dedicated coal quality holes are partially cored and are either 83mm (PQ) or 100mm (4C) in diameter. The seams are sampled as plies, which are analysed at the laboratories for apparent relative density (ARD). These results are returned, and the plies are allocated to working sections for further analysis.

All quality testing for the AAMC monitored analytical programmes, and the majority of the historical data sets, has been carried out by NATA accredited laboratories. In 2007, AAMC developed a quality control programme for analytical laboratories to monitor the repeatability and reproducibility of analyses, and carry out check analyses and round-robin testing. This quality control programme was introduced in 2008 and has been a routine part of all analytical testing.

The SGS laboratory in Mackay (NATA accreditation number 1397) is currently contracted for coal analyses. Previously the SGS laboratory in Gladstone (NATA accreditation number 626) was contracted for coal analyses, prior to closing in 2014.

Responsibility for the sampling process rests with the exploration geology supervisor, as follows:

- >90% core recovery in coal (although 95% is the standard, in the Foxleigh environment this is difficult to achieve, and 90% recovery is accepted).
- Ply samples are analysed for apparent relative density (ARD). The ARD goes back to the geology supervisor, who decides on working sections, and advises the laboratory accordingly.
- The working section is identified and the plies are combined into the working section sample, a portion undergoes raw analysis, and the remainder is drop shattered, dry sized, drum tumbled, wet sized and taken into washability.
- On completion of the washability the Clean Coal Composite (CCC) needs to be determined. The CCC is simulated from the washability curves and the laboratory is advised of its makeup. The CCC for the different seams may vary based on the natural washability but in generally varies between 7.5% and 12% ash.

To date, sample recovery has been measured by typical industry standards and requirement documents. Core recoveries at Foxleigh can vary widely between 55%-100%. Core run details are recorded in historical log sheet data, Prolog, and LogCheck. For modern holes, core recovery is stored in the acQuire database. The diligence in recording core recovery in historical holes is unknown. Sizing at Foxleigh is carried out according to Australian Standards AS3881, as detailed in Table 6.

Table 6 Sizing Group Ranges

Sizing Type	Sizing Range
Dry Size	-50 +0, 50 +31.5, -31.5 +16, -16 +8, -8 +4, -4 +1.4, -1.4 +0.5, -0.5 +0.25, -0.25 +0.125, -0.125 +0.063, -0.063 +0
Wet Size	-50 +0, 50 +31.5, -31.5 +16, -16 +8, -8 +4, -4 +1.4, -1.4 +0.5, -0.5 +0.25, -0.25 +0.125, -0.125 +0.063, -0.063 +0

Raw coal and non-coal analysis is controlled by site-specific analytical procedure(s) and tested to NATA industry recognised standards. The table below summarises the raw coal analytical standards used for these analyses.

Table 7 Raw Coal Analysis and Standards

Raw Coal Analysis Type	Analysis Standard
Relative Density	AS1038.21.1.1 (+2); AS2434.4
Inherent Moisture	AS1038.3 (+4, 5, 7)
Ash Content	AS1038.3 (+4, 8)
Volatile Matter	AS1038.3 (+4)
Fixed Carbon	AS2434.6.1
Total Sulphur	AS1038.6.3.1 (+2,3); AS2434.6.1
Phosphorous	AS1038.9.1 (+2, 3)
Specific Energy	AS1038.5
Hardgrove Grindability Index	AS1038.20
Moisture Holding Capacity	AS1038.17

Washability analysis has generally been conducted on a working section basis, but due to the thickness of some of the seams, two or more composite samples may be analysed across a seam. The float/sink methodology currently employed attempts to mirror the coal sizing and beneficiation process of the Foxleigh CHPP which uses Dense Medium Cyclone, reflux classifiers and froth flotation. The samples in the first two size fractions are washed to the following ten float fractions - 1.30, 1.35, 1.40, 1.45, 1.50, 1.60, 1.70, 1.80, 1.90, 2.00. The ten float fractions plus the final sinks fraction are weighed and analysed for ash and total sulphur. The fines fraction (-0.25 to +0), undergoes tree flotation and ash and total sulphur are analysed on four froth and two tailings samples. The resulting washability and sizing data is used to simulate yields at set ash cut-offs. The resulting data is then used to calculate default yield and product ash values which are used for reporting reserves.

Table 8 summarises the washability analysis sizing, density fractions and analyses used at the Foxleigh Mine.

Table 8 Washability Analysis Sizing, Density Fraction and Analyses

Washability Size Fraction	Washability Float Fraction	Washability Analyses
-50 +1.4	1.30, 1.35, 1.40, 1.45, 1.50, 1.60, 1.70, 1.80, 1.90, 2.00	Mass, Ash, Total Sulphur
-1.4 +0.25	1.30, 1.35, 1.40, 1.45, 1.50, 1.60, 1.70, 1.80, 1.90, 2.00	Mass, Ash, Total Sulphur
-0.25 +0	Tree Flotation	Mass, Ash, Total Sulphur

Clean coal product analysis has been controlled by site-specific analytical procedure(s). Washability data was processed through Resource Mastor simulation software used to simulate plant factors and inefficiencies. A 'recipe' of proportions of size and float fractions was generated to produce an approximation of a PCI product. This clean coal product recipe is then sent to the laboratory, where the 'clean coal composite' (CCC) sample is combined from the washed fractions in the specified proportions, and then it is analysed.

Table 9 summarises the analytical standards used in the clean coal product analyses at Foxleigh Mine.

Table 9 Analytical Standards used in Clean Coal Product Analysis

Clean Coal Analysis	Analysis Standard
Relative Density	AS1038.21.1.1 (+2); AS2434.4
Inherent Moisture	AS1038.3 (+4, 5, 7)
Ash Content	AS1038.3 (+4, 8)
Volatile Matter	AS1038.3 (+4)
Fixed Carbon	AS2434.6.1
Total Sulphur	AS1038.6.3.1 (+2,3); AS2434.6.1
Clean Phosphorous	AS1038.9.1 (+2, 3)
Specific Energy	AS1038.5
Hardgrove Grindability Index	AS1038.20
Petrographics	AS2856.1 (+2)
Ash Analysis	AS1038.14.3
Trace Elements	AS1038.10.1
Ash Fusion temperature	AS1038.15
Ultimate Analysis	AS1038.6.1; AS1038.6.2

The product target ash can vary from seam to seam, and has evolved over the years at the Foxleigh Mine. The current product ash targets are detailed in Table 10.

Table 10 Typical Product Target Ash for Foxleigh Mine

	Product Ash of Seam (ad)			
Foxleigh Area	Roper 1 Seam	Middlemount Seam	Tralee 2 Seam	Pisces 1B Seam
Pipeline	8.0%	8.0%	-	-
Foxleigh Plains	9.2%	8.4%	10.0%	8.0%
One Tree	-	7.1%	-	8.0%
Daggers Tip	8.2%	8.5%	-	-
Far South	9.8%	6.8%	11.9%	-

The key quality parameters analysed for Foxleigh are:

- Ash (impacts on mining decisions)
- Phosphorous (affects PCI products)
- Chlorine - raw (affects PCI product)
- Specific Energy (required for meeting marketing specifications)
- Washability (required for yield simulations and clean coal composite makeup)

7.4 Quality Assurance and Quality Control

The Foxleigh Mine drillholes have been geophysically logged where possible, so that coal seam thicknesses and depths can be checked and any core losses assessed. Coal quality sampling procedures are then set up based on the geophysical signatures of the plies and seams. This procedure has been developed to ensure that a consistent approach to the sampling of the coal seams is maintained.

Recent analytical results from exploration drilling have been received from the laboratory in electronic format (Microsoft Excel), in standardised reporting templates that are password protected after data entry has been completed. Previously an independent consultant was used to QA/QC these results. Currently QA/QC is carried out by the site geologist using a template set up by the independent consultant. Any anomalous data is sent back to the laboratory for checking and re-analysis if required.

The QA/QC checks for analysis results are:

- Analysis data within expected ranges
- Proximate Analysis sums to 100%
- Ash vs. CV ratios within regression tolerance
- Ash vs. Relative Density ratios within regression tolerance
- Ash oxides sum to between 98 and 102%
- Ash fusion temperatures are consecutive
- Fluidity temperatures are consecutive
- Vitrinite reflectance steps sum to 100%
- Macerals + minerals sum to 100%
- Reflectance (RoMax) realistic

7.5 Bulk Density

In situ relative density is the density of materials at an in situ moisture basis. It is determined using the Preston and Sanders equation.

$$\frac{RDadX\ (100 - Mad)}{100 + RDadX\ (ISM - Mad) - ISM}$$

Where:

RDad = Relative Density (ad)

Mad = Inherent Moisture (ad)

ISM = In Situ Moisture

7.6 Data Management

All data collected during exploration drilling is validated at site by the exploration geologists. The data is also subjected to additional validation checks upon loading into Logcheck, GDB and acQuire databases. Coal quality data is also subjected to validation checks derived by an external coal quality consultant prior to loading into the geological databases. The GDB database contains automated validation checks which are activated during loading and prevent un-validated data being loaded.

8 RESOURCE ESTIMATION

8.1 Geological Modelling

The Foxleigh Mine contains a total of nine geological models covering mining leases and exploration permits for coal. Four of these nine models have been used to generate the Resource estimate; the other five models are either depleted or covering low potential deposits. The geological models have all been generated by AAMC geologists prior to the acquisition of the Foxleigh deposit by Middlemount South Pty Ltd. All of the geological models have been created under the rigor of the standards set for resource models in Anglo American. The Daggers Tip and Carlo Creek deposits have been combined into a single geological model as has the One Tree and Pipeline deposits. The Roper Creek and Foxleigh West models have been built as resource models, but prior to the existing AAMC standards. The Foxleigh Plains and One Tree/Pipeline geological models have been recently updated in 2015 and 2016, respectively.

The geological models are of the coal seams only and waste modelled by default and not assigned any quality. Resource estimates are therefore for the coal seams only and restricted to a whole seam group basis only. The Foxleigh geological models were generated directly from the GDB database, with validation of new data against geophysics and correlation taking place in GDB. Additional data such as in pit survey and interpretation from seismic surveys have been used to control structure data. The stratigraphic models were constructed using ABB's Minescape Stratmodel modelling package. The key modelling parameters for the four models are summarised in Table 11. Modelling standards have been used for the building of resource models.

Resources have not been reported for the Western Corridor, Foxleigh North, Eagles Nest, Roper Creek or Foxleigh West model areas as these areas have either been mined out previously or do not contain sufficient geological confidence to classify Resources from the geological model.

At the time of development, the Foxleigh geological models were validated according to strict standards for the validation of geological models. The model validation process includes but is not limited to the following checks:

- Contours: thickness, roof and floor contours checked for:
  - bullseyes
  - gaps in contours
  - seams flattening
  - seams steepening
- Cross-sections checked for:
  - correlations
  - model honouring borehole data
  - seam thickness modelling properly
  - how seams model at subcrop
  - faults
- Postings of seam thickness checked against contours of seam thickness
- Check faults are modelled suitably
- Check intrusions are modelled suitably
- Run model statistics and compare with borehole statistics
- Check how structure has modelled when limits are used
- Check how unconformable surfaces have modelled
- Check how survey and seismic data has modelled
- Check cross sections and contour plots against seismic sections

Encompass Mining also reviewed the Foxleigh Mine geological models. The geological models were reviewed for data integrity, model accuracy against drillholes and 2D seismic data. The model generation process and documentation for all geological models was also examined. The Encompass Mining review of the Foxleigh Mine geological models concluded that the models were fit for purpose for Resource and Reserve estimation.

The only issue identified that required correction was the simulated yield data for the Foxleigh Plains geological model. It was observed that three drillholes in the north (LDF0899, LDF0610, FK390C) contained anomalously low yields compared to nearby holes with similar raw ash values. It was evident that the simulation process had failed for these three holes. The simulated yields for these three holes differed by 30-40% to the other nearby holes with similar raw ash values.

An external coal quality specialist (Chris McMahon) was engaged to reprocess the Foxleigh Plains washability data for all holes in an attempt to correct the three erroneous values. The reprocessing of the washability data did increase the simulated yield results for the three erroneous holes. However, the results were not as high as expected but were a marked increase in the original simulated yields processed by AAMC. It was concluded by Encompass Mining that the corrected simulated yield grids were more representative and would be used for the basis of the Resource and Reserve estimation process instead of the original AAMC simulated yield grids. Middlemount South recognised that the three drillholes with lower simulated yield results needed to be validated and investigated further. A small exploration program was designed to focus on the quality and washability of the three lower simulated yield results. The exploration results were not available at the time of writing this report as the drilling was still in progress.

A summary of the Foxleigh geological models used for the Resource estimation are contained in Table 11.

Table 11 Summary of Foxleigh Geological Models used in Resource Estimation

Area	Foxleigh Plains	One Tree/Pipeline	Carlo Ck/Daggers Tip	Far South
Project	Fp_15sd2	Op_16sd1	Cd_13sd1	Farsouth
Schema	Fp_15sd2	Op_16sd1	Cd_13sd1	Farsouth_a_dec10
Last Updated (Grid File)	20-Oct-2015	11-May-2016	07-Mar-2014	22-Dec-2010
Topo	DTM	Topo_Op	Topo_Ccdg	Topo_Orig_Far
Model Option	ALL	All	All	All
Table File	Fp_15sd2	Op_16sd1	Cd_13sd1	Farsouth_a_dec10
Grid File	Fp_15sd2	Op_16sd1	Cd_13sd1	Farsouth_a_dec10
Grid Cell Size	15	15	20	20
Grid Rotation	25	25	25	28.269
Grid Spec	Fp15sd2_15rot25	Op16sd1_15rot25	Cd20_rot25	Fs_dec10_20m
Drillhole Design File	Dholes_Fp15sd2	Dholes_Op16sd1	Dholes_Cd13sd1	Dholes_fox_farsouth
Fault File	Faults_15sd2	Faults_op16sd1	Faults_Cd13sd1	Faults_master_fs
Survey File	Survey_Fp15sd2	Survey_op16sd1	Survey_Cd13sd1	Foxsth_survey
Limit File	Limit_Fp15sd2	Limits_op16sd1	-	-
Constraint/Penetration File	Pen_Fp15sd2	-	Pen_Cd13sd1	-
Used in Resource Estimation	Yes	Yes	Yes	Yes

A summary of the vertical seam thickness from drillholes is contained in Table 12.

Table 12 Summary of Foxleigh Vertical Seam Thickness from Drillholes

Area	Seam	Minimum Thickness (metres)	Maximum Thickness (metres)	Average Thickness (metres)	Standard Deviation
Foxleigh Plains	Roper 1	0.42	2.00	1.20	0.20
Foxleigh Plains	Middlemount	2.14	9.49	4.49	1.03
Foxleigh Plains	Middlemount Lower	0.16	1.30	0.52	0.26
Foxleigh Plains	Tralee 2	0.30	7.28	2.88	1.11
Foxleigh Plains	Pisces 1B	1.00	9.44	2.72	0.97
One Tree/Pipeline	Roper 1	0.09	4.66	1.04	0.61
One Tree/Pipeline	Middlemount	1.50	35.00	7.85	4.61
One Tree/Pipeline	Middlemount Lower	0.15	12.22	2.31	1.39
One Tree/Pipeline	Pisces 1B	0.35	15.44	2.20	1.69
Carlo Ck/Daggers Tip	Roper 1	0.30	4.05	1.26	0.47
Carlo Ck/Daggers Tip	Middlemount	1.40	47.48	4.59	3.49
Carlo Ck/Daggers Tip	Tralee 2	0.40	7.29	2.45	1.15
Far South	Roper 1	0.09	1.70	0.89	0.32
Far South	Middlemount Upper	0.11	0.57	0.27	0.13
Far South	Middlemount	0.20	9.8	4.98	1.35
Far South	Middlemount Lower	0.09	1.31	0.45	0.31
Far South	Tralee 2	0.15	3.30	0.99	0.58
Far South	Pisces 1B	0.90	3.15	2.13	0.45

The Middlemount seam (MMT1) is the main seam mined at Foxleigh, with some Middlemount Lower (MMTL) and Tralee 2 (TRA2) mined also. The Middlemount has been mined out entirely in Foxleigh North and Western Corridor areas, and partially mined out in Foxleigh Plains, Foxleigh South, One Tree, Pipeline and Carlo Creek. The Middlemount seam has not been mined in Daggers Tip, Eagles Nest, Roper Creek or Foxleigh West.

8.2 Quality Compositing

The Foxleigh Mine's coal quality models have all been generated by AAMC prior to the acquisition of the deposit by Realm Resources Limited. The construction of the Foxleigh coal quality models is governed by strict Anglo American Coal standard(s) and requirements document(s).

Quality compositing is conducted within the Minescape Stratmodel module. The compositing function allows users to weight the qualities being composited by thickness and other qualities being modelled. The Foxleigh quality model parameters are weighted by both thickness and relative density (ad).

Default qualities have also been generated to be used for Resource and Reserve estimation for areas where quality information is limited. The default qualities have been generated from the best data available at the time. The defaults have been generated per seam per pit area.

A summary of the Foxleigh coal quality models is contained in Table 13.

Table 13 Summary of Foxleigh Coal Quality Models used for Resource Estimation

Model Area	Foxleigh Plains	One Tree / Pipeline	Carlo Ck / Daggers Tip	Far South
Project	Fp_15sd2	Op_16sd1	Cd_13sd1	Farsouth
Raw Quality Model	Q_Raw_Fp15sd2	Q_All_Op16sd1	Qual_Cd_13sd1	Raw11_Qual
Product Quality Model	Q_Clean_Fp15sd2	Q_All_Op16sd1	Qual_Cd_13sd1	Prod11_Qual
Simulated Quality Model	Q_Sim_FP16atman	Q_All_Op16sd1	Qual_Cd_13sd1	Sim11_Qual
Quality Interpolator	Inverse	Inverse	Inverse	Inverse
Quality Weighting	2	2	3	2
Quality Search Radius	15,000	-	10,000	15,000
Grid Spec	Fp15sd2_15rot25	Op16sd1_15rot25	Cd20_rot25	Fs_dec10_20m
Used in Resource Estimation	Yes	Yes	Yes	Yes

The only change to the existing AAMC quality models was the update to the simulated yields quality model (Q_Sim_FP16atman) for the Foxleigh Plains geological model as previously detailed in this report. The updated simulated yield quality model was generated by external consultants (Chris McMahon and Mark Biggs) on behalf of Realm Resources Limited.

8.3 Raw Quality Statistics

A summary of the basic raw quality statistics by seam is contained in Table 14.

Table 14 Summary of Foxleigh Raw Quality Statistics

Area	Seam	Inherent Moisture (% ad)	Ash (% ad)	Relative Density (g/cc ad)	Volatile Matter (% ad)	Specific Energy (Mj/kg ad)	Total Sulphur (% ad)	Phosphorous (% ad)
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	0.090
Foxleigh Plains	Middlemount Lower	1.6	24.4	1.50	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	11.0	28.8	0.75	0.136
Carlo Ck/Daggers Tip	Roper 1	0.9	10.8	1.44	12.0	-	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	1.0	16.2	1.50	15.2	-	0.66	0.082
Far South	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	13.0	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	0.70	-

8.4 Resource Estimation

A 3D gridded resource model of topography, structure and quality are used for in situ Resource definition. Mine design strips and blocks are applied to the in situ resource model to generate the raw reserves used to create a separate mine schedule database. The mine schedule database also reflects the working sections and seam aggregations, mining methods and associated loss and dilution impacts. The Resource estimation techniques applied to the Foxleigh Mine are generally in alignment with those applied to previous Resource estimates.

8.5 Estimate Validation

Resources were defined by applying the following economic criteria:

- Reasonable mining depth
- In situ strip ratio of <= 15:1 (BCM/t)
- Raw ash less than 40% (ad)

8.6 Resource Definition

During the estimation process a number of physical limits and constraining assumptions were required to be applied. Appropriate Modifying Factors were applied at the Coal Resource stage to ensure compatibility between the Resource estimates and the associated converted Reserve estimates.

The physical limits used were:

- Resources were not reported outside of the mining leases or Exploration Permits for Coal for the Foxleigh Mine area
- Previously mined areas of seams were excluded from the Resource estimation

The constraining assumptions were:

- Minimum thickness cut-off of 0.3m
- Base of weathering plus two metres is the upper limit for all seams
- The in situ relative density model is referenced where it exists; otherwise defaults were used
- Maximum raw ash cut-off of 40% (ad)
- Intruded coal is excluded
- Overburden ratio (vertical) cut-off of 15:1 BCM/t

An overburden ratio (vertical) cut-off of 15:1 BCM/t was used as a constraining assumption for the Resource estimate. Encompass Mining considered the constraining assumption to be a valid cut-off. It was also considered important that the same limit was used in the current Resource estimate to allow a more direct comparison to previous Resource estimates.

8.7 Resource Classification

Resource categories were classified using the standardised process of utilising Points of Observation (PoB). Drillholes are assessed according to their reliability and value in estimation. The PoB are used to categorise structure and quality continuity (or both), or to support continuity.

PoB can be definitive in nature whilst supportive data is more indirect in nature. A PoB allows the presence of coal to be unambiguously determined, and include sections of coal-bearing strata, at known locations, which provide information about the coal by observation, measurement and/or testing. Supportive data are

observations supporting the existence of coal, gathered by interpretive or indirect methods, and may include results from mapping, 2D and 3D seismic, magnetic, gravity and other geophysical and geological surveys. Supportive data can be used to improve confidence in seam continuity but should not be used quantitatively in any estimate, and are used in conjunction with PoB to improve confidence levels.

Mined out areas have also been used as valid PoB as the structure and quality of the mined coal is now known at these mined locations. The geological confidence in the seam structure and quality in the area was increased significantly by the extraction of the coal seams. Areas of influence were then applied to the mined out areas to define the mined out areas as PoB. The PoB distances used were consistent with those used for drillhole PoB.

Table 15 Summary of Foxleigh Points of Observation Criteria

Point of Observation Type	Raw Quality Parameter	Geophysical Parameter	Comments
Quality Point of Observation	Ash, Moisture, Relative Density	Caliper, Density, Gamma	Cored Quality Holes with Geophysics
Structure Point of Observation		Caliper, Density, Gamma	Open Hole with Geophysics

The confidence limits applicable to PoB for the Foxleigh areas are summarised in Table 16.

Due to the structural complexity, and the relatively consistent quality within each coal seam at Foxleigh, a combination of structural and quality criteria is used to define the Resource categories. Only where there is an overlap of the structural and quality polygons of influence, does the area meet the requirements of the category. The spacing selected for structural data is less than that of the quality data.

No geostatistical assessment of the data has been undertaken, so the Resource categories are defined on data point spacing. Geostatistics were not considered to be a viable option due to the limited quantity of coal quality intersections (often less than 15 per seam) for each area. It was determined that geostatistics would not have a large enough representative data set to produce reliable drillhole spacing estimates.

The Foxleigh Mine has always been recognised as structurally complex due to its close proximity to major regional thrust faults, especially on the eastern flank of the regional synform. In contrast, the coal quality has historically remained relatively constant, with the mine producing a benchmark PCI product coal. It was recognised that this structural complexity must be considered when classifying Resources into Measured, Indicated and Inferred categories.

The drillhole spacings used for this Resource estimate are reasonably consistent with the Canadian Geological Survey Paper classifications as the Foxleigh Mine has "severe" geology, defined as *"deposits that have been subjected to extreme levels of tectonic deformation. Tight folds, steeply inclined and overturned beds and large displacement faults are common. The stratigraphical succession between faults may be difficult to ascertain owing to the level of deformation, and coal seams are commonly structurally thickened and thinned from their pre-deformational thicknesses. Exploration of these deposits follows a more conventional 'ore body' approach rather than the more conventional 'tabular ore-body' approach commonly applied to stratified ore bodies".*

In accordance with this definition, the recommended maximum drillhole spacing for Measured, Indicated and Inferred Resources is 200m, 400m and 800m respectively. The structural confidence radii (100m, 200m, 400m) proposed for Foxleigh is consistent with this definition (refer to Table 16). The confidence in quality continuity and predictability is much more reliable with the Foxleigh Mine having predictable trends in coal quality. The increase in confidence radii from previous Resource estimates is justified by the considerable

exploration and mining knowledge that has been gained through exploration and mining activities since the last ranalysis of drillhole spacing. The Competent Person has determined that the confidence and knowledge gained during this time warrants the small increase in confidence radii.

Table 16 Summary of Foxleigh Points of Observation Radii of Influence

Model Area	Structural Confidence Radii of Influence (metres)			Quality Confidence Radii of Influence (metres)		
	High	Reasonable	Low	High	Reasonable	Low
Foxleigh Plains	100	200	400	300	600	1200
One Tree/Pipeline	100	200	400	300	600	1200
Carlo Ck/Daggers Tip	100	200	400	300	600	1200
Far South	100	200	400	300	600	1200

Table 17 provides a summary of the in situ Resource tonnes by Resource category.

Table 17 In Situ Resource Tonnes by Category - 31st October 2016

Coal Resources - Foxleigh Project (31st October 2016)

Mining Location	Ownership	Method	Tenement	Coal Type	Coal Resources (Million Tonnes) Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
FOXLEIGH PROJECT	**100%**	**OC**	**Total**	**PCI Coal (Mt)**	33.3	29.2	24.4	**86.9**

Table 18 provides a summary of the in situ Resource tonnes by model area and Resource category.

Table 18 In Situ Resource Tonnes by Model Area and Resource Category - 31st October 2016

Coal Resources - Foxleigh Project (31st October 2016)								
Mining Location	Ownership	Method	Tenement	Coal Type	Measured	Indicated	Inferred	Resource Total
FOXLEIGH PLAINS	**100%**	**OC**	**ML70431**	**PCI Coal (Mt)**	19.3	15.8	8.5	**43.6**
			ML70470	***Raw Ash (%) ad***	*14.0%*	*16.4%*	*16.1%*	***15.3%***
ONETREE PIPELINE	**100%**	**OC**	**ML70309**	**PCI Coal (Mt)**	9.8	6.6	4.1	**20.5**
			ML70431	***Raw Ash (%) ad***	*11.6%*	*14.2%*	*11.3%*	***12.4%***
			ML70470					
FAR SOUTH	**100%**	**OC**	**ML70171**	**PCI Coal (Mt)**	4.2	6.1	2.3	**12.6**
			ML70309	***Raw Ash (%) ad***	*13.2%*	*11.2%*	*11.2%*	***11.9%***
			EPC1139					
DAGGERS TIP	**100%**	**OC**	**ML70171**	**PCI Coal (Mt)**	-	0.7	9.5	**10.2**
			ML70309	***Raw Ash (%) ad***	-	*11.6%*	*11.6%*	***11.6%***
			EPC1139					
FOXLEIGH PROJECT	**100%**	**OC**	**Total**	**PCI Coal (Mt)**	**33.3**	**29.2**	**24.4**	**86.9**
				Raw Ash (%) ad	***13.2%***	***14.7%***	***13.1%***	***13.7%***

Notes:

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

8.8 Economic Test of Resource Material

The reporting of the Foxleigh Mine Coal Resources is in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012 edition) and the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (2014 Edition).

The Resources have been estimated by the process of margin ranking which determines a break-even point in the mines projected cash flow, and identifies the lowermost seams in open cut mining blocks. This is

achieved through consideration of operating costs, assumed production rates, capital expenditure, and a range of other assumptions.

8.9 Reconciliation

The resource models for Foxleigh were reconciled annually by AAMC prior to the acquisition by Realm Resources Limited. The reconciliation process was conducted according to AAMC's standards and requirement documents and checklists. It is not possible to reconcile the current Resource estimate with the previous AAMC Resource estimate as the processes and categories used by AAMC are not the same as those being used for the current Resource estimate.

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APPENDIX 1 – ADDITIONAL INFORMATION FOR RESOURCE AND RESERVES

1 Introduction

The information contained in this report provides the Statement of Coal Resources and Coal Reserves for the Foxleigh Mine as of 31 October 2016, as estimated by Encompass Mining Pty Ltd ("**Encompass Mining**") on behalf of Realm Resources. The information is reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves, 2012 ("**JORC Code**") and the Australian Securities Exchange ("ASX") Listing Rules.

Total Coal Resources (inclusive of Coal Reserves) for the Foxleigh Mine have been estimated at 82.3Mt. Total Coal Reserves for the Foxleigh mine have been estimated at 52.7Mt. The Coal Resources and Coal Reserves estimate has benefitted from recent drilling and updated geological models in the Foxleigh Plains and One Tree/Pipeline areas.

All Coal Resources and Coal Reserves are quoted on a 100% basis. The Foxleigh Mine joint venture ownership is structured as:

- Middlemount South Pty Ltd - 70%;
- POSCO Australia Pty Ltd - 20%; and
- Nippon Steel & Sumitomo Metal Australia Pty Ltd - 10%.

The following information prescribed by the JORC Code 2012 is included in this announcement and its Appendices:

- detail of the Coal Resources and Coal Reserves for the Foxleigh Mine (refer to Tables 1-4 in Section 2);
- a summary of important assessment and reporting criteria used for the Foxleigh Mine for the reporting of Mineral Resources and Ore Reserves in accordance with the Table 1 checklist in the JORC Code 2012 (Appendix 2, Appendix 3 and Appendix 5); and
- Competent Person's Statement (Appendix 4).

2 Statement of Resources and Reserves – Foxleigh Mine

2.1 Coal Resources

The following tables detail the Coal Resources for the Foxleigh Mine, as at 31 October 2016.

Table 19 Coal Resources for the Foxleigh Mine

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

Table 20 Coal Resources for the Foxleigh Mine by Model Area

Coal Resources - Foxleigh Project by Model Area (31st October 2016)								
					2016 Coal Resources			
Mining Location	Ownership	Method	Tenement	Coal Type	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
FOXLEIGH PLAINS	**100%**	**OC**	**ML70431**	**PCI Coal (Mt)**	19.3	15.8	8.5	**43.6**
			ML70470	**Raw Ash (%) ad**	14.0%	16.4%	16.1%	**15.3%**
ONETREE/PIPELINE	**100%**	**OC**	**ML70309**	**PCI Coal (Mt)**	9.8	6.6	4.1	**20.5**
			ML70431	**Raw Ash (%) ad**	11.6%	14.2%	11.3%	**12.4%**
			ML70470					
FAR SOUTH	**100%**	**OC**	**ML70171**	**PCI Coal (Mt)**	4.2	6.1	2.3	**12.6**
			ML70309	**Raw Ash (%) ad**	13.2%	11.2%	11.2%	**11.9%**
			EPC1139					
DAGGERS TIP	**100%**	**OC**	**ML70171**	**PCI Coal (Mt)**	-	0.7	9.5	**10.2**
			ML70309	**Raw Ash (%) ad**	-	11.6%	11.6%	**11.6%**
			EPC1139					
FOXLEIGH PROJECT	**100%**	**OC**		**PCI Coal (Mt)**	**33.3**	**29.2**	**24.4**	**86.9**
TOTAL (Rounded)	**100%**	**OC**		**PCI Coal (Mt)**	**33.3**	**29**	**20**	**82.3**

Notes:

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

2.2 Coal Reserves

The following tables detail the Coal Reserves for the Foxleigh Mine as at 31st October 2016.

Table 21 Coal Reserves for the Foxleigh Mine

Coal Reserves - Foxleigh Project (31st October 2016)

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

Table 22 Coal Reserves for the Foxleigh Mine by Model Area

Coal Reserves - Foxleigh Project (31st October 2016)

Mining Location	Ownership	Method	Tenement	Coal Type	2016 Coal Reserve			2016 Marketable Coal Reserve		
					Proved (Mt)	Probable (Mt)	Total (Mt)	Proved (Mt)	Probable (Mt)	Total (Mt)
PIPELINE	**100%**	**OC**	**ML70309**	**PCI Coal (Mt)** **Product Ash (%) ad**	0.6	0.0	**0.6**	0.4 7.6%	0.0 0.0%	**0.4** **7.6%**
FOXLEIGH PLAINS	**100%**	**OC**	**ML70431** **ML70470**	**PCI Coal (Mt)** **Product Ash (%) ad**	18.5	15.8	**34.3**	13.9 9.0%	10.5 8.9%	**24.4** **9.0%**
ONETREE	**100%**	**OC**	**ML70309**	**PCI Coal (Mt)** **Product Ash (%) ad**	7.8	3.7	**11.5**	6.3 7.1%	3.0 7.2%	**9.3** **7.1%**
FAR SOUTH	**100%**	**OC**	**ML70171** **EPC1139**	**PCI Coal (Mt)** **Product Ash (%) ad**	2.3	3.8	**6.1**	1.8 7.0%	3.2 6.8%	**5.0** **6.8%**
DAGGERS TIP	**100%**	**OC**	**ML70171** **ML70309**	**PCI Coal (Mt)** **Product Ash (%) ad**	0.0	0.2	**0.2**	0.0	0.1 10.0%	**0.1** **8.5%**
FOXLEIGH PROJECT	**100%**	**OC**	**Total**	**PCI Coal (Mt)**	29.2	23.5	**52.7**	22.4	16.8	**39.2**

Notes:

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

APPENDIX 2 – SUMMARY OF INFORMATION TO SUPPORT THE COAL RESOURCES ESTIMATES

1 Background

The Coal Resource estimate for the Foxleigh Mine, including Foxleigh Plains, One Tree/Pipeline, Far South and Daggers Tip, is supported by the JORC Code 2012 Table 1 (Section 1 to 3) documents provided in Appendix 5.

An increase in the Foxleigh Mine Coal Resources follows the completion of further exploration at the Foxleigh Plains and One Tree/Pipeline model areas. The geological models supporting the Coal Resource increase were updated to incorporate new drilling data, leading to revised interpretations of coal seam structure, yield and quality for both model areas. The Far South and Daggers Tip geological models have not been updated since the last resource estimate by Anglo American Metallurgical Coal in December 2015.

The following summary of information for Mineral Resource estimates is provided in accordance with Listing Rule 5.8 of the ASX Listing Rules.

2 Geology and Geological Interpretation

Middlemount South Pty Ltd manages the coal mining activities in the Central Bowen Basin at the Foxleigh Mine. The Foxleigh Mine is located approximately 22 kilometres south-east of Middlemount in Central Queensland. Middlemount is approximately 200 kilometres north-west of Rockhampton.

The Foxleigh Mine is located in the central part of the Bowen Basin which contains numerous important coal producing intervals in the Permian stratigraphy. The Late Permian Rangal Coal Measures host the coal intervals mined at Foxleigh. The main rock types of these measures are sandstone, siltstone and conglomerate which occur with coals and tuffaceous claystones. The Foxleigh deposit is in a plunging syncline with strike north-north-west/north-west, flanked by large scale regional faults. The Jellinbah fault is located to the west; it divides the Foxleigh Mine from Foxleigh West, and the Foxleigh/Yarrabee fault to the east.

The economic coal seams at the Foxleigh Project occur within the Rangal Coal Measures of the Permian Blackwater Group. Coal seams within the Rangal Coal Measures include: Roper, Middlemount, Tralee 1, Tralee 2, Pisces 1A, Pisces 1B, Pisces 2A and Pisces 2B. Splitting and coalescing of the seams occurs in a number of the seams. The Yarrabee Tuff is a marker bed beneath the Pisces 2B seam which marks the base of the Rangal Coal Measures and the start of the underlying Burngrove Formation.

Coal seams from the Rangal Coal Measures have been mined at Foxleigh from sub-crop using the open cut strip mining method since 2000. The Foxleigh Project is located between the Jellinbah Fault to the west and the Foxleigh/Yarrabee Fault to the east, a strip approximately 6 km wide. Strikes of both strata and structure are north-northwest/northwest. The Jellinbah Fault has a throw of approximately 600 metres. The main faults in Foxleigh are thrust faults, with east over west displacement. The coal measures are contained within a plunging syncline. Geological structure, including seam continuity, sub crops and oxidation zones and faulting is generally well defined with a moderate density of open hole drilling in advance of the operating areas.

Geological interpretation is ongoing with support for coal recovery being provided by regular in-pit survey, drilling, pre-production drilling and refinements to fault and quality models. The Foxleigh Project drilling database currently contains a total of 5,672 holes.

New geological models were generated for the Foxleigh Plains and One Tree/Pipeline areas by Anglo American Metallurgical Coal in 2015 and 2016, respectively. These geological models have been reviewed and checked by Encompass Mining to ensure the models are accurate and robust representations of the geology of the model areas. The geological models for the Daggers Tip and Far South areas were as generated by Anglo American Metallurgical Coal in 2010 and 2013, respectively. These models, which have been reviewed by Encompass Mining, were subjected to external audits during ownership by Anglo American Metallurgical Coal.

3 Drilling Techniques

A combination of slim core (63mm) or medium diameter core (83 or 100mm) samples are taken of the coal by a qualified geologist who measures, logs, photographs and samples the core in the field. Slim core holes are generally fully cored whilst the medium diameter core holes are partially cored.

Coal samples are taken as plies within a seam which are then analysed at a laboratory for relative density. Once the results from the ply samples are returned the plies are allocated to seam working sections and further detailed analysis is undertaken on the working section. Roof, floor and parting samples may also be taken and sampled separately. All holes are geophysically corrected where geophysics are available.

Core samples are taken using rotary drill rig and conventional (non-wireline) triple tube techniques and air circulation. Approximately 74 per cent of the holes used in the geological models were geophysically logged using gamma, density and caliper logs as the minimum suite of logs.

Chip samples are taken every metre for open holes and logged for lithology and other geological characteristics.

4 Sampling, Sub-sampling Method and Sample Analysis Method

Sampling of drill core is conducted according to a universal standard set of instructions and performed by qualified geologists who are familiar with the site. Samples are bagged at the drill site and then transported to an external accredited laboratory for analysis. Coring depths are measured at the start of each core run and are verified by the rig geologist. Core is measured in the exposed triple tube at the surface before being rolled into PVC tubing for logging. The laboratory stores the core samples in cold rooms to preserve the properties of the coal and limit sample oxidation.

Coal quality analysis was undertaken using a three-stage method comprising: raw analysis of plies, followed by washability and product testing of composite samples.

All sample treatment and analysis was conducted according to procedures which adhere to Australian or International equivalent standards in National Association of Testing Authorities certified laboratories (NATA).

5 Criteria Used for Classification

A common methodology for classifying the Mineral Resources into Measured, Indicated and Inferred confidence categories was used. Drill holes were assessed according to the value and reliability of contained data to contribute a point of observation to Mineral Resource classifications. Structure and coal quality confidence limits were plotted separately on a seam group basis with classification of coal inventory into areas of low, medium or high confidence.

The structure and quality confidence polygons were combined to delineate areas of Measured, Indicated and Inferred coal inventory as a basis for classifying Coal Resource tonnage estimates. Drill hole spacing limits were identified to reflect the inherent variability of the seams based on geological knowledge gathered over the past 16 years of mining and exploration at Foxleigh. Coal quality has proven to be

relatively consistent at Foxleigh with variations usually only small and often easily predicted. Structure is more complex at Foxleigh with thrust faulting and folding often causing seam repeats and a more unpredictable nature of the seam position. Hence, the structure limiting distances are a lot less than the quality limiting distances due to the more unpredictable nature of the structure.

Drill hole spacing limits used for influence polygons for Structure were: High Confidence – 200 metres; Moderate Confidence – 400 metres; Low Confidence – 800 metres but not more than 400 metres past the outermost open hole intersecting the seam.

Drill hole spacing limits used for influence polygons for Quality were: High Confidence – 600 metres; Moderate Confidence – 1,200 metres; Low Confidence – 2,400 metres but not more than 1,200 metres past the outermost cored hole intersecting the seam.

6 Estimation Methodology

The Foxleigh Project geological models were constructed using industry recognised stratigraphic grid modelling software (ABB's Minescape suite). For structural modelling a Finite Element Method (FEM) interpolator was used. For coal quality modelling an inverse distance squared interpolator was used.

All surfaces and coal qualities were interpolated into grids with 15 metre and 20 metre grid node spacing. Modelling was completed on an iterative basis by checking cross sections and contours of structural and coal quality attributes. Database values were posted on contours to provide a further check.

Model areas are excluded from the estimate where coal seam thickness is less than 0.30 metre. Seam sub-crop is assessed at the full fresh coal limit less 2 metres. Hence, up to 2 metres of oxidised coal is included in the estimate. This has been common operational practice at Foxleigh and has very minimal impact on the final product once blended with fresh coal. Areas where raw coal ash is greater than 40 per cent (ad) have also been excluded from the estimation.

APPENDIX 3 – SUMMARY OF INFORMATION TO SUPPORT THE COAL RESERVES ESTIMATES

1 Background

The Foxleigh Mine estimate of Coal Reserves has also benefited from the addition of new exploration drilling information, the updating of the geological models and mine design optimisation to reflect suitable mining limits in the current market conditions.

Coal Reserve estimates for the Foxleigh Mine are supported by the JORC Table 1 provided in Appendix 5 - JORC Code 2012 Table 1 for Foxleigh Mine Resource and Reserves. The following summary of information for the Coal Reserve estimate is provided in accordance with Chapter 5.9 of the ASX Listing Rules.

The statement of Coal Reserves presented in this report has been produced in accordance with the JORC Code 2012.

2 Economic Assumptions

Encompass Mining has completed a first principles economic evaluation to validate the Coal Reserves for the Foxleigh Mine. A view has been taken on coal price, foreign exchange rate and mine operating and capital cost. This view is processed into Coal Reserves through an optimised pit limit study, mine design and scheduling processes into the economic evaluation to confirm positive project cashflow.

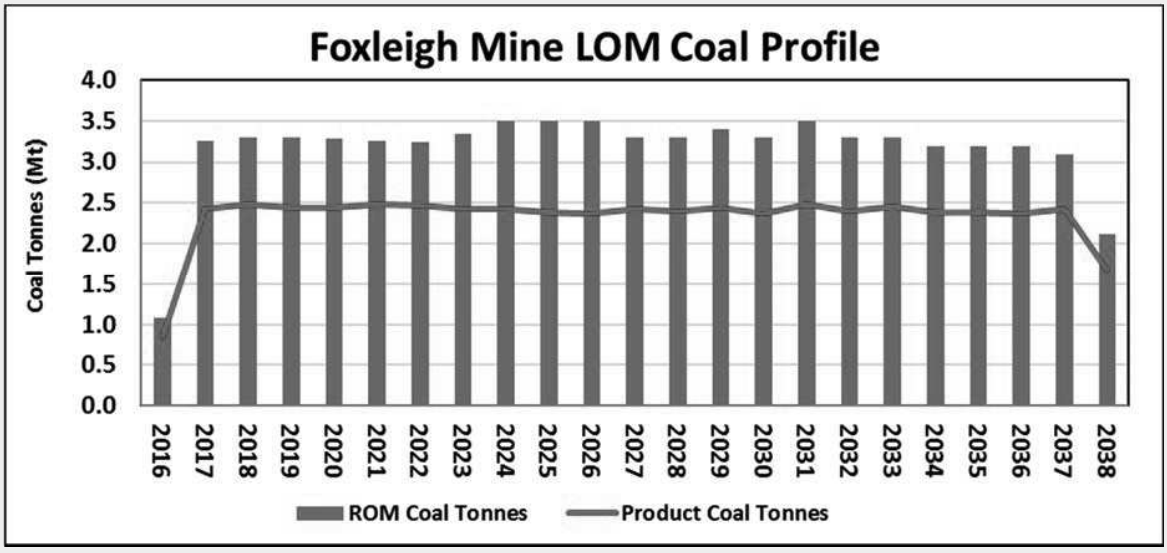
Mine Schedule

The key schedule assumptions in the Coal Reserve economic evaluation model are:

- The mine schedule is based on the 2016 Life of Mine ("LOM") model for Foxleigh Mine. This model schedules 72.7 Mt of ROM coal of which 52.7 Mt is Coal Reserves (Proved and Probable JORC categories) and 14.7 Mt is an Inferred Resource. It is noted that Unclassified coal is scheduled later in the mine life and there is no guarantee that further exploration drilling will result in these coal tonnes being upgraded to a mineable Coal Reserve.
- Typically, 2.4 Mtpa Product Coal, as per the 2016 Life of Mine model
- Typically, 3.3 Mtpa ROM Coal, as per the 2016 Life of Mine model
- Mine Life of 22 years, as per the 2016 Life of Mine model
- The project ROM strip ratio averages 9.8:1 (Waste: ROM coal)
- Coal Reserves are reported on a 100% of project basis
- 2016 is a partial year post the date of project acquisition

Figure 15 details the coal scheduled through time from the 2016 LOM mine schedule.

Figure 15 Foxleigh Mine LOM Coal Profile



encompass mining	**FOXLEIGH MINE LOM COAL PROFILE**	**Source:** **Encompass Mining 2016**

Economic Model Factors

The key economic factors in the Coal Reserve economic evaluation model are:

- Cashflow is discounted at a rate of 7%
- Corporate tax is applied at a rate of 30% on profit
- The economic evaluation is completed in Australian Dollars (AUD$)

Revenue

Project revenue assumptions are:

- Benchmark PCI coal price: USD$80/t
- AUD/USD foreign exchange rate: 0.72
- Benchmark PCI coal price: AUD$111/t

These assumptions are derived from a review of KPMG (2016) Coal Price and FX consensus forecasts and based on discussion with Realm Resources. All coal produced from the Foxleigh Mine is considered a PCI coal product and attracts the Benchmark PCI coal price.

Operating Cost

Operating costs are allowed on a cost per unit movement basis. Table 23 provides the average costs over the life of the operation. A variety of sources have been used in determining key inputs, including quotes from contractors, independent reports and Encompass Mining's cost database.

Table 23 Foxleigh Mine Operating Cost Summary

Cost Category	Unit Cost (AUD/unit)	Unit Cost Ratio to Saleable Tonnes (Unit/Prod t)	Total Cost per Saleable Tonne (AUD/Prodt)
Mining Cost			
Mining Method - Truck and Excavator			
Mining Method - Dozer Push			
Waste Removal - Truck and Excavator (incl Blasting)	$ 3.27	12.54	$ 41.03
Waste Removal - Dozer Push (incl Blasting)	$ 1.73	0.78	$ 1.35
Coal Mining (incl. Haulage to CHPP)	$ 3.85	1.36	$ 5.25
Subtotal - Mining Cost			**$ 47.63**
Processing Cost			
Coal Processing - Haulage to plant & Coal Stockpiling	$ 3.00	1.36	$ 4.09
Coal Processing - Process Wash Cost	$ 2.60	1.36	$ 3.54
Coal Processing - TLO Cost (ROM)	$ 0.64	1.36	$ 0.88
Subtotal - Processing Cost			**$ 8.51**
General and Adminstration Cost			
Minesite Overhead and Provision	$ 2.26	1.36	$ 3.08
Exploration	$ 0.90	1.36	$ 1.23
Subtotal - General and Adminstration Cost			**$ 4.32**
Subtotal - FOR Cost			**$ 60.46**
Transport to Market			
Rail, Port and Demurrage	$ 17.50	1	$ 17.50
Marketing Costs	$ 1.64	1	$ 1.64
Subtotal - Transport to Market			**$ 19.14**
Subtotal Total FOB Cost (Excl. Royalty)		1	**$ 79.60**
Royalty		1	$ 8.39
Subtotal Total FOB Cost (Incl. Royalty)		1	**$ 87.99**

Capital Cost

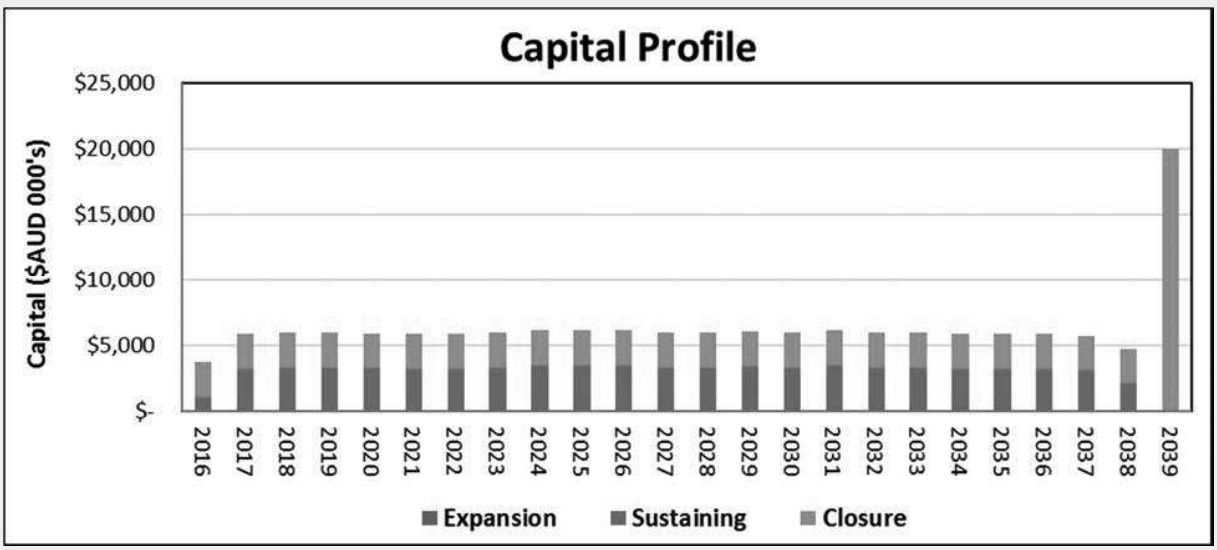
The economic model allocates capital into the categories of Sustaining, Closure and Expansion capital. The capital cost profile used is based on the 2016 Life of Mine Model and is shown in Figure 16.

- **Sustaining Capital** is allowed for at a fixed rate of $2.88 per Product coal tonne. This is an allowance to cover the replacement of the existing plant and equipment sufficient to sustain the size of the existing operation.

- **Closure Capital** is allowed at a fixed rate per annum and a balloon payment at the closure of the project to allow for rehabilitation. This allowance covers the $81M AUD$ environmental liability currently outstanding for the Foxleigh Mine.

- **Expansion Capital** is specific investment capital required to increase tonnage or access new areas. Foxleigh Mine has been obtained as an ongoing concern and does not require additional infrastructure to access the areas required in the Life of Mine plan and as such there is no allowance for Expansion Capital included in the economic evaluation of the Coal Reserves for Foxleigh Mine.

Figure 16 Foxleigh Coal Mine Life of Mine Capital Profile



encompass mining	**CAPITAL PROFILE**	**Source:** **Encompass Mining 2016**

3 Criteria Used for Classification

Coal Reserves have been classified on Coal Resource confidence, mine planning criteria and the associated project risk. For Coal Reserve tonnes in the mining schedule at the Foxleigh Mine:

- Proved Coal Reserves directly coincide with Measured Coal Resources
- Probable Coal Reserves directly coincide with Indicated Coal Resources
- Inferred Coal Resources and Unclassified Coal tonnes included remain unchanged

4 Mining Recovery Factors

The mining method of truck and excavator terrace mining will continue at Foxleigh Mine. In addition to truck and excavator, conventional cast, dozer push and truck and excavator combination methods will be employed to further minimise operational cost where pit geometry allows.

The modifying factors for mining recovery are based on historical site coal reconciliation of actual performance and are considered reasonable assumptions given this type of mining and the geological conditions present at the Foxleigh Mine.

Table 24 shows the Modifying Factors used in the conversion from Coal Resources to Coal Reserves.

Table 24 Moisture, Aggregation, Loss and Dilution Assumptions at Foxleigh Mine

Loss and Dilution Assumptions			Coal Seam		Assumption Source
Assumption Type		Units	Roper, Middlemount Lower, Tralee, Pisces	Middlemount	
Moisture	Air Dried (%)	(%)	1.5%	1.5%	* AAMC 2015 CP Report
	In-Situ (%)	(%)	4.5%	4.5%	* AAMC 2015 CP Report
	ROM (%)	(%)	5.3%	5.3%	* AAMC 2015 CP Report
	Product (%)	(%)	10.5%	10.5%	* AAMC 2015 CP Report
Horizon Aggregation Thickness	Minimum Coal Thickness	(m)	0.3	0.3	* AAMC 2015 CP Report
	Maximum Waste Thickness	(m)	0.3	0.3	* AAMC 2015 CP Report
Loss	Loss (%) by Seam	(%)	6.0%	4.0%	! Acquisition Assumption
Dilution	Dilution (%) by Seam	(%)	8.0%	8.0%	! Acquisition Assumption
	Included Waste Density	(t/m^3)	2.2	2.2	* AAMC 2015 CP Report
	Included Waste Ash	(%)	90.0%	90.0%	* AAMC 2015 CP Report

*** AAMC 2015 CP Report** - Anglo American Metallurgical Coal (2015) Competent Person's Report (CPR) for Resources and Reserves for the period ending 31st December 2015.

! Acquisition Assumption – Coal seam Loss and Dilution assumptions have been altered from the Anglo American Metallurgical Coal ("AAMC") CP report to reflect practical changes from the AAMC mining strategy. These practical changes are the removal of the Pisces 2 coal seam group, a group of thin high ash coal seams and the mining of coal with smaller mining equipment to maximise mining selectivity. These are the only Coal Seam Loss and Dilution Modifying Factors applied in the conversion from Coal Resources to Coal Reserves.

5 Coal Processing Method

Foxleigh Mine has an existing single stage CHPP which washes 100% of the ROM coal produced at the mine. The coal washing strategy at Foxleigh Coal Mine has historically been focused on extracting a premium low ash metallurgical Pulverised Coal Injection (PCI) product. This product has typically targeted a product ash of 7%-8%. In the current market, comparable coal sources are sold with a product ash content between 9 to 10.5%. An increase in the product ash at Foxleigh Mine allows for an increase in the Coal Resource inventory available for economic extraction and an increase in the coal yield in current mining areas. This strategy allows for maximum value extraction from new mining areas coming on line, while placing the Foxleigh Mine product at the low ash end of comparable products in the current market.

Marketable Coal Reserves are converted from Coal Reserves utilising a Practical Product Yield. This yield is calculated on the following basis and allows for the direct conversion of Coal Reserves to Marketable Coal Reserves:

- Added waste tonnage, including added dilution and aggregated waste plies, are removed on washing.
- The moisture basis of the product coal is adjusted from 5.3% ROM Moisture to 10.5% Product Moisture.
- Coal yield in the geological model is simulated for each individual coal seam and mining location at Foxleigh Mine. The selections of the target ash are based on an overall product strategy to generate the best available value for the project. All simulated coal yields target a product ash to generate a saleable PCI product. These are provided in Table 25.

Table 25 Target Product Ash by Coal Seam and Mining Location at Foxleigh Mine

Coal Seam	Target Product Ash (%) by Mining Location				
	Pipeline	Foxleigh Plains	Onetree	Far South	Daggers Tip
Roper	9.0%	9.0%	7.0%	Not Present	Not Present
Middlemount	8.0%	8.0%	7.0%	7.0%	9.0%
Middlemount Lower	8.0%	8.0%	7.0%	7.0%	9.0%
Tralee	Not Present	10.0%	Not Present	7.0%	Not Present
Pisces	Not Present	10.0%	Not Present	Not Present	Not Present

This results in an average yield for Foxleigh Mine at 74.4% across all coal seams in the mine plan.

6 Estimation Method

The estimate of Coal Reserves is reported according to the guidelines set by the JORC Code, 2012 edition.

Mine designs have been completed in Minescape and Deswik mining software. The mine schedule has been completed in the XPAC mining software which processes the elemental coal units from the design into aggregated working sections. This process applies the relevant modifying factors to convert the Coal Resource tonnage into Coal Reserve tonnage for the mine schedule.

7 Modifying Factors

Foxleigh Mine is an operating site with existing infrastructure in place to support the operation for the intended life of the mine. Existing infrastructure and operating equipment will require sustaining capital that is included in the financial assessment of the Coal Reserves.

Sufficient time is allowed in the mining sequence to allow for the conversion of Exploration Permits for Coal to Mining Leases.

APPENDIX 4 – COMPETENT PERSONS STATEMENT

1 Foxleigh Mine Coal Resources

The information contained in this report, which relates to estimates of coal resource, is based on data compiled by Mr Lyndon Pass who holds a Bachelor of Science (Geology Honours), and is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM).

Lyndon Pass is the Principal Geologist of Encompass Mining Pty Ltd. Mr Pass has over 21 years' experience in open cut coal mining in Australia. Mr Pass has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the JORC Code 2012.

Neither Mr Pass, nor Encompass Mining Pty Ltd has any material interest or entitlement, direct or indirect, in the securities of Middlemount South Pty Ltd or any associated companies.

The estimates of Coal Resources presented in this report have been reported in accordance with the JORC Code 2012. Mr Pass consents to the release of the report, in the form and context in which it appears.

2 Foxleigh Mine Coal Reserves

The information contained in this report, which relates to estimates of coal reserves has been prepared by experienced mining engineers under the direction of Mr Troy Ince. The estimated ore reserves and mineral resources underpinning the production target have been prepared by a competent person or persons in accordance with the requirement in Appendix 5A (JORC Code).

Troy Ince is a Principal Mining Engineer of Encompass Mining Pty Ltd. Mr Ince holds a Bachelor of Engineering (Mining Honours) from the University of Queensland. He has over 18 years of experience in the open cut coal mining industry. Mr Ince is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Registered Professional Engineer of Queensland (RPEQ).

Mr Ince has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the JORC Code 2012.

The estimates of Coal Reserves presented in this report have been reported in accordance with the JORC Code 2012. Mr Ince consents to the release of the report, in the form and context in which it appears.

APPENDIX 5 - JORC CODE 2012 TABLE 1 FOR FOXLEIGH MINE RESOURCE AND RESERVES

The following table provides a summary of important assessment and reporting criteria used at Foxleigh Mine for the reporting of exploration results and coal Resources in accordance with the Table 1 checklist in The Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition).

1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report. • In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	• A combination of open holes (predominantly 1 metre chip samples for structural definition) and fully or partially cored holes (for coal quality and geotechnical purposes) have been used. • Core sampling to date has been in accordance with strict standards for exploration work.
Drilling techniques	• Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	• A total of 4,081 drill holes have been used for the Resource estimate. Cored drilling represents 4% (151 holes) of the total holes drilled and open holes 96%. The drill holes are up to 341m deep and average 113 metres in depth. The drill holes were all nominally recorded as vertical as little deviation is observed up to 100 metres in depth. • Coring is predominantly slim core (63mm) and medium diameter (83 or 100mm diameter) coring with open hole drilling to an equivalent diameter in size. The slim core holes are predominantly fully cored and used for geotechnical purposes with the coal sent for analysis. Whilst the 100mm core are partially cored holes drilled solely for quality analysis.

Criteria	JORC Code explanation	Commentary
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	• To date standardised logging systems have been used for all drilling, logging and sampling prior to the acquisition in September 2016. • Core recovery is recorded by the geologist while logging the core. • Due to the complex structural faulting at Foxleigh core recoveries >90% are accepted. Quality data is only used in the geological model where recovery is > 90%. • Ply sample masses are checked for representativeness against theoretical mass after raw coal quality analysis. • Open hole chip recovery is assessed qualitatively by exploration geologists.
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. • The total length and percentage of the relevant intersections logged.	• Core is logged for geology and geotechnical changes. Open hole chip samples are taken every 1 metre and logged as per lithology changes. Quantitative logging for lithology, stratigraphy, texture and hardness is conducted using standard dictionary definitions. Colour and any additional qualitative comments are also recorded. • All core is photographed on the core table (0.5m increments). • Open hole chip samples are photographed in 20 x 1m intervals. • All holes are logged using a comprehensive suite of downhole geophysical tools (caliper, gamma, long spaced density, bed resolution density, short spaced density, sonic, verticality, dipmeter). • The neutron and sonic tools are run in all geotechnical holes.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	• Core sampling is completed at the drill site and based on a set of standard sampling rules and criteria determined by site (based on lithology and structure). Samples are bagged at the drill site and then transported to the SGS laboratory in Mackay. Previously the SGS laboratory in Gladstone was the contracted laboratory for coal analyses, but it closed in 2014. • All samples are weighed, air dried and then re-weighed before being crushed for analysis. • Coal quality analysis is by a three-stage method involving raw analysis on all plies followed by washability and product testing on composite samples as defined by the Senior Exploration Geologist. • All sample treatment and analysis is conducted according to procedures which adhere to Australia (or international equivalent) standards in a National Association of Testing Authorities certified laboratory.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (e.g.	• A quality control program for analytical laboratories has been in use since 2007 to monitor the repeatability and reproducibility of analyses, and carry out check analyses and round robin testing. This quality control program has been a routine part of all analytical testing to date. • All results are assessed via cross-plots and statistics for precision and accuracy.

Criteria	JORC Code explanation	Commentary
	standards, blanks, duplicates, external laboratory checks) • and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	
Verification of sampling and assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	• To date all coal quality sampling and analysis has been overseen and checked by geological supervisors. • Data transfer from site to date has been covered by the previous owner's standard and reporting procedures. • This system covers primary data, data entry procedures, data verification, data storage (physical and electronic) into ABB's Minescape geological database (GDB) and acQuire.
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	• The topographic grid models for all geological models has been generated from LiDAR data generally with an accuracy of +/-0.15m. The topography grids cover the entire model areas and the Carlo Ck/Daggers Tip and Foxleigh Plains topography grids are based on 20 metre grid cell sizes while One Tree/Pipeline and Far South topography grids are based on 10 metre grid cell sizes. • All surveyed co-ordinates are measured according to the Map Grid Australia, Zone 55 (MGA55). • Drill hole collars are surveyed post drilling by licensed surveyors using differential GPS with an accuracy of +/-10mm. • Downhole surveying has been undertaken using the verticality tool for selected drill holes.
Data spacing and distribution	• Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied.	• On the eastern limb, which is the high structural complexity domain, drill holes are drilled at a 12–50 m interval down dip, and at a 75–120 m interval along strike, in the mining areas. • On the western limb, which is the domain of lower structural complexity, holes are drilled at 50 m intervals down dip and at 100–300 m intervals along strike. This excludes drilling for the limit of oxidisation (LOX), close to subcrop which is at 5m–10 m intervals down dip. • Due to the structural complexity of the deposit the drilling is not set out on a grid but rather lines perpendicular to sub-crop to allow for easier correlation. • All core samples are composited within defined seam boundaries.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	• The coal measures show consistent layering but are subject to steep dips especially around the Jellinbah and Yarrabee Fault systems. • Seam repeats are common resulting in thickened repeated sequences of the same seam. • The orientation of the drilling is still suitable for flat lying stratified deposits.
Sample security	• The measures taken to ensure sample security.	• Core/chip samples are taken at the drill site and then transported daily to the exploration office storage area. After the hole is completed the samples are transported to the laboratory.

Criteria	JORC Code explanation	Commentary
Audits or reviews	• The results of any audits or reviews of sampling techniques and data.	• Up until September 2016 all geological models used for resource estimation were audited by external consultants using a strict audit and reporting process as devised by the previous owner. • These audits concluded that the geological models and data they were based on showed that the data collection techniques were appropriate and sound.

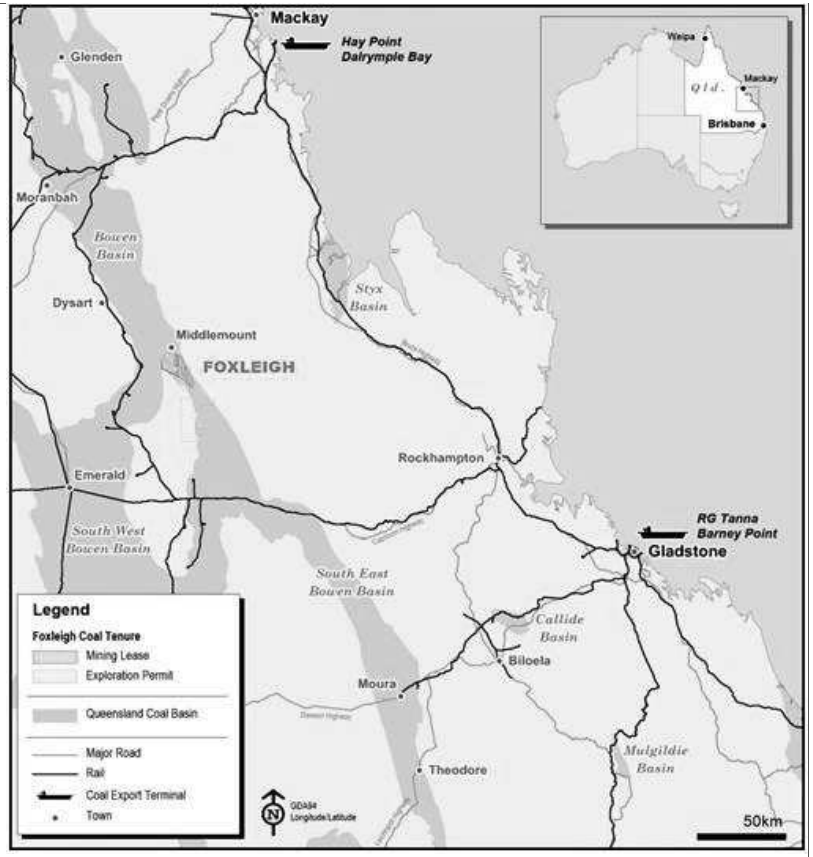
2 Reporting of Exploration Results

(Criteria listed in Appendix 5 Section 1 also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	• The Foxleigh Mine is operated under a Joint Venture agreement. The Joint Venture partners are listed below. o Middlemount South Pty Ltd – 70% Share o POSCO Australia Pty Ltd – 20% Share o Nippon Steel & Sumitomo Metal Australia Pty Ltd – 10% • Middlemount South Pty Ltd is 100% owned by Realm Resources Ltd. • The area making up the Foxleigh Resource models is composed of the following tenements below. o ML 70171 Foxleigh o ML 70309 Foxleigh East o ML 70431 Foxleigh Plains #1 o ML 70470 Foxleigh Plains #4 o EPC 1139 • The Foxleigh Mine also contains the following tenements, but no resources have been reported against these tenements below. o ML 70310 Foxleigh West o ML 70429 Foxleigh Plains #2 o ML 70430 Foxleigh Plains #3 o EPC 855 o EPC 1669 • Refer to Appendix 7 for the Foxleigh Project Tenement Plan.
Exploration done by other parties	• Acknowledgment and appraisal of exploration by other parties.	• There have been numerous phases of exploratory drilling programs carried out by past tenement holders, including: • Utah - drilled one traverse line which included holes east of the Jellinbah Fault (at least five of them east of Roper Creek), but the data is not publicly available. • Capcoal - 44 scout boreholes in the northern part of the current EPC 1139. Cores of coal intersections were taken at some of the bore locations. Foxleigh has made use of Capcoal borehole data collected within Foxleigh tenure areas • Girrah - Five scout boreholes in the south-west of EPC 1139. only the Burngrove was intersected. • Lake Lindsay - The sites were east of the Jellinbah Fault, but not far enough east to intersect Rangal Coal Measures. • Duneed (Wilpeena) - one west-east traverse about ten kilometres south of EPC 1139, drilled in 1997; the Rangal Coal Measures were sought, but only the Burngrove

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td></td><td></td><td>Formation intersected.
• Foxleigh Joint Venture – three different phases of exploration from 1998-1999 totalling 181 holes (59 partially or fully cored holes and 124 open holes). Drilling results confirmed Capcoal's initial findings but identified larger extent of the Rangal Coal Measures.
• Anglo American Metallurgical Coal – after acquiring the Foxleigh deposit in 2007 Anglo American Metallurgical Coal have been the recent custodian of all exploration including drilling and 2D seismic surveys up until September 2016.</td></tr>
<tr><td>Geology</td><td>• Deposit type, geological setting and style of mineralisation.</td><td>• The Foxleigh deposit is located in the Central Bowen Basin within the coal bearing strata of the Permian stratigraphy. The Late Permian Rangal Coal Measures hosts the coal seams of the Foxleigh deposit including the Roper 1, Roper 2, Middlemount, Middlemount Lower, Tralee 1, Tralee 2, Pisces 1A, Pisces 1B, Pisces 2A and Pisces 2B seams.
• The main rock types of the coal measures are sandstone, siltstone and conglomerate, which occur with the coal and tuffaceous claystone.</td></tr>
<tr><td>Drill hole Information</td><td>• A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:
o easting and northing of the drill hole collar
o elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar
o dip and azimuth of the hole
o down hole length and interception depth
o hole length.
• If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</td><td>• Drilling data summary for Foxleigh deposit;
<table>
<tr><th rowspan="2">Area</th><th rowspan="2">Modelled Holes</th><th colspan="2">Open Holes</th><th colspan="2">Cored Holes</th><th colspan="2">Geophysically Logged Holes</th></tr>
<tr><th>No.</th><th>%</th><th>No.</th><th>%</th><th>No.</th><th>%</th></tr>
<tr><td>Foxleigh Plains</td><td>450</td><td>428</td><td>95</td><td>22</td><td>5</td><td>443</td><td>98</td></tr>
<tr><td>Pipeline</td><td>1065</td><td>1045</td><td>98</td><td>20</td><td>2</td><td>887</td><td>83</td></tr>
<tr><td>One Tree</td><td>1082</td><td>1063</td><td>98</td><td>19</td><td>2</td><td>901</td><td>83</td></tr>
<tr><td>Carlo Creek-Daggers Tip</td><td>1129</td><td>1095</td><td>97</td><td>34</td><td>3</td><td>1129</td><td>100</td></tr>
<tr><td>Far South</td><td>348</td><td>292</td><td>84</td><td>56</td><td>16</td><td>233</td><td>67</td></tr>
<tr><td>Western Corridor</td><td>326</td><td>306</td><td>94</td><td>20</td><td>6</td><td>222</td><td>68</td></tr>
<tr><td>Foxleigh North</td><td>1519</td><td>1495</td><td>98</td><td>24</td><td>2</td><td>1280</td><td>84</td></tr>
<tr><td>Eagles Nest</td><td>308</td><td>304</td><td>99</td><td>4</td><td>1</td><td>254</td><td>82</td></tr>
</table></td></tr>
</table>

		Roper Creek 126 126 100 0 0 34 27 Foxleigh West 226 220 97 6 3 152 67
Data aggregation methods	• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated.	• Ply samples are combined to create composites after review of raw relative density samples (for washability and product coal analysis) representing mineable working sections. • Composited qualities are generated by weight averaging using both thickness and relative density (ad) as weighting factors.
Relationship between mineralisation widths and intercept lengths	• These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').	• Based on drilling techniques and stratigraphy, coal seam intercepts approximate true coal thickness. • Minescape's Stratmodel application is capable of determining true thickness based on vertical thickness and seam dip.
Diagrams	• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	**Foxleigh Regional Location Map**

		 • Refer to Appendix 8 for Drill Hole Location Plan. • Refer to Appendix 9 for Typical Cross Sections for the four model areas containing resources.
Balanced reporting	• Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	• Not applicable.

Other substantive exploration data	• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	• In addition to exploration drilling, 2D seismic surveys and airborne magnetic survey have been completed to delineate structure, faults, dykes and alluvial limits.
Further work	• The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	• Drilling for both pre-production and strategic brownfields and analytical results (coal quality, geotechnical) will be ongoing. • An exploration program is currently underway in the Foxleigh Plains area to increase the coal quality knowledge in the north of the project area.

3 Estimation and Reporting of Mineral Resources

(Criteria listed in Appendix 5 section 1, and where relevant in Appendix 5 Section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	• Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. • Data validation procedures used.	• All drill hole data is stored securely on ABB's Minescape GDB database. • Data is validated at site and prior to loading into the database via statistical analysis to identify outliers or erroneous samples. • Only validated data is loaded into the GDB database. • The GDB database also contains a number of validation and range checks that are performed before the data can successfully be loaded into the database.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	• No site visits have been completed as a part of this project. • The competent person is familiar with Foxleigh Mine. No site visit has been permitted during the transitional arrangements between the sale from the previous owner to Middlemount South.
Geological interpretation	• Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. • Nature of the data used and of any assumptions made. • The effect, if any, of alternative interpretations on Mineral Resource estimation. • The use of geology in guiding and controlling Mineral Resource estimation. • The factors affecting continuity both of grade and geology.	• The Foxleigh deposit is in a plunging syncline with strike north-north-west/north-west, flanked by large scale regional faults, the Jellinbah fault to the west which divides Foxleigh Mine from Foxleigh West, and the Foxleigh/Yarrabee fault to the east. The area is very structurally complex with folding and thrust faulting causing seam duplication. • Infill drilling, 2D seismic surveys, mining exposure and mapping has supported and refined the model. The current model interpretations are considered to be robust.
Dimensions	• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	• Foxleigh covers approximately 22 km strike length under mining lease or mining lease application. The deposit extends to a depth of 300m below the topographic surface.
Estimation and modelling techniques	• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. • The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. • The assumptions made regarding recovery of by-products.	• Geological modelling was undertaken using ABB's Minescape software (version 4.119) • For structural modelling the Finite Element (FEM) interpolator was used and for coal quality modelling Inverse Distance squared or cubed was used. • The Foxleigh deposit is covered by a total of nine geological models, four of which are used for resource estimation (Foxleigh Plains, One Tree/Pipeline, Carlo Ck/Daggers Tip and Far South). • The geological models used in the resource estimate are based on the following grid cell sizes below. o Foxleigh Plains – 15 metres o One Tree/Pipeline – 15 metres o Carlo Ck/Daggers Tip – 20 metres o Far South – 20 metres

Criteria	JORC Code explanation	Commentary
	• Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). • In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. • Any assumptions behind modelling of selective mining units. • Any assumptions about correlation between variables. • Description of how the geological interpretation was used to control the resource estimates. • Discussion of basis for using or not using grade cutting or capping. • The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	• The geological models are of the coal seams only and the waste is modelled by default and it is not assigned any grade. Resource estimates are therefore of the coal seams only and restricted on a whole seam group basis. • The geological modelling is undertaken on an iterative basis with the checking of contours, postings and cross sections of structural and coal quality attributes. • 2D seismic survey data and in pit survey data is also incorporated into the geological models.
Moisture	• Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	• All tonnages are estimated on an in-situ moisture basis which is determined to be at 4.5% based on historical mining and exploration data.

Cut-off parameters	• The basis of the adopted cut-off grade(s) or quality parameters applied.	• The physical limits used were:
		  ○ Resources have not been reported outside of the mining leases or exploration permits for coal for the Foxleigh Mine area.
		  ○ Previously mined areas of seams were excluded from the resource estimation.
		• The constraining assumptions were:
		  ○ Minimum thickness cut-off of 0.3m.
		  ○ Base of weathering plus two metres is the upper limit for all seams.
		• The in situ relative density model is referenced where it exists; otherwise defaults were used.
		• Maximum raw ash cut-off of 40% (ad).
		• Intruded coal is excluded.
		• Overburden ratio (vertical) cut-off of 15:1 bcm/tonne.

Mining factors or assumptions	• Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	• Development of this Mineral Resource Estimate assumes mining using the current on site equipment (or similar) as used at the Foxleigh Mine site. • The assumed mining method is conventional truck and shovel open cut mining method. • Mining practices will utilise detailed extraction plans to effectively manage grade control. These extraction plans are developed from short term geological models, in pit visual inspections and survey monitoring and control. • Currently the Foxleigh product targets are: o Roper 8.0%-10.0% ash (ad) o Middlemount 6.8%-8.5% ash (ad) o Tralee 10.0%-12.0% ash (ad) o Pisces1B 8.0% ash (ad)

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	• A combination of density separation (magnetite/water) and fines flocculation processes will be applicable for the processing of the Foxleigh coal.
Environmental factors or assumptions	• Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	• Up until September 2016 the previous owners had an extensive environmental and heritage approval process. • Middlemount South Pty Ltd take ownership of the environmental and community commitments at Foxleigh Mine. • No issues are expected that would impact on the Mineral Resource.
Bulk density	• Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. • The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit. • Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	• All drill holes have relative density reported (ad). • The Mineral Resources have been reported at an in situ moisture basis of 4.5%. • The in-situ relative density was determined using the Preston and Sanders equation. $\frac{RDadX\ (100 - Mad)}{100 + RDadX\ (ISM - Mad) - ISM}$ *Where:* *RDad = Relative Density (ad)* *Mad = Inherent Moisture (ad* *ISM = In Situ Moisture*

Criteria	JORC Code explanation	Commentary
Classification	• The basis for the classification of the Mineral Resources into varying confidence categories. • Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). • Whether the result appropriately reflects the Competent Person's view of the deposit.	• The classification of the Mineral Resources into varying confidence categories is based on a standardised process of utilising points of observation (PoB) according to their reliability and value in estimation. • The points of observation are used to categorise structure and quality continuity (or both) or support continuity. • Radii of influence are then plotted around the Points of Observation data points for quality and structure. The radii of influence were determined by the perceived and observed variability in structure and coal quality for seams. • Areas of confidence (low, reasonable and high) are produced from these radii of influence plots (structure and coal quality for each seam) and these plots are combined to produce final areas of Measured, Indicated and Inferred which are used to subdivide the resource tonnage estimate. • The Competent Person is satisfied that the stated Mineral Resource classification reflects the geological controls interpreted and the estimation constraints of the deposit. • Drill hole spacing limits used for influence polygons for Structure were: High Confidence – 200 metres; Moderate Confidence – 400 metres; Low Confidence – 800 metres but not more than 400 metres past the outermost open hole intersecting the seam. • Drill hole spacing limits used for influence polygons for Quality were: High Confidence – 600 metres; Moderate Confidence – 1,200 metres; Low Confidence – 2,400 metres but not more than 1,200 metres past the outermost cored hole intersecting the seam.
Audits or reviews	• The results of any audits or reviews of Mineral Resource estimates.	• The previous owners undertook regular external geological model audits prior to estimating new Resources and Reserves. • No external audits or reviews of the 2016 Resources have been undertaken.

Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	• The Mineral Resource and Estimation techniques used for the Foxleigh deposit are consistent with those applied at other deposits which are being mined. • Accuracy and confidence of the Mineral Resource estimation estimate has been accepted by the Competent Person.

4 Estimation and Reporting of Ore Reserves

(Criteria listed in Appendix 5 Section 1, and where relevant in Appendix 5 Sections 2 and 3, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. • Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.	• The JORC Coal Resource estimate for Foxleigh Mine (Dated 31st October 2016) was prepared by Encompass Mining Pty Ltd and signed off by Lyndon Pass as the Competent Person. This has been used as the basis for the conversion from Coal Resources to Coal Reserve estimate for Foxleigh Mine. • The Coal Resource estimate is inclusive of the Coal Reserve estimate. • The Coal Resources are: o Measured: 33.3Mt o Indicated: 29Mt o Inferred: 20Mt
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	• No site visits have been completed as a part of this project • The competent person is familiar with Foxleigh Mine; No site visit has been permitted during the transitional arrangements between the sale from the previous owners to Middlemount South.
Study status	• The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. • The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.	• Foxleigh Mine is an operating open cut coalmine. • Modifying factors utilised in brownfields expansion areas are consistent with the existing mining areas.
Cut-off parameters	• The basis of the cut-off grade(s) or quality parameters applied.	• The strip design for Foxleigh Mine has been created utilising an economic cut off limit, this means that each included tonne is expected to contribute to the Reserve value. • The mine schedule is evaluated in a financial analysis tool to determine annual cashflow. The schedule cashflow is utilised is as a second check to validate the economics of the Reserves.
Mining factors or assumptions	• The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). • The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.	• The criteria utilised to determine if a Resource can be converted to a Reserve include, appropriate Resource classification of Measured or Indicated, pit optimisation to determine target area, mine design to ensure a practical mining geometry inside the economic pit limit, application of appropriate modifying factors to estimate the Reserve tonnage and scheduled economic evaluation to ensure positive cashflow can be maintained from each mining location. • Truck and excavator mining methods are employed at the Foxleigh Mine. These methods are appropriate to extract coal of this nature. The two mining methods utilised in this estimate are:

Criteria	JORC Code explanation	Commentary
	• The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling. • The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate). • The mining dilution factors used. • The mining recovery factors used. • Any minimum mining widths used. • The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. • The infrastructure requirements of the selected mining methods.	○ Truck and excavator terrace mining (major) ○ Cast, dozer and excavator (minor) • Geotechnical Parameters used in design are: ○ 65 degree highwall up to 70m (unfaulted, unweathered material) ○ 45 degree softwall above 70m (unfaulted, unweathered material) ○ 45 degree softwall (faulted or weathered material) ○ 37 degree lowwall (angle of repose) • Any lowering of angle required by specific seam geometry • Any access width required by the minimum machinery width specification • Loss and Dilution factors used are: ○ Middlemount Seam Loss: 4% ○ Middlemount Seam Dilution: 8% ○ Other Coal Seam Loss: 6% ○ Other Coal Seam Dilution: 8% ○ Dilution density: 2.2 t/m3 ○ Dilution ash: 90% • Minimum mining width considered is 40m on the basal coal floor; standard coal block widths range between 60m and 100m based on coal seam geometry and mining location based mining method. • Inferred Coal Resources are utilised in the economic estimate as these seams have been historically mined at Foxleigh. Gaps in geological coal quality borehole coverage primarily contribute to the downgrade of these horizons to Inferred. These are seen throughout the scheduled life of the mine. • The infrastructure in place at Foxleigh Mine is adequate to service the existing operation and requires no changes to support the mine plan in the immediate future.
Metallurgical factors or assumptions	• The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. • Whether the metallurgical process is well-tested technology or novel in nature. • The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied. • Any assumptions or allowances made for deleterious elements. • The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.	• The existing Foxleigh Mine CHPP is capable of processing the target coal seams. The metallurgical changes proposed are within the design limitations of the CHPP and its historical performance. • The CHPP is a single stage plant producing a single product. Variable cut points are anticipated based on the coal seam geology to maximize the overall product yield and all coal seams are blended back to the standard product at Foxleigh Mine. • Foxleigh Mine produces a single Pulverised Coal Injection metallurgical coal product.

Criteria	JORC Code explanation	Commentary
	• For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?	
Environmental	• The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.	• There are no environmental impediments limiting the Reserve estimate. • Waste rock on this site is typically inert; additional studies are required to further evaluate rehabilitation opportunities to backfill existing pit voids.
Infrastructure	• The existence of appropriate infrastructure: o availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or o the ease with which the infrastructure can be provided, or accessed.	• Foxleigh Mine has appropriate infrastructure to continue mining operations.
Costs	• The derivation of, or assumptions made, regarding projected capital costs in the study. • The methodology used to estimate operating costs. • Allowances made for the content of deleterious elements. • The source of exchange rates used in the study. • Derivation of transportation charges. • The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. • The allowances made for royalties payable, both Government and private.	• Capital Costs have been estimated utilising an allowance per Coal tonne that is consistent with historical site expenditure. Specific projects attract discrete Capital estimates. • Operating costs have been provided by the owner based on either tendered process costs or activity costs consistent with the current Foxleigh operation. Specific costs are considered commercial in confidence and are not included in this report. • Royalties have been calculated based on the QLD formula for royalties payable based on sales revenue per tonne. • No penalty allowances are made or anticipated for the coal product.
Revenue factors	• The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. • The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.	• An $80USD/t Benchmark price for PCI coal has been assumed for the Foxleigh Mine forecast • An exchange rate of 0.72 AUD:USD has been assumed for the Foxleigh Mine forecast. • Price and exchange have been agreed with by Foxleigh Mine representatives and is consistent with the range of broker consensus pricing reviewed in financial evaluation completed for the 2016 Coal Reserve statement of October 2016.
Market assessment	• The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. • A customer and competitor analysis along with the identification of likely market windows for the product. • Price and volume forecasts and the basis for these forecasts.	• The projected production profile in this estimate is lower than the operating model from the previous owner. This reduced profile does not flag any risks to the sale of the product.

Criteria	JORC Code explanation	Commentary
	• For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.	
Economic	• The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. • NPV ranges and sensitivity to variations in the significant assumptions and inputs.	• The mine plan has been assessed utilising a financial analysis tool. The assumptions contained are: o Discount rate: 7% o Inflation rate: 2%
Social	• The status of agreements with key stakeholders and matters leading to social licence to operate.	• The mine is currently in operation. Sufficient time has been allowed to complete geological and investment evaluation of new areas in the deposit and establish Mining rights to operate.
Other	• To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves below o Any identified material naturally occurring risks. o The status of material legal agreements and marketing arrangements. o The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	• It is considered reasonable that existing tenure will be extended from the expiration dates in 2034. • It is considered low risk that the Daggers Tip area will be brought on-line in 2024 as this requires the conversion of the EPC1139 to a mining lease. There are areas available on mining leases for substitution should additional approval time be required. • There are no relevant issues that impacting on the estimation and classification of the reserves at Foxleigh Mine.
Classification	• The basis for the classification of the Ore Reserves into varying confidence categories. • Whether the result appropriately reflects the Competent Person's view of the deposit. • The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).	• All Measured Resources inside the mine plan and economic limit have been converted to Proved Reserves. • All Indicated Resources inside the mine plan and economic limit have been converted to Probable Reserves. • This outcome reflects the Competent Persons view of the deposit.
Audits or reviews	• The results of any audits or reviews of Ore Reserve estimates.	• No external audits or reviews of the 2016 Reserve have been undertaken.

Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of	• There is a high degree of confidence in the stated Coal reserve figures quoted. This process utilises validation processes throughout the construction of the Coal Reserve designs and schedules. • The mine plan outputs are in line with site reconciled historicalresults.

Criteria	JORC Code explanation	Commentary
	statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. • It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	• Price and foreign exchange rate represent a degree of risk and opportunity to the operation. Assumptions utilised are in line with the comparable forecast information available.

APPENDIX 6 – RESOURCE CLASSIFICATION PLANS

The following plots show the Resource Classification polygons overlain by points of observation and supporting 2D seismic data lines.

Figure 17 Resource Classification for Foxleigh Plains Model Area – Roper 1 Seam

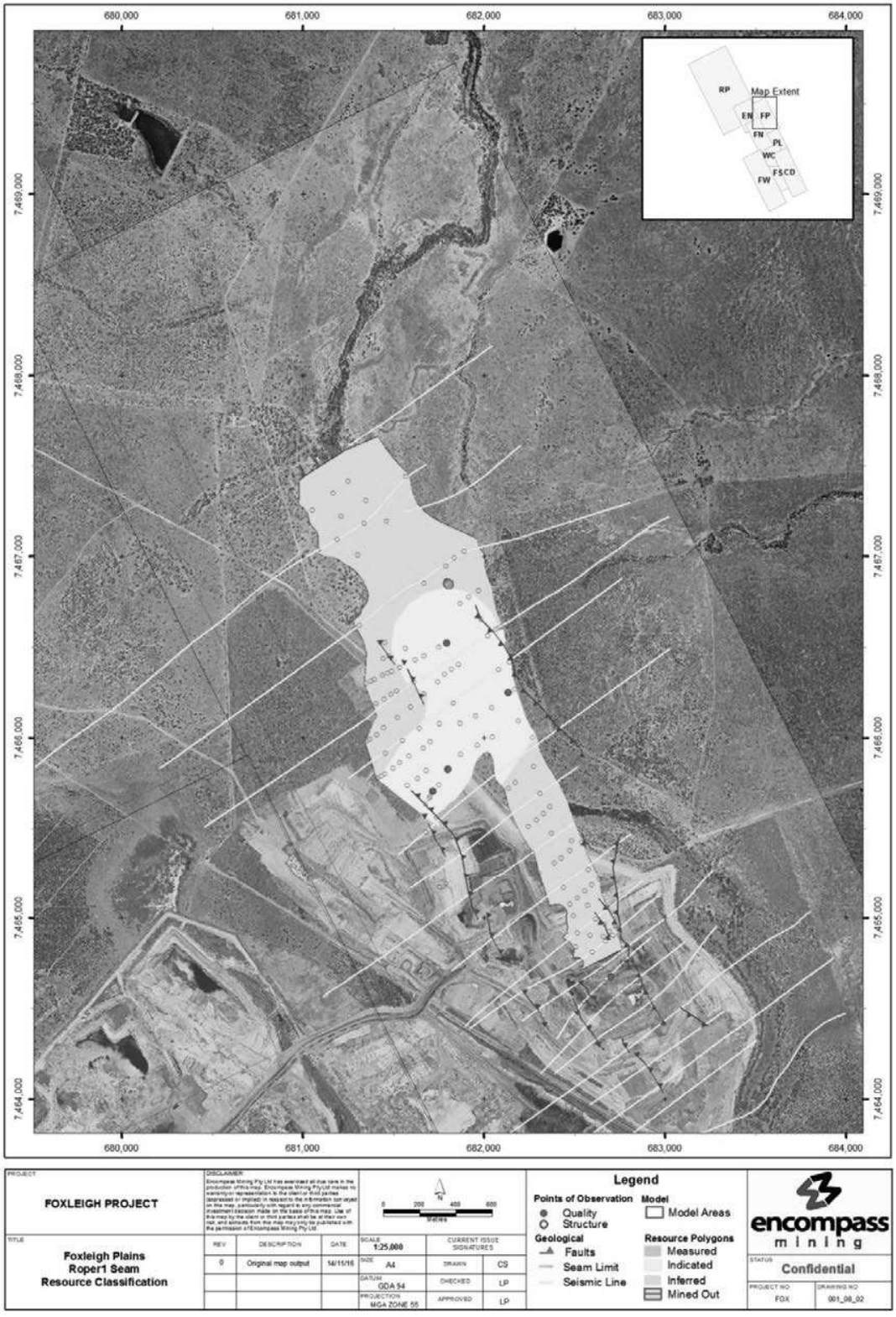


Figure 18 Resource Classification for Foxleigh Plains Model Area – Middlemount Seam

Figure 19 Resource Classification for Foxleigh Plains Model Area – Tralee 2 Seam

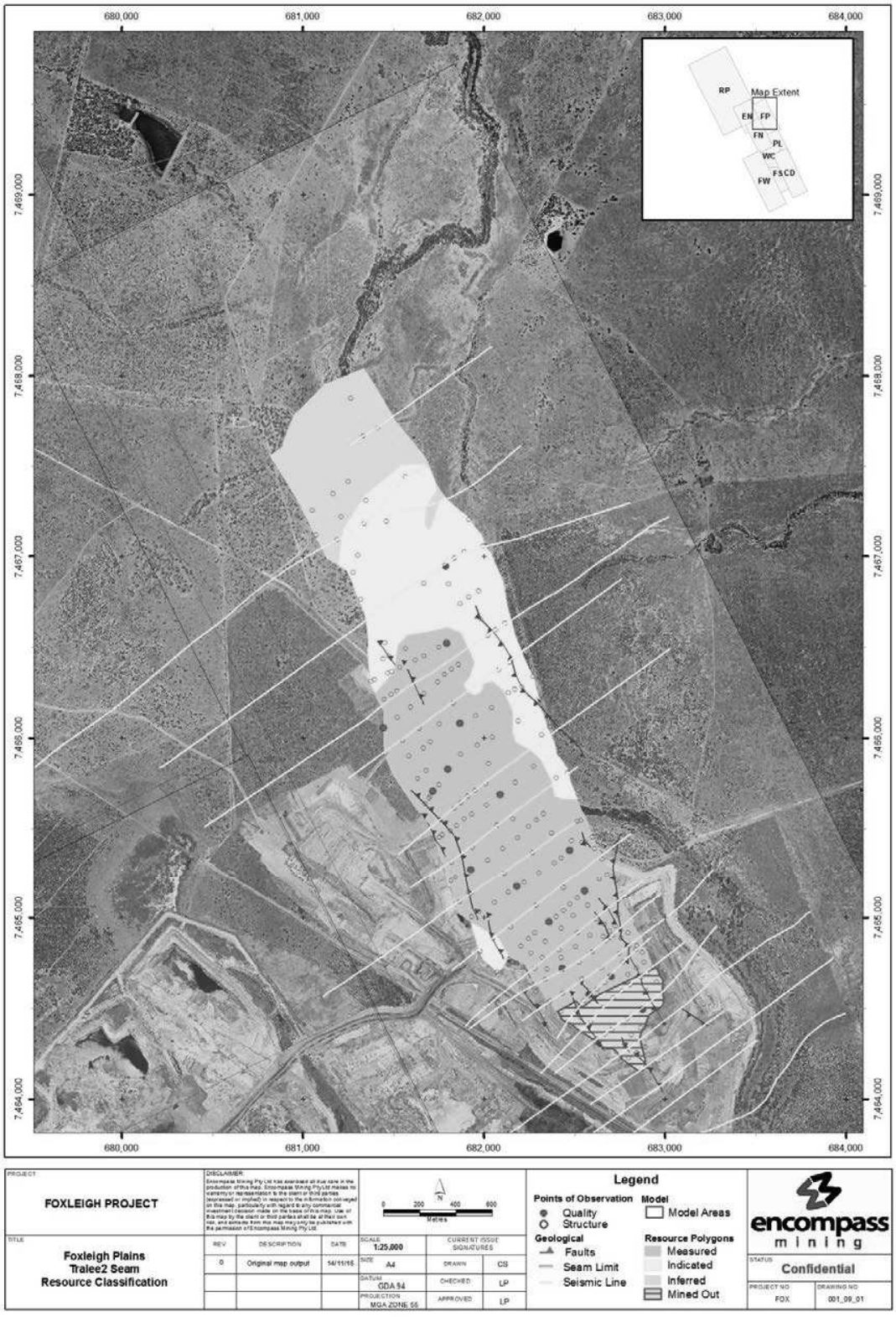


Figure 20 Resource Classification for Foxleigh Plains Model Area – Pisces 1B Seam

Figure 21 Resource Classification for One Tree/Pipeline Model Area – Middlemount Seam

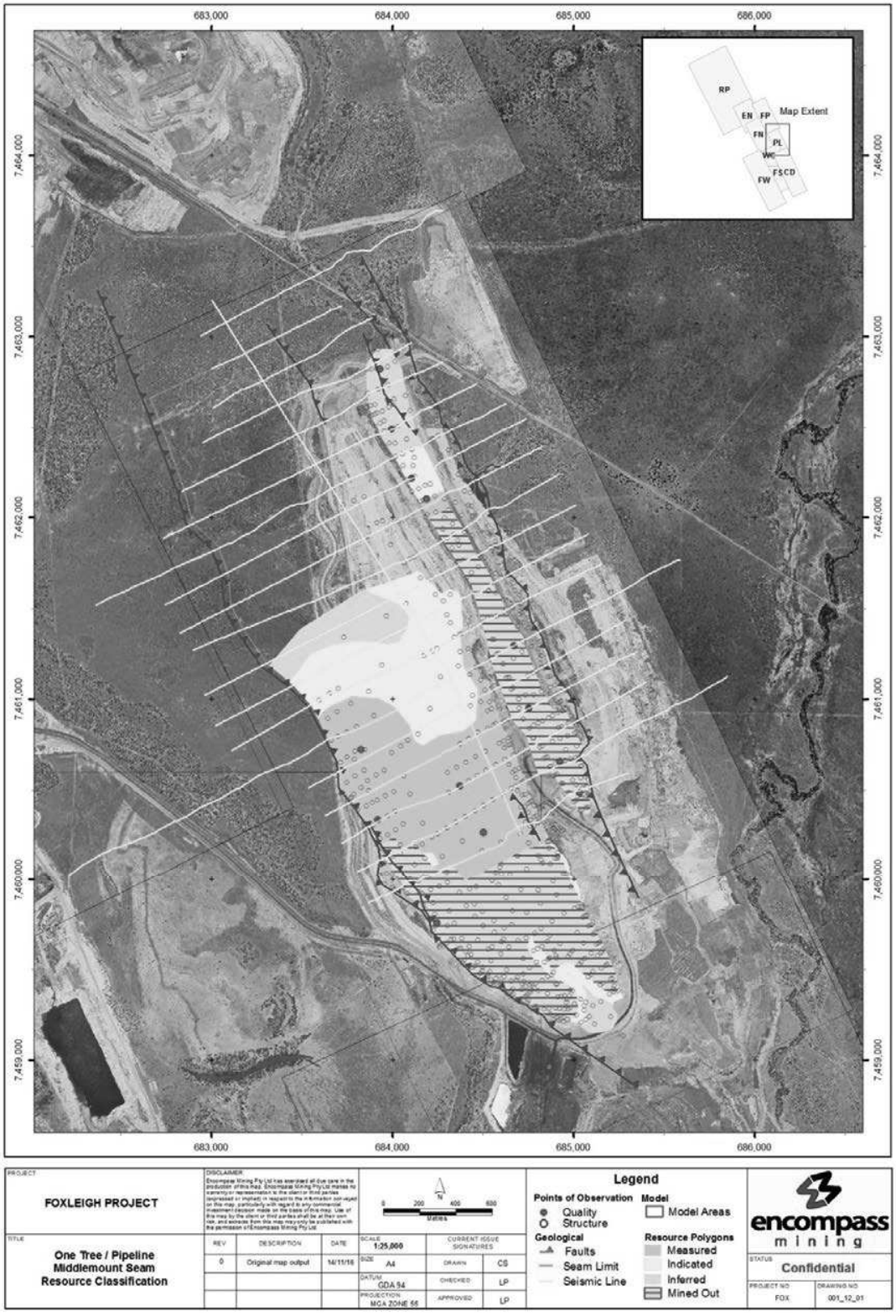


Figure 22 Resource Classification for One Tree/Pipeline Model Area – Middlemount Lower Seam

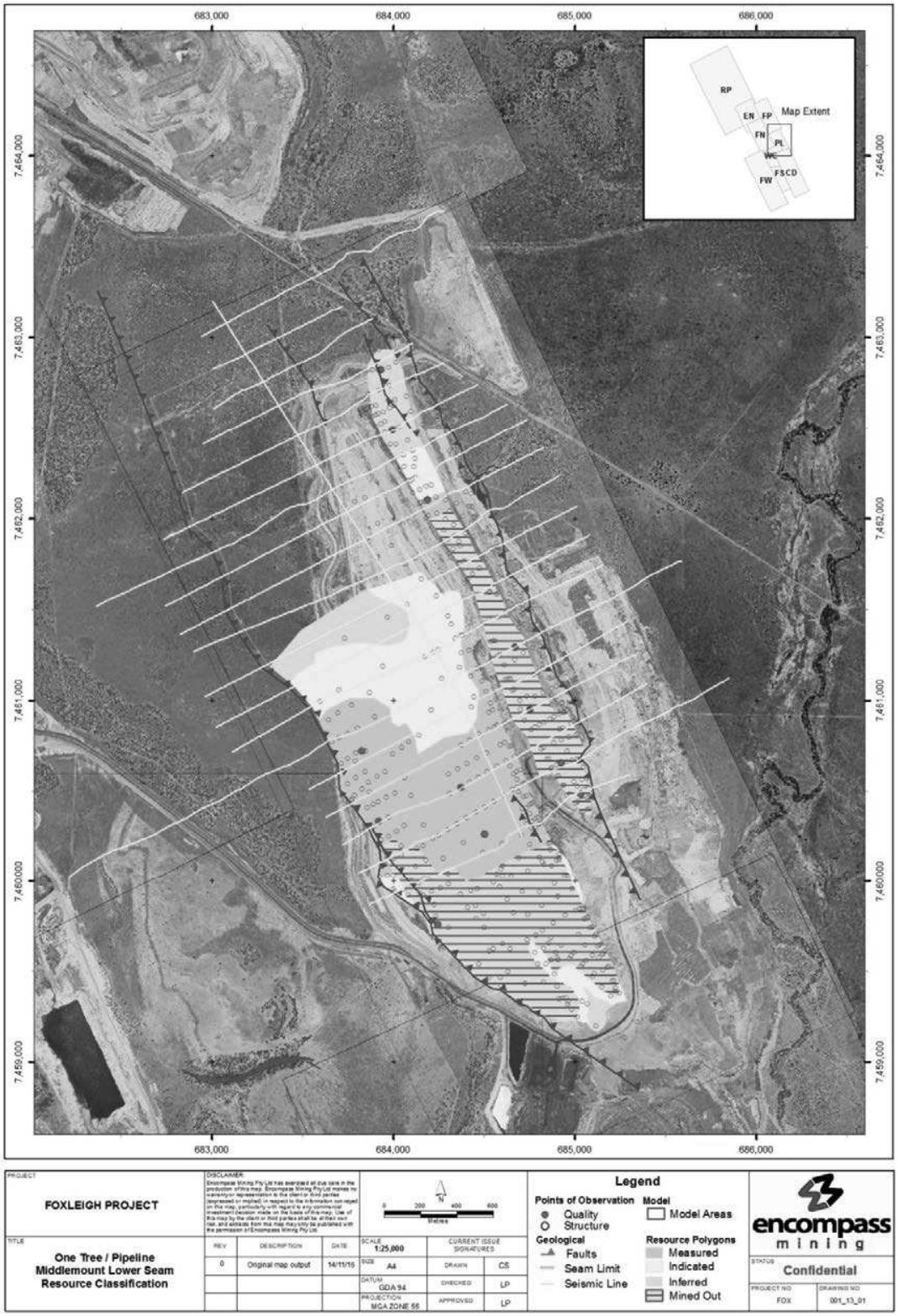


Figure 23 Resource Classification for One Tree/Pipeline Model Area – Pisces 1B Seam

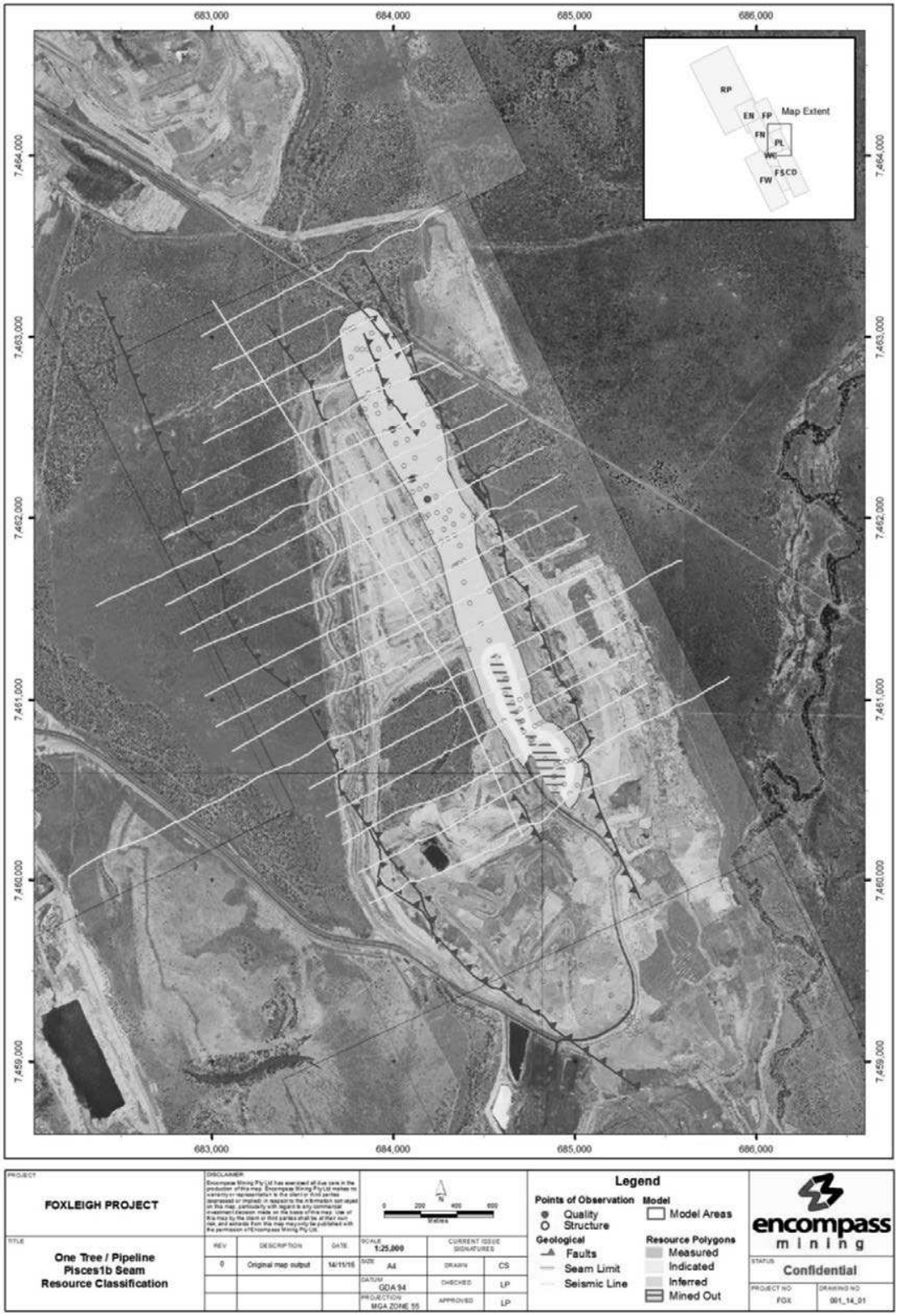


Figure 24 Resource Classification for Far South Model Area – Middlemount Seam

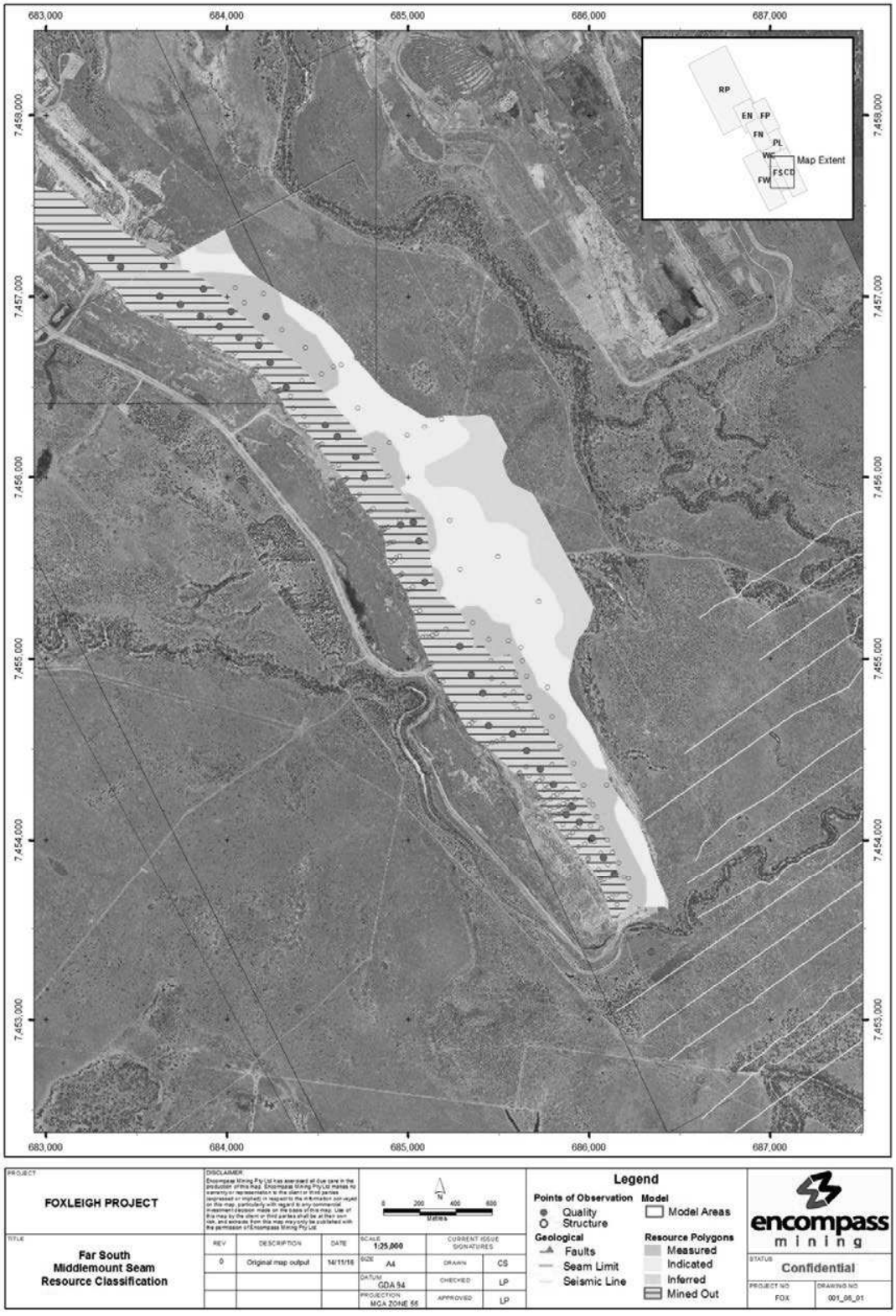
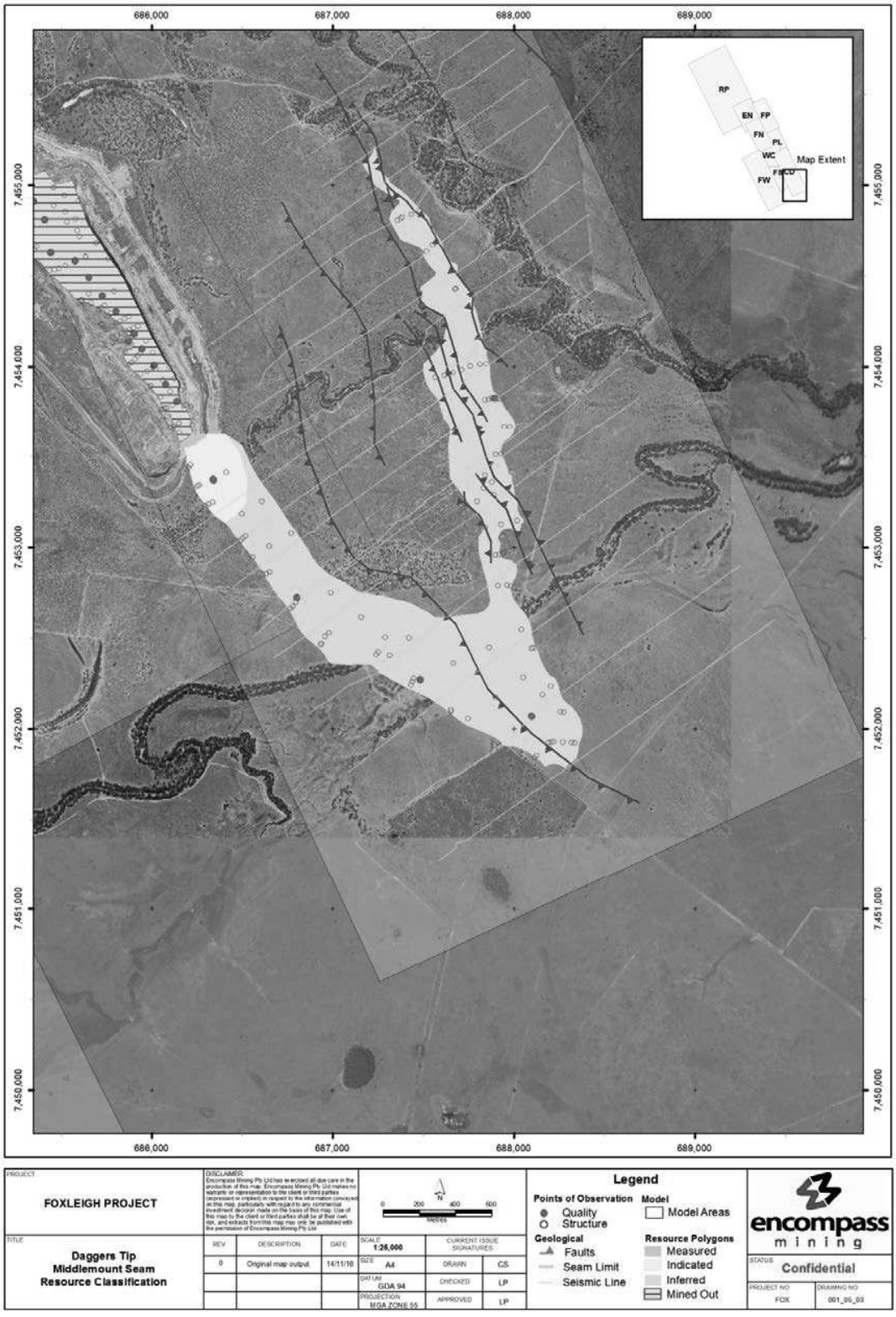


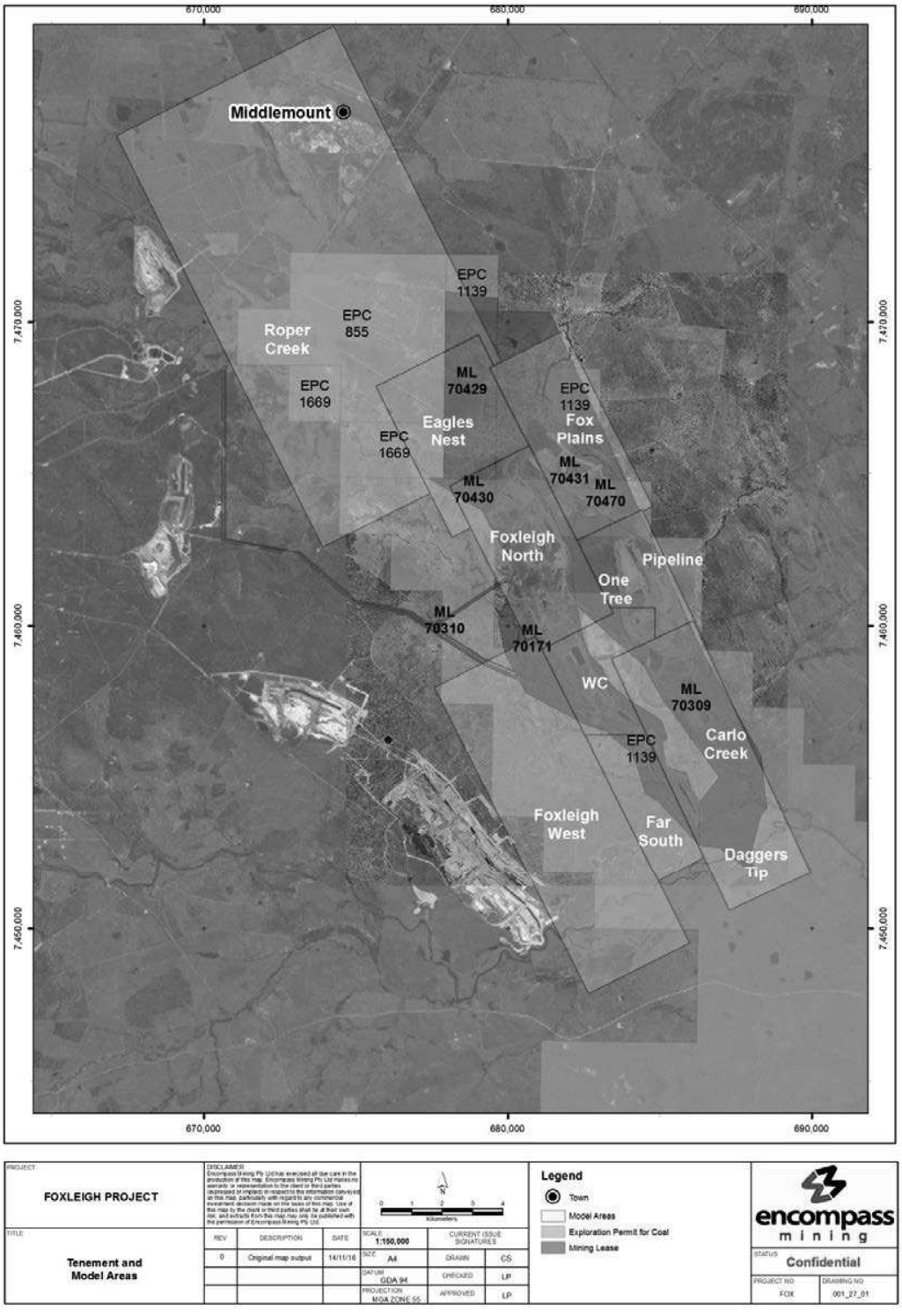
Figure 25 Resource Classification for Far South Model Area – Tralee 2 Seam

Figure 26 Resource Classification for Daggers Tip Model Area – Middlemount Seam



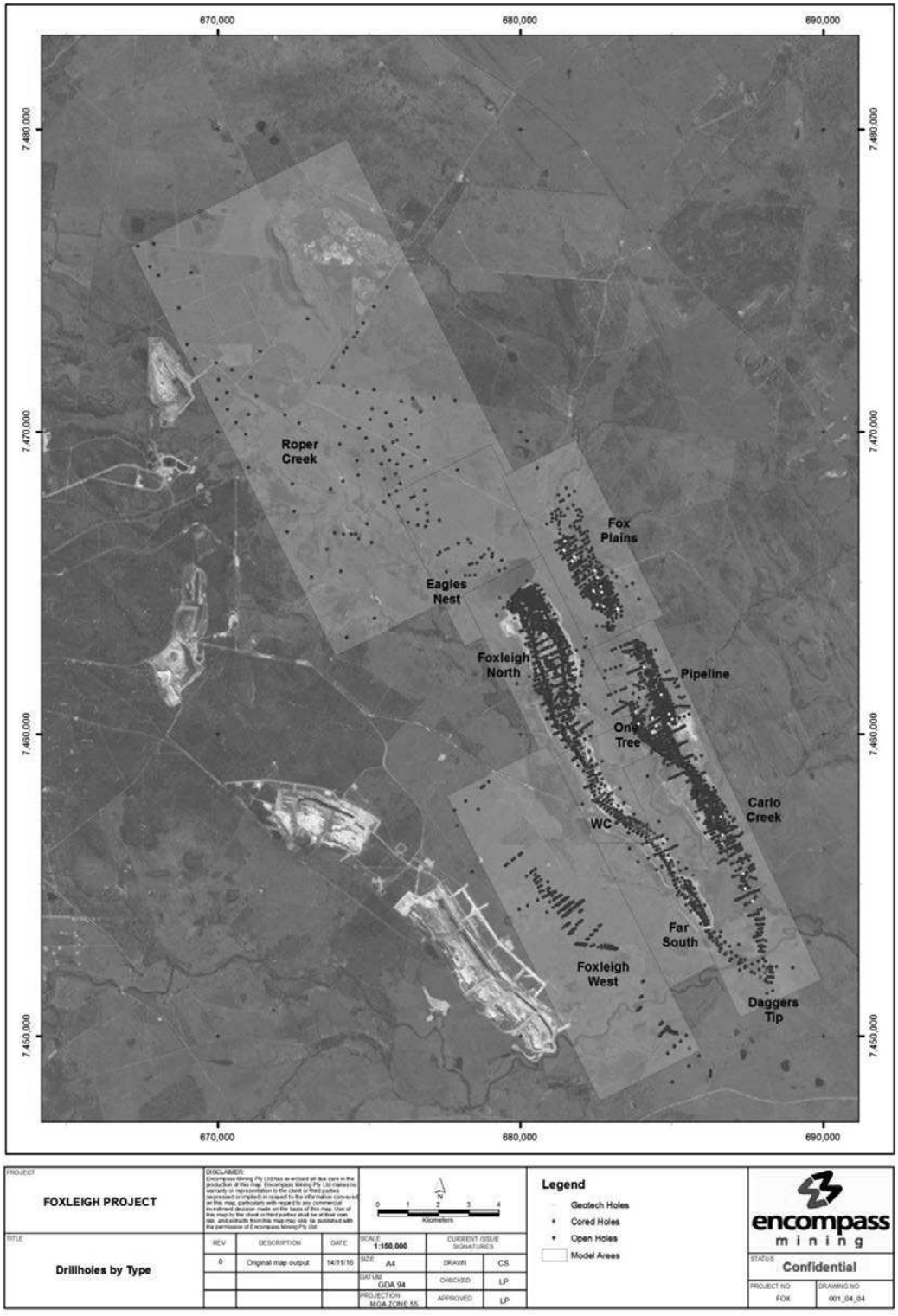
APPENDIX 7 – FOXLEIGH MINE TENEMENT PLAN

Figure 27 Foxleigh Mine Tenements and the Geological Model Areas



APPENDIX 8 – FOXLEIGH MINE DRILLHOLE LOCATION PLAN

Figure 28 Foxleigh Mine Drillhole Locations in Relation to the Geological Model Areas.



APPENDIX 9 – FOXLEIGH MINE TYPICAL CROSS SECTIONS

The following plan outlines the location of typical cross sections for the Foxleigh Mine four resource areas – Foxleigh Plains, One Tree/Pipeline, Far South and Daggers Tip.

Figure 29 Locations of Proceeding Cross Sections

Figure 30 Typical Cross Section – Foxleigh Plains Model Area

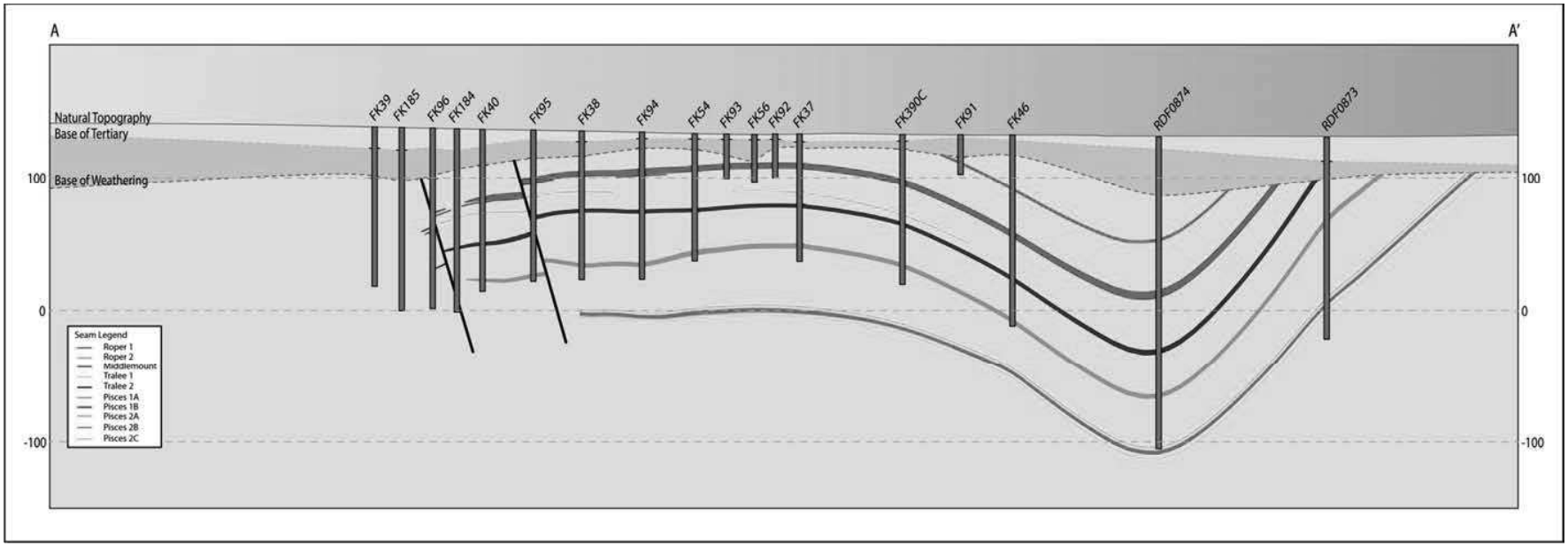


Figure 31 Typical Cross Section – One Tree/Pipeline Model Area

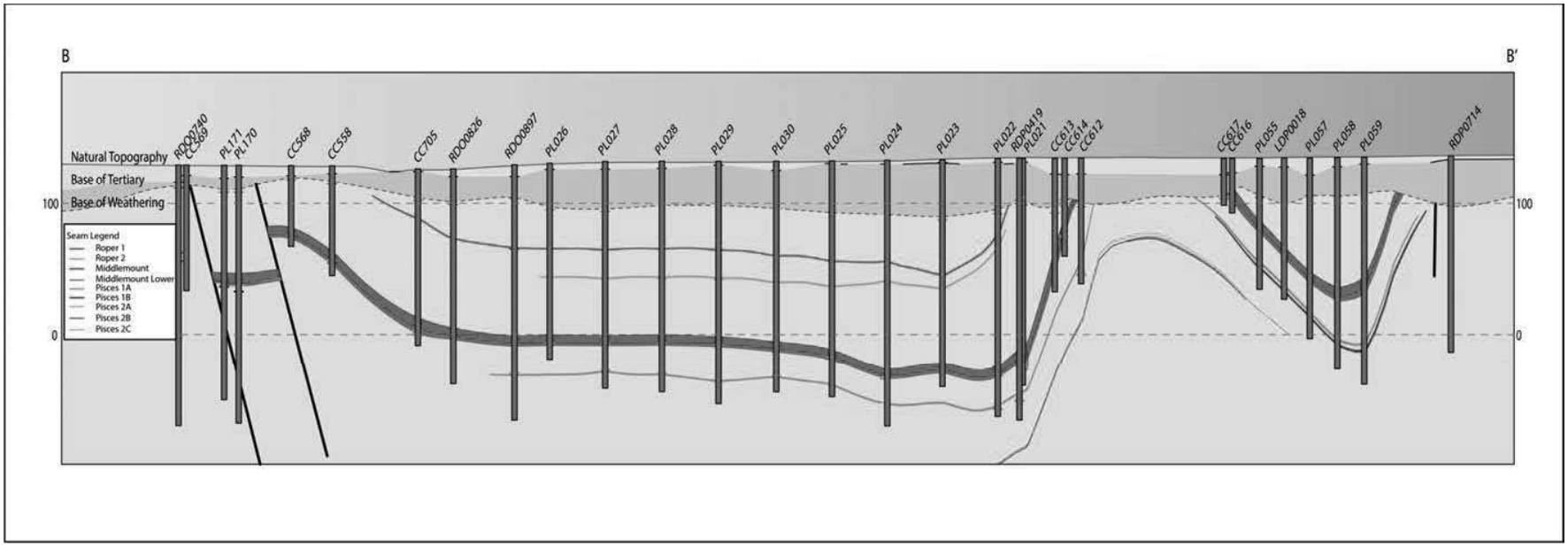


Figure 32 Typical Cross Section – Far South Model Area

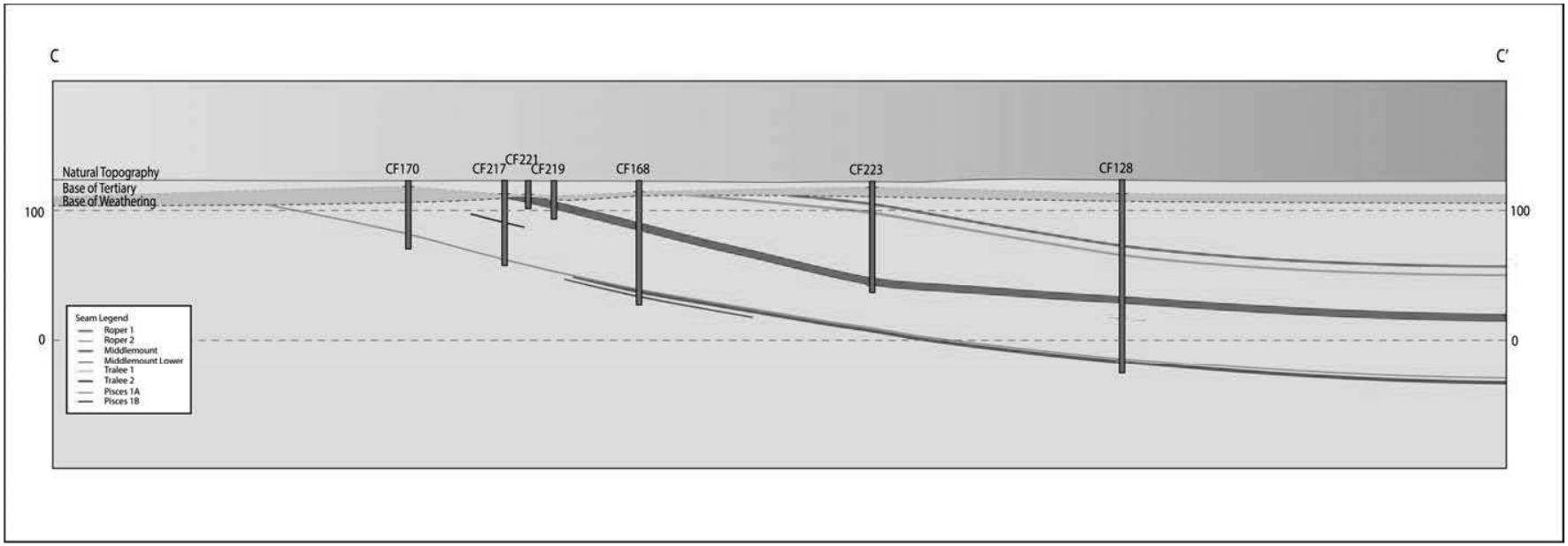
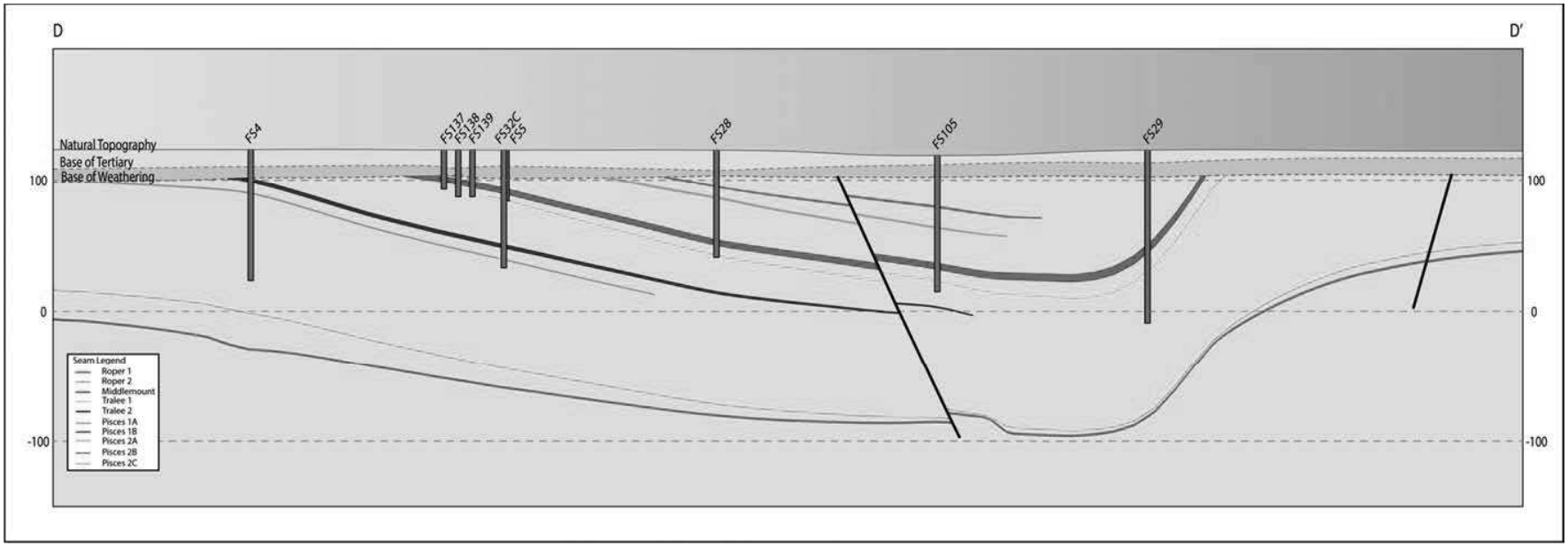


Figure 33 Typical Cross Section – Daggers Tip Model Area



APPENDIX 10 – FOXLEIGH MINE DEPTH OF COVER PLANS

The following plans outline the depth of cover to the Middlemount and the Pisces 1B seams for the Foxleigh Mine.

Figure 34 Depth of Cover to Middlemount Seam – Foxleigh Plains Model Area

Figure 35 Depth of Cover to Pisces 1B Seam – Foxleigh Plains Model Area

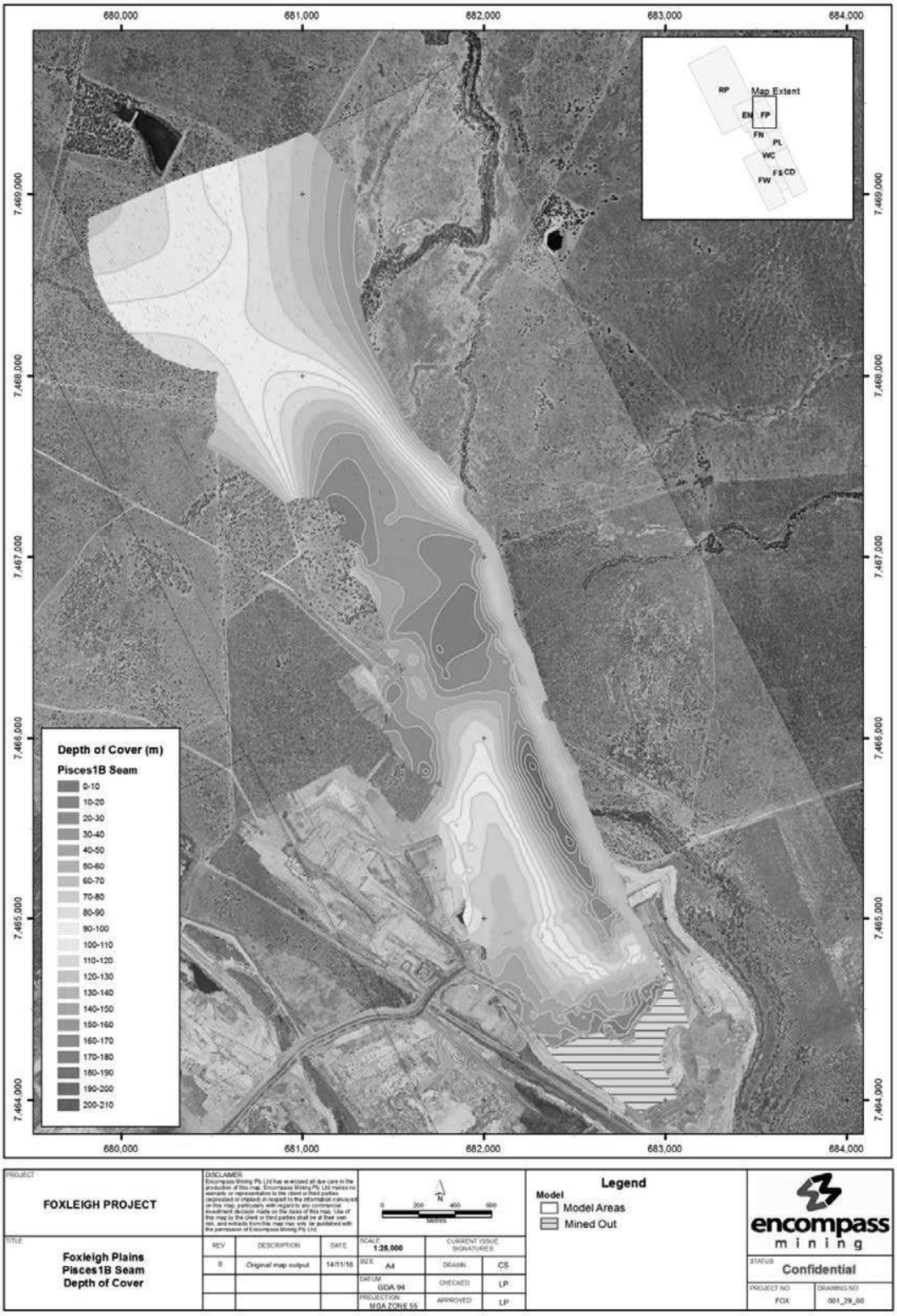


Figure 36 Depth of Cover to Middlemount Seam – One Tree/Pipeline Model Area

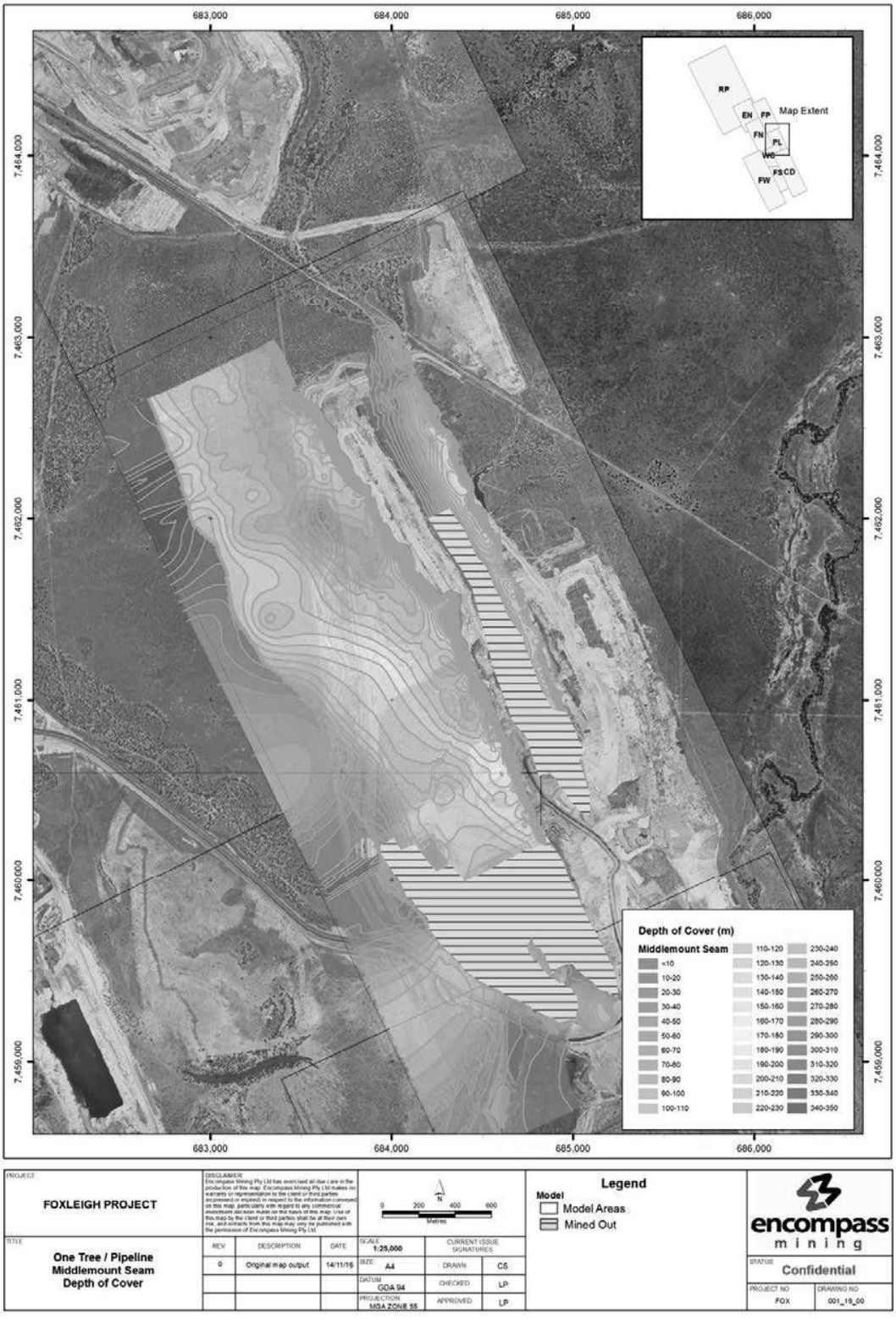


Figure 37 Depth of Cover to Middlemount Seam – Far South Model Area

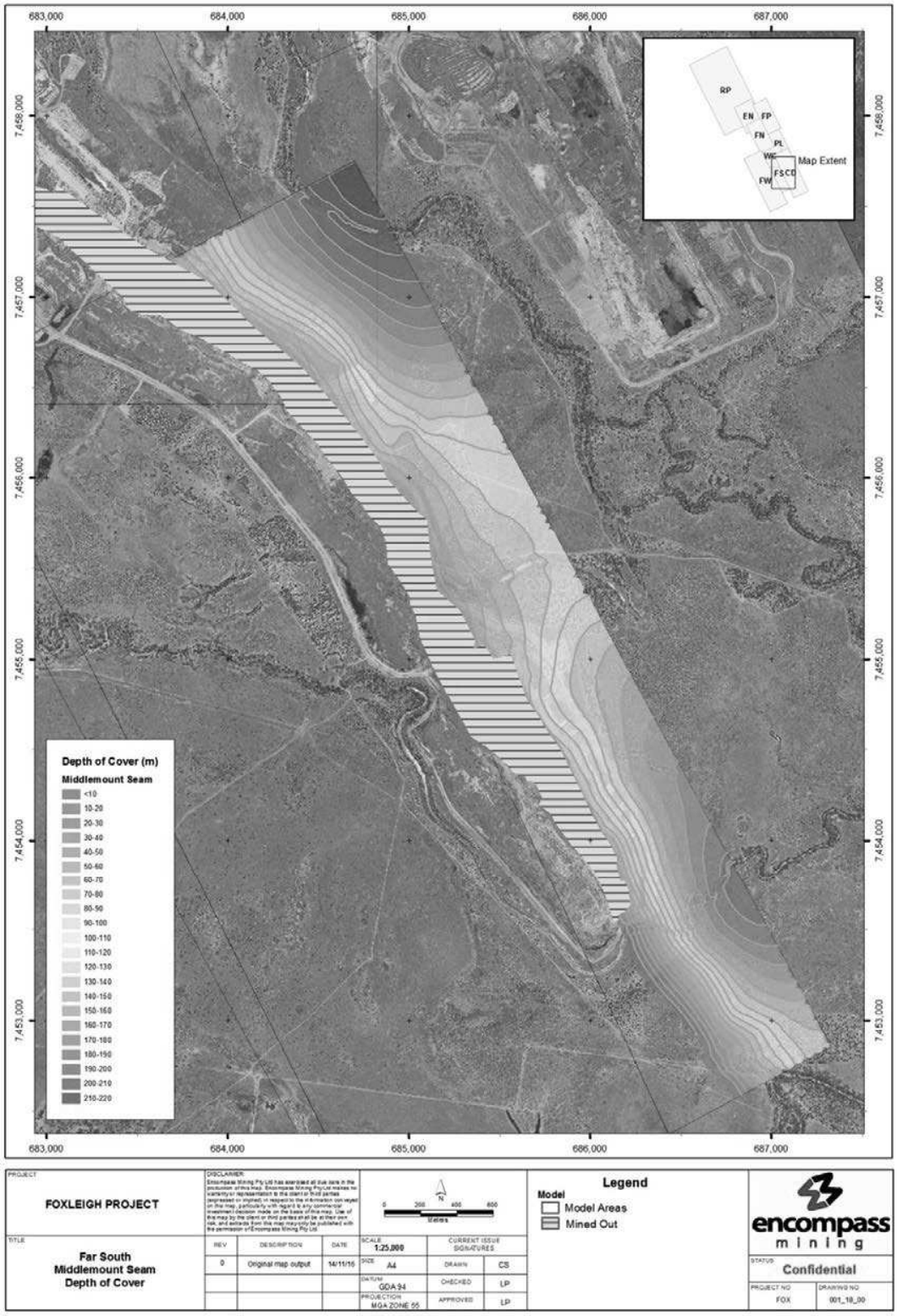
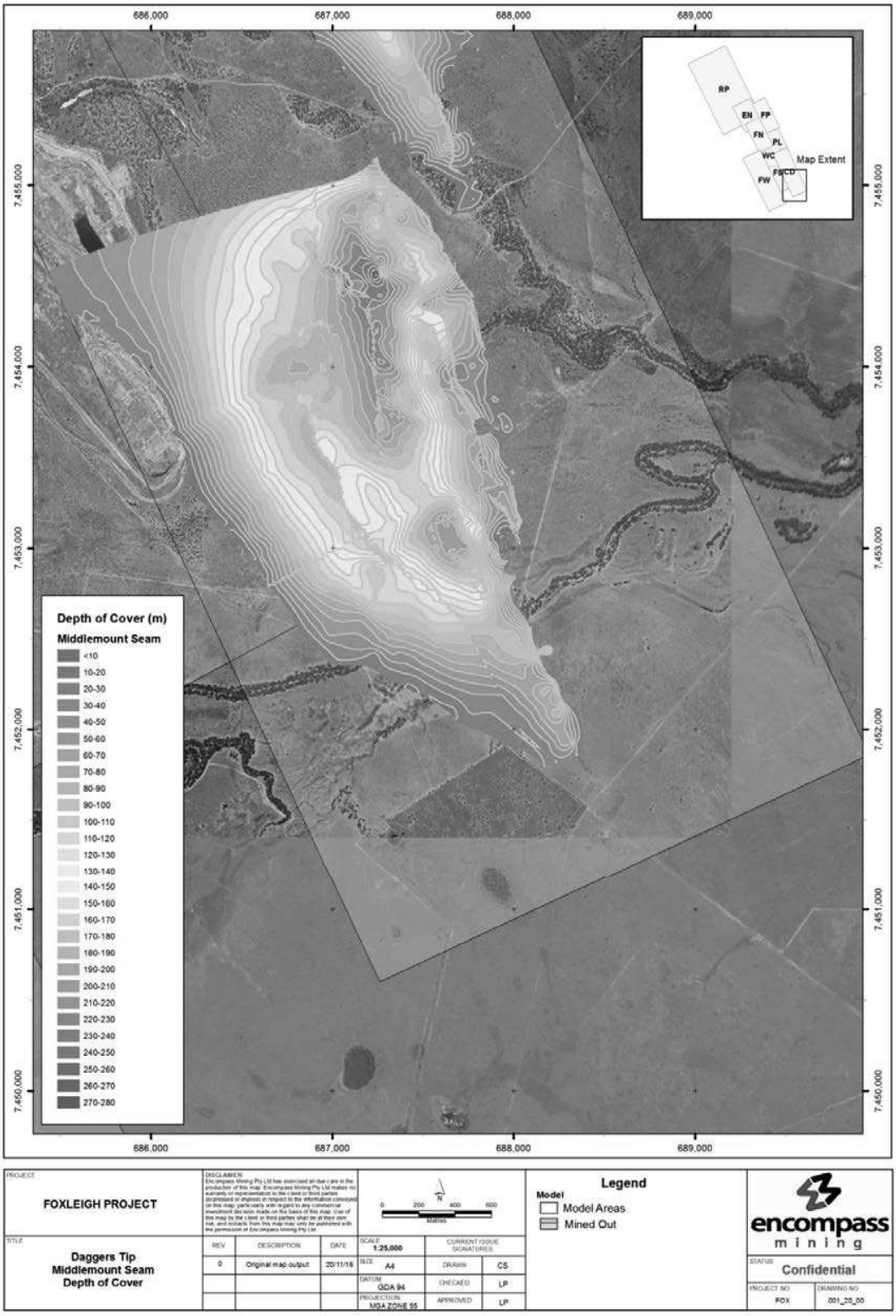


Figure 38 Depth of Cover to Middlemount Seam – Daggers Tip Model Area



Schedule 2 Solicitor's Tenement Report

ClarkeKann LAWYERS

Office Brisbane
Contact John Toigo
Direct Line 07 3001 9203
Email j.toigo@clarkekann.com.au
Our ref jdt:614109
Your ref

17 May 2017

The Directors
Realm Resources Limited
Suite 4101, Level 41, Gateway
1 Macquarie Place
SYDNEY NSW 2000

Dear Directors

Tenement Report

This report is prepared for inclusion in a notice of meeting of shareholders of Realm Resources Limited ("**Realm**") to be held in or around May 2017.

1. Scope

1.1 We have been requested to report on the Foxleigh mining tenements located in Queensland in which Realm, through its subsidiaries Middlemount South Pty Ltd (99.9% owned by Realm), Foxleigh Coal Pty Ltd (100% owned by Middlemount South Pty Ltd) or CAML Resources Pty Ltd (66.67% owned by Foxleigh Coal Pty Ltd), has an interest ("**Tenements**"):

(a) ML70171, ML70309, ML70310, ML70429, ML70430, ML70431, ML70470 (collectively the "**Mining Leases**"); and

(b) EPC1139, EPC855 and EPC1669, (collectively the "**Exploration Tenements**").

1.2 Details of the Tenements are set out in Schedule 1.

2. Searches and Source Information

2.1 We have conducted searches and made enquiries in respect of the Tenements as follows:

(a) Public Enquiry Reports, which provide an extract of current tenure information recorded on the register maintained by the Department under the *Mineral Resources Act 1989* (Qld) ("**Mining Act**"), were conducted on 29 March 2017.

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(b) Using mapping software provided by the Department of Natural Resources and Mines ("**DNRM**") and National Native Title Tribunal ("**NNTT**") we have conducted searches showing native title claims and indigenous land use agreements which overlap with the Tenements that were conducted on 30 March 2017.

(c) Using mapping software provided by the DNRM we have obtained searches showing tenements held by third parties and strategic cropping land which overlap with the Tenements that were conducted on 30 March 2017.

2.2 On the basis of the searches conducted and subject to the notations and qualifications in this report, we consider that this report (including the attached Schedule) provides an accurate statement as to the status and standing of the Tenements and the Company's interest therein as at 30 March 2017.

3. Tenements - Summary

3.1 The Tenements comprise mining leases and exploration permits for coal granted under the Mining Act. Details of the mining leases and exploration permits are set out in Schedule 1. Included in the Schedule are details of overlaps with third party tenements.

3.2 The Tenements are subject to conditions prescribed by the Mining Act (including as to the payment of rent, reporting obligations and mandatory relinquishment of area of the licence) as well as such terms and conditions as the Minister may determine. The Tenements are also subject to the requirements of certain other State and Commonwealth legislation, including Aboriginal heritage legislation and environmental protection legislation. These conditions are not detailed in the Schedule.

4. Exploration Permits

4.1 Exploration permits generally entitle the holder of the permit to enter land for the purpose of exploring for any mineral to which the exploration permit relates (in this case, coal).

4.2 An exploration permit is granted for an initial term not exceeding 5 years. An exploration permit may be renewed by the Minister for a term of not more than 5 years.

4.3 While an exploration permit is still in force, an application for a mining lease can be made in regard to those parts of land subject to the exploration permit. The initial term of a mining lease is the period of time which is approved by the Minister. The granting of or renewal of a mining lease may specify that the holder is not entitled to a mining lease renewal or further renewal.

5. Mining Leases

5.1 In accordance with section 276 of the Mining Act, mining leases are subject to conditions that:

(a) the holder shall use the area of a mining lease bona fide for the purpose for which it was granted and in accordance with the Mining Act and the conditions of the mining lease, and for no other purpose;

(b) the holder must carry out improvement restoration for the mining lease;

(c) the holder must:

(i) pay the rental as prescribed;

(ii) pay the royalty as prescribed;

(iii) pay all local government rates and charges lawfully chargeable against the holder in respect of the area of the mining lease;

(iv) deposit, as required by the Minister, any security from time to time under the Mining Act.

5.2 According to our searches there were no instances recorded of non-compliance with the conditions of the Mining Leases. This does not mean that there have been no instances of non-compliance, simply that DNRM is not aware of any.

5.3 Ministerial consent is required for a mining lease to be surrendered under the Mining Act. Consent may only be obtained once the environmental authority for each lease has been surrendered. Surrender of the environmental authority may only occur once the rehabilitation requirements are met.

5.4 The timing and cost of meeting rehabilitation requirements is uncertain.

6. Environmental Authorities

6.1 The activities on the Mining Leases are authorised under Environmental Authority EPML00744813 issued 6 July 2015 ("**EA**").

6.2 It is a condition of the EA that the Mining Lease holders submit financial assurance to the Department of Environment and Heritage Protection as calculated in accordance with Department guidelines.

6.3 It is a condition of the Mining Leases and the EA that the holders undertake improvement and restoration of the Mining Leases. The EA requires that all areas significantly disturbed by mining activities are rehabilitated to safe, stable non-polluting landform with a self-sustaining vegetation cover in accordance with the specified rehabilitation requirements for particular disturbed areas.

7. Overlapping Tenements

7.1 Mapping indicates that in respect of the:

(a) Mining Leases there are overlapping Authorities to Prospect ("**ATP**") and Exploration Permits for Coal ("**EPC**"). However the Mining Tenements are carved out of the ATP and EPC areas pursuant to the Mining Act.

(b) Exploration Permits there are overlapping Mining Leases ("**ML**"), ATPs and Potential Commercial Areas ("**PCA**"). In this instance the Exploration Permits will be carved out of the ML areas pursuant to the Mining Act, and the Exploration Permit tenement holders will need to reach agreement with the ATP and PCA holders prior to undertaking exploration activities or seeking to apply for a mining lease in respect of the land the subject of the overlap.

8. Aboriginal Heritage

8.1 This section of the report examines the effect of Aboriginal heritage legislation on the Tenements as there may be areas or objects of Aboriginal heritage located within the area of the Tenements.

8.2 We have not undertaken searches to ascertain if any Aboriginal sites or objects have been registered within the area of the Tenements. There is no obligation under the relevant legislation to register sites or objects and sites or objects are protected by the relevant State legislation regardless of whether they are registered.

Commonwealth Legislation

8.3 The Aboriginal *and Torres Strait Islander Heritage Protection Act 1984* (Cth) ("**Cth Heritage Act**") preserves and protects from injury or desecration areas and objects of particular significance to Aboriginal people in accordance with Aboriginal tradition, by providing for the making of declarations in relation to significant Aboriginal areas or significant Aboriginal objects. The Cth Heritage Act makes it an offence to engage in conduct in contravention of a provision of a declaration made under the Act.

Queensland Legislation

8.4 The *Aboriginal Cultural Heritage Act 2003* (Qld) ("**QLD Heritage Act**") provides for the recognition, protection and conservation of Aboriginal cultural heritage.

The QLD Heritage Act:

(a) imposes a general duty of care on persons to take all reasonable and practicable measures to ensure an activity does not harm Aboriginal cultural heritage;

(b) creates an offence for a person to unlawfully harm Aboriginal cultural heritage;

(c) creates a specific offence involving unlawful excavation, relocation, taking away or unlawful possession of, Aboriginal cultural heritage and sets out the penalties for contravening the QLD Heritage Act;

(d) sets out the circumstances in which a cultural heritage management plan is or may be required to be developed and approved fora project;

(e) establishes a database whereby Aboriginal cultural heritage can be registered. However, there are no registration requirements and the QLD Heritage Act protects all Aboriginal cultural heritage in Queensland; and

(f) may grant authority to excavate, relocate or take away Aboriginal cultural heritage.

9. Native Title

9.1 This section of the report examines the effect of native title on the Tenements.

Overview of Native Title

9.2 Native title rights and interests exist where the rights and interests are possessed under the traditional laws currently acknowledged and the traditional customs currently observed by the relevant Indigenous people, those Indigenous people have a "connection" with the area in question by those traditional laws and customs and the rights and interests are recognised by the common law of Australia.

Tenements

9.3 To the extent the grant of the Tenements would have affected native title, the grants were future acts which needed to comply with the future act regime in order to be valid under the Native Title Act. The Public Enquiry Reports for all Tenements, with the exception of EPC1139, give the tenure the native title category "Exclusive Land (100%)", meaning native title is not an issue in terms of undertaking the mining and exploration activities under those Tenements.

The Public Enquiry Report for EPC1139 gives the tenure the native title category "Predominately Exclusive Land". This means that when the tenement was applied for there were areas subject to native title. However, on the grant of the tenement the native title areas were 'excluded' from the tenement area to the extent of the native title claims, and it was not necessary for any native title processes to be adhered to. The exclusion process applied because the native title area comprised less that 10% of the total tenement area and did not extend to a whole sub-block. In effect although EPC1139 covers both exclusive land and non-exclusive land , exploration activities are only permitted to occur on exclusive land. If the Tenement holders wish to explore on the small part of EPC1139 then they will need to negotiate with the registered native title party.

Native title claim QC2013/004 was lodged by the Barada Kabalbara Yetimarala People on 2 July 2013. The claim overlaps all of the Tenements - however, since this claim was made after the date of grant of the Tenements the Tenement holders are not required to negotiate with the native title party. However, if the Tenement holders wish to renew EPC1139, or apply for mining leases over areas covered by it, the native title claimants will have a 'right to negotiate' with the Tenement holders. If the parties cannot reach an agreement on compensation, an application can be made to the NNTT for a determination by either party, after which, the renewal or application can be granted.

10. Strategic Cropping Land

The *Regional Planning Interests Act 2014* (Qld) limits the ability for strategic cropping land to be used for mining activities. For the purposes of the Act, mining activities include activities carried out pursuant to the grant of a mining tenement under the Mining Act.

It is an offence to carry out mining activities in strategic cropping land unless a regional interests development approval to carry out the mining activity. If mining activities are carried out intentionally, maximum penalties are a fine of $761,875 or 5 years imprisonment, and for unintentional offences the maximum penalty is a fine of $548,550.

The holder or applicant for a mining tenement may make an application to the Department of Infrastructure, Local Government and Planning to grant an authority to carry out mining activities on strategic cropping land. Any application must be accompanied by a report assessing the impact of mining activities on the strategic cropping land, and any constraints on the operation of the mining activities.

There is no general requirement for applicants for approval to carry out mining activities to give public notice of the application being made. However, the Department may require that notice be given. If public notice must be given, the public may make submissions regarding the application.

Based on our review of the strategic cropping land maps of show that:

(a) a small portion of the south eastern part of ML70309 is affected by strategic cropping land, but this does not, as we understand it, affect mining operations; and

(b) EPC1139 is affected by strategic cropping land by an area in the central part of the EPC, and an addition area affecting most areas in the southern part of the EPC.

11. Qualifications

(a) We have assumed the accuracy and completeness of all searches, register extracts and other information or responses which were obtained from government departments or authorities.

(b) This report does not cover any third party interests, including encumbrances, in relation to the Tenements that are not apparent from our searches and the information provided to us.

(c) We have assumed that any agreements provided to us in relation to the Tenements are authentic, complete, were within the powers and capacity of those who executed them, were duly authorised, executed, delivered and stamped and are binding on the parties to them.

(d) The holding of the Tenements and their standing is subject to compliance with their respective terms and conditions and the provisions of the applicable State mining legislation.

(e) We have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives.

(f) Where compliance with requirements necessary to maintain a Tenement in good standing is not disclosed on the face of the searches referred to in this report, we express no opinion on such compliance.

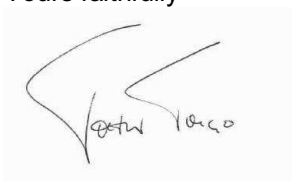
(g) The information in this report and the Schedule is accurate as at the date the relevant searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenements between the date of the searches and the date of the submission to ASX.

12. Consent

This report is given solely for the benefit of the Company and the directors of the Company in connection with a notice of general meeting of Realm and is not to be relied on or disclosed to

any other person or used for any other purpose or quoted or referred to in any other public document or filed with any government body or other person without our prior consent.

Yours faithfully



John Toigo
Partner
Corporate & Commercial

SCHEDULE 1

Tenements

Part A – Mining Leases

Holder	Tenement	Grant Date	Term	Expiry Date	Annual Rent	Encumbrances	Native Title	Comments
CAML Resources Pty Ltd (60%) (**CAML**) Foxleigh Coal Pty Ltd (30%) (**FC**) Nippon Steel & Sumitomo Metal Pty Ltd (10%) (**NSSM**)	ML 70171	04.11.99	35 years	30.11.34	$145,084.25	Mortgage registered 28.05.08. Mortgagor – CAML (60% interest mortgaged). Mortgagee – FC and POSCO Australia Pty Ltd. Mortgage registered 18.02.2011. Mortgagor – CAML (60%), FC (30%), NSSM (10%). Mortgagee - CAML, FC, NSSM, Foxleigh Management Pty Ltd.	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd Overlaps with EPC2033 held by Anglo American Metallurgical Coal Pty Ltd. Overlaps with EPC726 held by Anglo Coal (German Creek) Pty Ltd Overlaps with EPC1455 held by Anglo Coal (German Creek) Pty Ltd
	ML 70309	28.10.04	30 years, 1 month	30.11.34	$118,742.30	Mortgage registered 28.05.08. Mortgagor – CAML (60% interest mortgaged). Mortgagee – FC and POSCO Australia Pty Ltd. Mortgage registered 18.02.2011. Mortgagor – CAML (60%), FC (30%), NSSM (10%). Mortgagee - CAML, FC, NSSM, Foxleigh Management Pty Ltd.	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd
	ML 70310	02.10.15	19 years, 1 month	30.11.34	$9,943.65		Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with EPC2033 held by Anglo American Metallurgical Coal Pty Ltd. Overlaps with EPC726 held by Anglo Coal (German Creek) Pty Ltd

Holder	Tenement	Grant Date	Term	Expiry Date	Annual Rent	Encumbrances	Native Title	Comments
								Overlaps with EPC1455 held by Anglo Coal (German Creek) Pty Ltd
	ML 70429	22.09.14	20 years, 2 months	30.11.34	$60,359.70	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd
	ML 70430	22.09.14	20 years, 2 months	30.11.34	$7,210.60	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd
	ML 70431	22.09.14	20 years, 2 months	30.11.34	$153,283.40	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd
	ML 70470	13.11.12	22 years	30.11.34	$25,295.25	Nil	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 811 held by New South Oil Pty Ltd

Part B - Exploration Permits for Coal

Holder	Tenement	Grant Date	Term	Expiry Date	Area Size (Sub-blocks)	Annual Rent	Relinquishments				Native Title	Comments
							Year	Relinquishment Date	Sub-blocks relinquished	Sub-blocks retained		
CAML Resources Pty Ltd (60%) Foxleigh Coal Pty Ltd (30%) Nippon Steel & Sumitomo Metal Pty Ltd (10%)	EPC 1139	07.08.07	5 years (renewed term commenced 07.08.2012)	06.08.17	143 Sub-blocks	$20,806.50	7	06.08.14	9	143	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Application to vary the Conditions of EPC 1139 made 2 June 2015 to vary sub-blocks held retained during 2015-2017 period to 143 sub-blocks was approved on 24 June 2016. Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd
							10	06.08.17	72	71		
Foxleigh Coal Pty Ltd (100%)	EPC855	20.10.03	5 years (renewed term commenced 20.10.2012)	19.10.17	9 Sub-blocks	$1,354.50	14	19.10.17	4	5	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Application to vary conditions of EPC855 made 3 August 2015 to vary sub-blocks held retained during 2008-2017 period to 9 sub-blocks was approved on 23 September 2015. Overlaps with ML 70417 held by Middlemount Coal Pty
							5	19.10.08	5	9		
							4	19.10.07	3	14		

Holder	Tenement	Grant Date	Term	Expiry Date	Area Size (Sub-blocks)	Annual Rent	Relinquishments				Native Title	Comments
							Year	Relinquishment Date	Sub-blocks relinquished	Sub-blocks retained		
												Ltd and Ribfield Pty Ltd. Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd
Middlemount South Pty Ltd (100%)	EPC 1669	11.11.09	5 years (renewed term commenced 11.11.2014)	10.11.19	3 Sub-blocks	$451.50	8	10.11.17	1	2	Native Title Application No. QC2013/004 by the Barada Kabalbara Yetimarala People. Filed 02.07.13	Overlaps with ATP 1103 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd Overlaps with PCA136 held by Arrow CSG (ATP 364) Pty Ltd, CH4 Pty Ltd and AGL Energy Pty Ltd

Schedule 3 Realm pro-forma statement of financial position for the year to 31 December 2016

	Notes	Realm (Audited) 31/12/2016 ($'000)	Foxleigh (Unaudited) 31/12/2016 ($'000)	Adjustment 31/12/2016 ($'000)	Pro-Forma (unaudited) 31/12/2016 ($'000)
ASSETS					
Current Assets					
Cash and cash equivalents		240	68,306	4,725	73,271
Trade and other receivables		90	15,995	-	16,085
Other financial assets		60	-	-	60
Inventories		-	25,471	-	25,471
Other		-	-	-	-
Total Current Assets		390	109,772	4,725	114,887
Non-Current Assets					
Trade and other receivables		-	1,521	-	1,521
Other Financial Assets		64,350	-	-	64,350
Deferred tax assets		890	-	-	890
Plant and Equipment		3	1,481	-	1,484
Investments		3,739	-	-	3,739
Exploration Expenditure		-	60,197	-	60,197
Total Current Assets		68,982	63,199	-	132,181
TOTAL ASSETS		69,372	172,971	4,725	247,068
LIABILITIES					
Current Liabilities					
Trade and other payables		175	38,256	-	38,431
Borrowings		47,592	42,074	-	89,666
Other		115	16,414	-	16,529
Total Current Liabilities		47,882	96,744	-	144,626
Non-Current Liabilities					
Trade and other payables		-	21,480	-	21,480
Provisions		-	28,038	-	28,038
Total Non Current Liabilities		-	49,518	-	49,518
TOTAL LIABILITIES		47,882	146,262	-	194,144
NET ASSETS /		21,490	26,709	4,725	52,924

Notes	Realm (Audited) 31/12/2016 ($'000)	Foxleigh (Unaudited) 31/12/2016 ($'000)	Adjustment 31/12/2016 ($'000)	Pro-Forma (unaudited) 31/12/2016 ($'000)
(LIABILITIES)				
EQUITY				
Issued Capital	46,315	1	4,725	51,014
Reserves	366	-	-	366
Accumulates Losses	(25,191)	26,708	-	1,517
TOTAL EQUITY	21,490	26,709	4,725	52,924

Notes and assumptions:

1. Realm Resources Consolidated Statement of Financial Position as at 31 December 2016.
2. Based on A$43m amount paid at completion adjusted for opening creditors (A$14.4m) and employee liabilities (A$6.6m). Compares to FCL 31 December 2015 Total Assets of A$66m (excluding related party tax receivables).
3. Realm Resources estimate of Foxleigh annualised financial performance (70% basis) at the time of acquisition.
4. Proposed Capital Raise of no less than $5,000,000 (based on 25,000,000 shares at a minimum issue price of $0.20) (less Capital Raise costs of 5.5%).

Schedule 4 Audited General Purpose Foxleigh Accounts FY2016 for FCL

FOXLEIGH COAL PTY LTD

(formerly Anglo Coal (Foxleigh) Pty Ltd)

ABN 24 125 986 549

FINANCIAL REPORT

31 December 2016

Foxleigh Coal Pty Ltd

ABN 24 125 986 549

This financial statements are the financial statements of Foxleigh Coal Pty Ltd as a consolidated entity consisting of Foxleigh Coal Pty Ltd and the entities it controlled during the year. The financial statements are presented in the Australian currency.

Foxleigh Coal Pty Ltd is a proprietary company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 12, HSBC Building
300 Queen Street Street
Brisbane QLD 4000

A description of the nature of the group's operations and its principal activities is included in the directors' report on page 2.

The financial statements were authorised for issue by the directors on 9 June 2017. The directors have the power to amend and reissue the financial statements.

Directors' report

Your directors present their report on the consolidated entity (referred hereafter as "the Group") consisting of Foxleigh Coal Pty Ltd (formerly Anglo Coal (Foxleigh) Pty Ltd and the entities it controlled at the end of, or during, the year ended 31 December 2016.

The company changes its name from Anglo Coal (Foxleigh) Pty Ltd to Foxleigh Coal Pty Ltd with effect from 29 August 2016.

Information on directors
Directors

The following persons were directors of Foxleigh Coal Pty Ltd during the whole or part of the financial year and up to the date of this report:

Directors
Theo Renard (appointed 29 August 2016)
Glen Lewis (appointed 6 March 2017)
Adriaan Esterhuizen (resigned 29 August 2016)
Brent Waldron (resigned 19 May 2016)
Elizabeth Hansen (appointed 10 June 2016 and resigned 29 August 2016)
Mark Heaton (resigned 29 August 2016)
Peter Briggs (appointed 29 August 2016 and resigned 6 March 2017)

Principal activities

The principal activity of Foxleigh Coal Pty Ltd during the year was a 70% participant in the Foxleigh Joint Venture and a 70% shareholding in Foxleigh Sales & Marketing Pty Ltd and Foxleigh Land Pty Ltd.

Dividends

No dividends have been paid during the financial year (2015: $nil). The directors do not recommend that a dividend be paid in respect of the financial year.

Review of operations

The profit of the company for the financial year ended 31 December 2016 was $647,616,000 (2015: Loss of $257,114,000). The profit was however largely attributable to the forgiveness of intra-group debt by Anglo American Metallurgical Coal Assets Pty Ltd of $604,066,000 as per note 5 (b).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company.

It is however noted that Middlemount South Pty Ltd ("Middlemount"), a 99.9% subsidiary of Realm Resources Limited, completed the Foxleigh Transaction ("Transaction") with Anglo American Metallurgical Coal Assets Pty Ltd ("Anglo") on 29 August 2016. As a result, Foxleigh Coal Pty Limited became a wholly owned subsidiary of Middlemount and indirectly also acquired Anglo's 67% in CAML which holds a 60% in the Foxleigh Joint Venture resulting in the Realm Group's total direct and indirect interest of 70%. The impact of the results from operations has been disclosed in note 5.

Significant changes in the state of affairs (continued)

Foxleigh remains owned and operated as a Joint Venture with POSCO Australia Pty Ltd ("POSCO") and Nippon Steel & Sumitomo Metal Pty Ltd ("Nippon") owning 20% and 10% respectively. POSCO and Nippon are longstanding customers of Foxleigh. CAML's direct interest of 60% in the Joint Operation remains the same after the completion of the transaction which is in effect Foxleigh Coal's indirect interest of 40% in the Joint Venture operation.

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

Matters subsequent to the end of the financial year

Subsequent to the reporting date a voluntary restructuring program commenced. At the date of this report, over $11,000,000 has been paid in termination payments. In addition to the above, the Queensland government approved the Mine Plan and as a result, financial guarantees required to rehabilitate and restore the Mine were decreased by $10,000,000.

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

(i) The Group's operations in future financial years, or
(ii) The results of those operations in future financial years, or
(iii) The Group's state of affairs in future financial years.

Future developments

Disclosure of information on likely developments in the operations of the company and the expected results of operations have not been included in this Annual report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Insurance of officers

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

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

Indemnity of auditors

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

Environmental regulation
The company, through its Safety Health and Environment Policy, is committed to ensuring that care for the environment is integral to the daily management of our business. A systematic approach is applied to environmental management in accordance with recognised standards and industry codes.

The company is subject to environmental regulation at both Federal and State levels.

Federal Government
Approval is required for developments that could impact on matters of national environmental significance.

State Government
The company has operations in the state of Queensland, which has comprehensive planning and environmental protection legislation. Prior authorisation is obtained for activities that may result in environmental harm.

During the financial year the company complied with the requirements of environmental regulations and no reportable compliance issues arose from operations of the Foxleigh Joint Venture.

The company has internal reporting processes in place that require operational management to report environmental incidents that occur and what action has been taken to resolve such incidents, regardless of whether they infringe any regulations.

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Glen Lewis
Director

Sydney
9 June 2017

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Foxleigh Coal Pty Ltd (formerly Anglo Coal (Foxleigh) Pty Ltd) for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 9 June 2017

Foxleigh Coal Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Notes	2016 ($'000)	2015 ($'000)
Revenue from continuing operations			
Sale of goods		**238,031**	202,853
Other income	5(b)	**605,552**	5,186
Expenses			
Cost of sales		**(131,265)**	(205,765)
Other operating expenses			
Distribution		**(36,913)**	(41,180)
Selling expenses		**(2,200)**	(1,702)
Administration costs		**(1,324)**	(1,207)
Impairment expenses		**-**	(191,036)
Finance charges		**(20,367)**	(18,653)
Share of profit from associates		**2**	14
Profit/(loss) before income tax		**651,516**	(251,490)
Income tax expense	6	**(3,900)**	(5,624)
Net profit/(loss) for the year		**647,616**	(257,114)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**647,616**	(257,114)

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

Foxleigh Coal Pty Ltd
Statement of changes in equity
For the year ended 31 December 2016

	Notes	Retained earnings/ (accumulated losses) ($'000)	Total Equity ($'000)
Balance as at 1 January 2015		(355,446)	(355,446)
Loss for the year		(257,114)	(257,114)
Other comprehensive income		-	-
Total comprehensive loss for the year		(257,114)	(257,114)
Tax consolidation adjustment		53,004	53,004
Transactions with owners in their capacity as owners: Shares issued during the year, net of transactions costs		-	-
Balance as at 31 December 2015		(559,556)	(559,556)
Profit for the year		647,616	651,516
Other comprehensive income		-	-
Total comprehensive income for the year		647,616	651,516
Tax consolidation adjustment	2(h)	(39,247)	(39,247)
Transactions with owners in their capacity as owners: Shares issued during the year, net of transaction costs		-	-
Balance as at 31 December 2016	16	**48,813**	**52,713**

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

Foxleigh Coal Pty Ltd
Statement of financial position
As at 31 December 2016

	Notes	2016 ($'000)	2015 ($'000)
ASSETS			
Current assets			
Cash and cash equivalents	7	**64,412**	26,602
Trade and other receivables	8	**15,198**	11,635
Inventories	9	**25,471**	21,760
Current tax receivables		**-**	3,823
Prepayments		**3,184**	931
Total current assets		**108,265**	64,751
Non-current assets			
Receivables	8	**11,966**	40,559
Available for sale financial assets	10	**29**	29
Property, plant and equipment	11	**1,371**	-
Total non-current assets		**13,366**	40,588
TOTAL ASSETS		**121,631**	105,339
LIABILITIES			
Current liabilities			
Trade and other payables	12	**24,764**	26,495
Current tax liabilities	6	**3,900**	-
Borrowings	13	**-**	592,942
Provisions	14	**16,116**	12,709
Total current liabilities		**44,780**	632,146
Non-Current liabilities			
Provisions	14	**28,038**	32,749
Total non-current liabilities		**28,038**	32,749
TOTAL LIABILITIES		**72,818**	664,895
NET ASSETS/(LIABILITIES)		**48,813**	(559,556)
EQUITY			
Capital and reserves			
Contributed equity		**-**	-
Retained earnings (accumulated losses)	16	**48,813**	(559,556)
Attributable to owners of Foxleigh Coal Pty Ltd		**48,813**	(559,556)

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

Foxleigh Coal Pty Ltd
Statement of cash flows
For the year ended 31 December 2016

	Notes	2016 ($'000)	2015 ($'000)
Cash flows from operating activities			
Receipts from customers		**235,534**	228,932
Payments to suppliers and employees		**(179,390)**	(241,314)
Interest received		**108**	-
Finance charges		**(7,271)**	(451)
Income tax receipts		**3,823**	15,481
Net cash flows from operating activities	17	**52,804**	2,648
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(1,370)**	(6,494)
Loans made to related party	8	**(11,965)**	-
Net cash flows used in investing activities		**(13,335)**	(6,494)
Cash flows from financing activities			
Repayment of borrowings		**(1,972)**	(4,181)
Net cash flows from financing activities		**(1,972)**	(4,181)
Net (decrease)/increase in cash and cash equivalents held		**37,497**	(8,027)
Effects of exchange rate changes on cash and cash equivalents		**313**	171
Cash and cash equivalents at the beginning of year		**26,602**	34,458
Cash and cash equivalents at end of year	7	**64,412**	26,602

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

1. Corporate information

The financial report of Foxleigh Coal Pty Ltd ("Foxleigh" or "the Company") for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 8 June 2017. The directors have the power to amend and reissue the financial report.

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

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Foxleigh Coal Pty Ltd and its subsidiaries.

(a) Basis of preparation

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

The financial report is presented in Australian dollars.

(i) Compliance with IFRS

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

(ii) Historical Cost Convention

The financial statements have also been prepared under the historical cost basis.

(iii) New and amended standards adopted by the Group

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

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New accounting standards and interpretations

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

AASB 9 Financial Instruments

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

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

AASB 15 Revenue from Contracts with Customers

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

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New accounting standards and interpretations (continued)

AASB 16 Leases

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

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

(b) Principles of consolidation

(i) Subsidiaries

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

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

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed. The financial statements of all subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting policies.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Joint arrangements

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

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

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

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

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

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

Changes in ownership interests
When the entity ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Foxleigh Coal Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dales of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rales of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are repor1ed as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

(d) Revenue recognition

(i) Sales of products

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

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method.

(iii) Management fee income

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

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure is written off in the year in which it is incurred. When a decision is taken that a mining property has become viable for commercial production, all further pre-production expenditure is capitalised.

(f) Maintenance and repairs

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

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

(g) Royalties

Royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystalizes.

2. Summary of significant accounting policies (continued)

(h) Income tax

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

Tax Consolidation Legislation
The tax consolidation legislation allows a group of corporate entities comprising a parent entity and its Australian wholly owned entities to elect to form a tax consolidated group and be treated as a single entity for Income tax purposes.

Entities in the wholly owned group of which the group is a subsidiary had historically elected to form a tax consolidated group from 1 July 2002 and notified the Australian Taxation Office ('ATO') of this election on 27 February 2004. Accordingly, Interpretation 1052 Tax Consolidation Accounting has historically been applied in preparing these financial statements.

The head company of the tax consolidated group was Anglo American Australia Limited. Wholly owned entities in the tax consolidated group were not separate taxable entities during the previous reporting periods and up to 31 August 2016.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group were recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax cost or adjustable values of the assets of the entity, which are deemed to be held by the head company for tax consolidation purposes. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process were then accounted for as immediately assumed by the head company, on the basis the head company had the legal obligation (or right) to these amounts under Australian taxation law.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group had entered into a Tax Sharing Deed ('TSD') with the head entity, which incorporated a tax funding arrangement and a tax sharing agreement. The TSD gave effect to the following:

- the group's tax liability was allocated on the basis of notional taxable income to all members whose notional taxable income was more than zero, being the contribution amounts;
- any deferred tax balances (including deferred tax assets arising from unused tax losses and relevant tax credits) arising each year that were assumed/received by the head entity were receivable/payable between each contributing member and the head entity; and
- intercompany tax related payables were only paid by the contributing member when the head entity had paid the liability to the ATO, and any tax losses incurred were paid for by the transferee company and received by each loss company under the TSD.

Due to the existence of the TSO between the entities in the tax-consolidated group, amounts were recognised as payable to or receivable by the head entity and each member of the group in relation to the tax contribution amounts paid or payable between the head entity and the other members of the tax-consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period was different to the aggregate of the current tax liability or asset, deferred tax assets (including those arising from unused tax losses and tax credits) and deferred tax liabilities in respect of that period, the difference was recognised as a contribution from (or distribution to) equity participants through retained earnings. Foxleigh Coal Pty Ltd ceased to be a part of the tax consolidated group of Anglo American Australia Limited and any remaining differences at the time of the Transaction were recognised as a contribution from (or distribution to) equity participants through retained earnings consistent with what was done in the prior year.

2. Summary of significant accounting policies (continued)

(i) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term note 22 The respective leased assets are included in the balance sheet based on their nature.

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

(j) Impairment of assets

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

(k) Cash and cash equivalents

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

(l) Trade receivables

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

The ability to collect amounts owed by trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the Statement of profit or Loss.

2. Summary of significant accounting policies (continued)

(m) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the amount estimated to be obtained from the sale or use of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale or use.

(i) Coal stockpiles

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

(ii) Spare parts and consumables

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Cost represents the purchase price and other costs incurred in the normal course of operations in bringing the inventories to their present location and condition.

Obsolete or damaged inventories of such items are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

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

(n) Property, plant and equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Property plant and equipment includes the Group's share of Foxleigh Joint Venture and any fair value adjustments that arose on acquisition of the Group's interest in its joint operations and any assets held directly by the Group.

Certain parcels of freehold land have been acquired for the purpose of the extraction of mineral reserves. Such parcels of freehold land are depreciated in a manner that reflects the benefits to be derived from it, otherwise freehold land is not depreciated.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on either a straight-line basis or a Units-of-production basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value.

The units of production basis results in an amortization charge proportional to the depletion of the recoverable mineral resources. Each items economic life as due regard to both its own physical life limitations and to present assessments of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments, where applicable. The estimated lives normally vary from up to the shorter of Life of Mine (LoM) and twenty years for items of plant and equipment to the shorter of mine life and forty years for buildings.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See Note 3(iv) for further details in relation to the directors' assumptions in this regard

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of profit or loss.

2. Summary of significant accounting policies (continued)

(o) Rehabilitation and restoration

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

The periodic unwinding of the discount is recognised in profit or losses a finance cost. Additional, disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding assets and rehabilitation liability when they occur. Discount rates of 11,96% have been used for the period under review.

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

(p) Deferred stripping costs

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

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

(q) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following categories:
Financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

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

2. Summary of significant accounting policies (continued)

(q) Investments and other financial assets (continued)

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(q) Investments and other financial assets (continued)

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

(v) Impairment

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

Assets carried at amortised cost

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

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

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

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

(r) Trade and other payables

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

2. Summary of significant accounting policies (continued)

(s) Borrowings

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

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

(t) Borrowing costs

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

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

(u) Financial guarantee contracts

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

(v) Provisions

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

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

2. Summary of significant accounting policies (continued)

(w) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of profit or loss.

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

(iii) Industry long service leave fund

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

(iv) Termination benefits

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

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2. Summary of significant accounting policies (continued)

(y) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(z) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement.

The fair value of financial instruments traded in active markets (such as publicly traded derivative, and available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term in nature.

(aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority Is included with other receivables or payables in the Statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which is recoverable from, or payable to the taxation authority, is presented as operating cash flows.

(bb) Rounding of amounts

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

3. Critical estimates and judgements

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

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

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

(i) Reserves and resources

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

- The carrying value of exploration and evaluation assets may be affected due to changes in estimated future cashflows:

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

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

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

The Group estimates its reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating LoM. The last year of mining operations has been estimated as 2029 with the last year of mine life being estimated at 2032.

3. Critical estimates and judgements (continued)

(i) Reserves and resources(continued)

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

(ii) Rehabilitation and restoration

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

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

(iii) Fair value measurement

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

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

(iv) Carrying value of property, plant and equipment

The company impaired its property, plant, and equipment in the 2015 financial year resulting in an impairment expense of $191,036,000 in the prior period. There is significant judgement required in determining whether assets are impaired, and the extent of those impairments. Management and the Board confirm they have considered the carrying value of Property, Plant and Equipment of $1,371,000 and consider the value to be appropriate under the circumstances. To this extent they have exercised their judgment in determining that the previous impairments of $191,036,000 in the 2015 financial year remain relevant in the current year and it is not considered appropriate to reverse any past impairments until there is more certainty around the sustainability of the future coal prices and the US dollar exchange rates.

3. Critical estimates and judgements (continued)

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

Judgement is also required to determine whether Foxleigh Coal Pty Ltd has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval the capital expenditure program for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

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

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

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

The Company has a joint arrangement which is structured through a separate vehicle, Foxleigh Coal Management Pty Ltd. This structure and the terms of the contractual arrangement indicate that the company has rights to the assets and obligations for the liabilities. It has been concluded that the arrangement is a Joint Operation.

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

(vii) Related party debt forgiveness
As part of the Foxleigh Sale and Purchase Agreement Anglo American Metallurgical Coal Assets Pty Ltd (as the Vendor) must procure that all Intra-Group Debt is discharged in full such that there will be no vendor related Intra-Group Debt owing. As stated in Note 13, the intra-group loan funding amounted to $592,942,000 as at 31 December 2015 and $604,066,000 prior to the Foxleigh transaction. The directors have exercised their judgement in accounting for the transaction as a debt forgiveness in other income.

4. Financial risk management

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

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

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

	2016 ($'000)	2015 ($'000)
Financial assets		
Cash and cash equivalents	**64,412**	26,602
Trade and other receivables	**27,164**	11,635
Total	**91,576**	38,237
Financial liabilities		
Borrowings	**-**	592,942
Trade and other payables	**24,762**	26,495
Total	**24,762**	619,437

(a) Market risk
(i) Interest rate risk

The Group's interest rate risk relates primarily to the Group's cash (Note 7), short term deposits, and borrowings. At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Interest Rate Risk	
	Impact on Post Tax Profit/Equity	
	+1%	**-0.5%**
	(100 basis points)	**(50 basis points)**
31-Dec-16	**1,349**	**(675)**
31-Dec-15	383	(191)

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

4. Financial risk management (continued)

(i) Foreign currency risk

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

	2016 US$	2015 US$
Cash and cash equivalents	**49,680**	18,855
Trade and other receivables	**6,630**	5,474

As shown above, the Group is primarily exposed to US/$ exchange rates. The sensitivity of profit or loss changes arises mainly from US dollar receivables and US cash at bank accounts held by the Group at reporting date.

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

	+10% USD	-10% USD
31-Dec-16	**(5,119)**	**6,257**
31-Dec-15	(2,212)	-

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

(iv) Commodity risk

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

(b) Credit risk

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

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

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

4. Financial risk management (continued)

(c) Liquidity risk

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

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

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

At 31 December 2016

	0 to 3 months **($'000)**	3 to 12 months **($'000)**	More than 12 months **($'000)**	Total **($'000)**
Trade and other payables	**24,762**	**-**	**-**	**24,762**
Borrowings	**-**	**-**	**-**	**-**
Total Financial Liabilities	**24,762**	**-**	**-**	**24,762**

At 31 December 2015

	0 to 3 months **($'000)**	3 to 12 months **($'000)**	More than 12 months **($'000)**	Total **($'000)**
Trade and other payables	26,495	-	-	26,495
Borrowings	-	592,942	-	592,942
Total Financial Liabilities	26,495	592,942	-	619,437

5. Revenue and expenditure from continuing operations

Middlemount South Pty Ltd ("Middlemount"), a 99.9% subsidiary of Realm Resources Limited, completed the Foxleigh Transaction ("Transaction") with Anglo American Metallurgical Coal Assets Pty Ltd ("Anglo") on 29 August 2016. As a result, Foxleigh Coal Pty Limited became a wholly owned subsidiary of Middlemount and indirectly also acquired Anglo's 67% in CAML which holds a 60% in the Foxleigh Joint Venture resulting in the Realm Group's total direct and indirect interest of 70%. There was no change in the shareholding of CAML Resources Pty Ltd.

These financial statements have been prepared as Foxleigh has traded retrospectively to have comparable results and to comply with the *Corporations Act*.

5. Revenue and expenditure from continuing operations(continued)

(a) Revenue from continuing operations	2016 ($'000)	2015 ($'000)
Sale of goods	**237,826**	201,517
Interest revenue	**104**	1,222
Rental income	**101**	114
	205	1,336
	238,031	202,853
(b) Other income		
Foreign exchange gains	**1,369**	5,114
Related party debt forgiveness	**604,066**	-
Other income	**117**	72
	605,552	5,186
(c) Amount included in cost of sales		
Amortisation and Depreciation	**-**	15,803
Stock movement	**(5,181)**	7,458
Contractor costs	**25,410**	37,792
Materials	**40,407**	58,300
Wages	**39,687**	41,482
Equipment hire	**11,697**	19,852
Royalties	**18,254**	14,001
Rehabilitation	**2,347**	5,356
(d) Amount included in other Distribution costs		
Rail costs	**24,514**	24,348
Port costs	**11,404**	12,434
(e) Other		
Impairment	**-**	191,036

Note (e) - During 2015, the company recognised impairments of $191,036,000 to property, plant and equipment. The charge relates to impairment of property, plant and equipment at the Foxleigh operations principally driven by the decline in high quality pulverised coal injection coal prices.

	2016 $'000	2015 $'000
6. Income tax		
(a) Income tax expense		
Current income tax	**3,900**	-
Deferred taxes	**-**	6,782
Recoupment of prior year tax losses	**-**	-
Adjustments for current tax of prior periods	**-**	(1,158)
	3,900	**5,624**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit/(loss) from continuing operations	**651,516**	(251,490)
At the company income tax rate of 30% (2015: 30%)	**195,454**	(75,447)
Tax effect of amounts which are not-deductible/taxable (deductible/non -assessable) in calculating taxable income:		
- Legal expenses	**600**	-
- Debt forgiveness	**(181,219)**	-
- Depreciation	**(2,628)**	-
Sub-total	**12,207**	-
Unused tax losses and tax offsets not recognised as Deferred Tax Assets	**(8,307)**	53,004
Unrecognised temporary differences	**-**	24,191
Adjustment of current tax in prior periods	**-**	(1,158)
Adjustments for deferred tax of prior periods	**-**	5,034
	3,900	5,624

The Group has not recognised a net deferred tax asset on the statement of financial position estimated at $12,860,913 in respect of temporary differences relating to various provisions and prepayments.

	2016 $'000	2015 $'000
7. Cash and cash equivalents		
Cash at bank and in hand	**64,412**	**26,602**

	2016 $'000	2015 $'000

8. Trade and other receivables

Current		
Trade receivables	**6,860**	5,611
Allowance for impairment loss	**-**	-
Carrying amount of trade and other receivables	**6,860**	5,611
Other receivables	**8,338**	6,024
	15,198	11,635
Non-current		
Receivables from related party(i)	**11,966**	39,249
Other	**-**	1,310
	11,966	40,559

(i)The 2015 balance of $39,249,000 was in relation to tax related amounts receivable from a related party. Note subsequent to the Foxleigh transaction with Middlemount South, the company is no longer part of the tax consolidated regime hence this receivable has been reversed against the tax consolidation reserve amounts previously recognised in statement of changes in equity.

	2016 $'000	2015 $'000

9. Inventories

Stores (at cost)	**10,202**	**11,080**
Allowance for impairment	**(1,899)**	**(1,290)**
	8,303	**9,790**
Coal in production and finished goods	**17,168**	**11,970**
Total inventories	**25,471**	**21,760**

10. Available-for-sale financial assets

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

	2016 $'000	2015 $'000
Unlisted equity securities (a)	**29**	29

(a) Unlisted securities
Unlisted securities represent shares in Dalrymple Bay Coal Terminal Pty Ltd. The company owns 0.066% (2015: 0.066%) of the issued capital of Dalrymple Bay Coal terminal Pty Ltd.

11. Property, plant and equipment

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

	Land and Buildings ($'000)	Plant and equipment ($'000)	Capital works ($,000)	Coal Reserves & Mining rights ($,000)	Mine Development ($,000)	Total ($'000)
Year ended 31 December 2016						
At 1 January 2016 net of accumulated depreciation	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Acquisition – Foxleigh capital works	-	-	1,371	-	-	1,371
Disposals						
Depreciation charge for the year	-	-	-	-	-	-
At 31 December 2016 net of accumulated depreciation- Net carrying amount	**-**	**-**	**1,371**	**-**	**-**	**1,371**
At 31 December 2016						
Cost at fair value	-	-	1,371	-	-	1,371
Accumulated depreciation and impairment	-	-	-	-	-	-
	-	**-**	**1,371**	**-**	**-**	**1,371**

11.Property, plant and equipment (continued)

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

	Land and Buildings ($'000)	Plant and equipment ($'000)	Capital works ($,000)	Coal Reserves & Mining rights ($,000)	Mine Development ($,000)	Total ($'000)
Year ended 31 December 2015						
At 1 January 2015 net of accumulated depreciation	28,647	44,608	11,849	101,943	15,581	202,628
Impairment	(26,276)	(43,382)	(9,689)	(98,074)	(13,615)	(191,036)
Additions		-	5,374	-	-	5,374
Depreciation charge for the year	(2,455)	(7,513)	-	(3,869)	(1,966)	(15,803)
Transfers	84	7,450	(7,534)	-	-	-
Disposals	-	(52)	-	-	-	(52)
Other	-	(1,111)	-	-	-	(1,111)
At 31 December 2015 net of accumulated depreciation- Net carrying amount	-	-	-	-	-	-
At 31 December 2015						
Cost at fair value	35,127	132,532	-	747,853	28,526	944,038
Accumulated depreciation and impairment	(35,127)	(132,532)	-	(747,853)	(28,526)	(944,038)
	-	-	-	-	-	-

12. Trade and other payables

Current	2016 $'000	2015 $'000
Trade payables	**11,556**	21,778
Other payables	**13,208**	4,717
Carrying amount of trade and other payables	**24,764**	26,495

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

13. Borrowings

Current		
Owing to related party	**-**	592,942

Represents an unsecured, interest bearing loan from Anglo American Metallurgical Coal Finance Ltd. As part of the Foxleigh Sale and Purchase Agreement, all intra-group loans were required to be discharged fully before the Foxleigh transaction. This debt was forgiven before the acquisition date of 29 August 2016. Total amounts forgiven were $604,066,000 which included capitalised interest of $13,096,000. Refer to note 3(vii) for significant judgement exercised in accounting for this transaction as debt forgiveness.

14. Provisions

	Employee entitlements	Environmental Rehabilitation	Total
	($'000)	**($'000)**	**($'000)**
At 1 January 2016	11,964	33,494	45,458
Arising/(utilised) during the year	(2,804)	1,500	(1,304)
At 31 December 2016	**9,160**	**34,994**	**44,154**
2016			
Current	8,625	7,491	16,116
Non-current	535	27,503	28,038
	9,160	**34,994**	**44,154**
2015			
Current	10,592	2,117	12,709
Non-current	1,372	31,377	32,749
	11,964	33,494	44,458

The provision for environmental rehabilitation is based on actual disturbances at 31 December 2016. The estimated costs to rehabilitate the disturbances as at that date were calculated in accordance with the Department of Environmental and Heritage Protection ("DEHP") Guidelines: *Financial assurance under the environmental protection Act 1994*. The timing of the expected rehabilitations was then estimated by the environmental management team, and the actual expected costs increased by an inflationary adjustment of 2.5% to quantify the expected future rehabilitation costs per year. These amounts were then discounted back at a rate of 11.96%.

15. Capital management

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

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

16. Retained earnings

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

	2016 ($'000)	2015 ($'000)
Balance 1 January	**(559,556)**	(355,446)
Net profit(loss) attributable to owners of Foxleigh Coal Pty Ltd	**647,616**	(257,114)
Tax consolidation adjustment	**(39,247)**	53,004
	48,813	(559,556)

17. Statement of cash flow reconciliation

Reconciliation of net profit after tax to net cash flows from operations		
Net profit/(loss)	**647,616**	(257,114)
Adjustments for:		
Impairment of non-current assets	**-**	191,036
Depreciation and amortisation	**-**	15,803
Debt forgiveness	**(604,066)**	-
Capitalised interest	**13,096**	-
Allowance for stock impairments	**610**	-
Non-cash rehabilitation costs	**1,500**	1,111
Net gain on sale of non-current assets	**-**	52
Net exchange difference	**(313)**	(171)
Interest capitalised to loan	**-**	16,114
Changes in assets and liabilities		
(increase)/decrease in inventories	**(4,320)**	4,867
(increase)/decrease in trade and other receivables	**(4,505)**	3,778
(Increase)/decrease in tax related balances with related party	**-**	13,309
(increase)/decrease in current tax assets	**3,823**	2,760
(increase)/decrease in deferred tax assets	**-**	5,034
Increase/(decrease) in income tax payable	**3,900**	-
(decrease)/increase in trade and other payables	**(1,732)**	1,581
(decrease)/increase in employee provisions	**(2,805)**	4,488
Net cash generated from operating activities	**52,804**	2,648

18. Related party transactions

(a) Ultimate parent

Realm Resources Limited is the ultimate parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

(c) Key management personnel ("KMP")

All the directors and senior executive personnel of the Parent entity Middlemount South are the key management personnel of Foxleigh Coal Pty Ltd. These personnel are remunerated by parent entity and the ultimate holding company accordingly.

19. Significant Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b)(i) and (ii):

Name of entity	Equity interest		Investment Equity Holding	
	Country of incorporation	Class of shares	2016 %	2015 %
CAML Pty Limited (Subsidiary of Fox Coal Pty Limited)	Australia	Ordinary	**66.67**	66.67
Foxleigh Management Services Pty Ltd	Australia	Ordinary	**100**	100
Foxleigh Services Pty Ltd	Australia	Ordinary	**100**	100

The proportion of ownership interest is equal to the proportion of voting power held for each of the subsidiaries listed above except in the case of Foxleigh Management Services Pty Ltd and Foxleigh Services Pty Ltd. Refer to note 2(b)(ii) for the accounting policy for the basis of accounting for jointly controlled operation.

Interest in Foxleigh jointly controlled operation

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

20. Parent entity disclosures

	2016 ($'000)	2015 ($'000)
Current assets	**27,196**	17,962
Current liabilities	**17,406**	16,631
Total assets	**40,049**	18,535
Total liabilities	**29,422**	218,091
Net assets/(liability)	**10,627**	(199,556)
Contributed Equity	**-**	-
Retained profits/ (accumulated losses)	**10,627**	(199,556)
	10,627	(199,556)
Profit/(loss) for the year	**612,658**	(124,649)
Other comprehensive income/(loss)	**-**	-
Total comprehensive income/(loss)	**612,658**	(124,649)
Parent Contingent Liabilities	**-**	-
Parent Contractual Commitments for Acquisition of Property, Plant and Equipment	**-**	-

Refer also note 22 for details of guarantees made.

21. Auditor's remuneration

The auditor of Foxleigh Coal Pty Ltd is RSM Australia Partners. Audit and assurance related fees are paid by the ultimate holding company.

22. Commitments and contingencies

(a) Mining leases

	2016 ($'000)	2015 ($'000)
Less than one year	**371**	371
Later than one year but no later than 5 years	**1,576**	1,576
Later than 5 years	**6,801**	7,172
	8,748	9,119

In addition to above the group leases various offices, CHPP Telehandler and photocopiers under non-cancellable operating leases expiring in 3 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. At the reporting date commitments relating to these were $175,000, of which $55,000 is for less than a year.

22. Commitments and contingencies (continued)

(b) Capital expenditure commitments

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

(c) Contingent liabilities

Guarantees

Bank guarantees are held by the group is totaling US98,500,000 as a requirement of mining leases held with the Queensland Government. The financial assurance requirement relates to rehabilitation obligations in respect of land disturbed. These are not considered as contingent liabilities as the obligation to incur rehabilitation costs have been fully provided for in note 14.

23. Events after the balance sheet date

Subsequent to the reporting date a voluntary restructuring program commenced. At the date of this report, over $11,000,000 has been paid in termination payments.

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

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

(d) The Group's operations in future financial years, or
(e) The results of those operations in future financial years, or
(f) The Group's state of affairs in future financial years.

Foxleigh Coal Pty Ltd
Directors' declaration
For the year ended 31 December 2016

Directors' Declaration

1. In the opinion of the directors:

   (a) The financial statements and notes and on pages 26 to 40 are in accordance with the *Corporations Act 2001*, including:

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

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

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

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

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

Glen Lewis
Director

Sydney
9 June 2017

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of Foxleigh Coal Pty Ltd (formerly Anglo Coal (Foxleigh) Pty Ltd)

Opinion

We have audited the financial report of Foxleigh Coal Pty Ltd (the Company) (formerly Anglo Coal (Foxleigh) Pty Ltd) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

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

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

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

RSM

RSM Australia Partners

GNS

G N Sherwood
Partner

Sydney, 9 June 2017

Schedule 5 Audited Special Purpose Foxleigh Accounts FY2015 for FCL

Anglo Coal (Foxleigh) Pty Ltd

ABN 24 125 986 549

Special purpose financial report for the year ended 31 December 2015

Anglo Coal (Foxleigh) Pty Ltd ABN 24 125 986 549
Special purpose financial report - 31 December 2015

Contents

This financial report covers the financial statements of Anglo Coal (Foxleigh) Pty Ltd as a consolidated entity consisting of Anglo Coal (Foxleigh) Pty Ltd ('the parent') and the entities it controlled during the year. The financial statements are presented in the Australian dollars.

Anglo Coal (Foxleigh) Pty Ltd is a proprietary company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ground Floor
201 Charlotte street
Brisbane Queensland 4000

A description of the nature of the group's operations and its principal activities is included in note 25.

The financial statements were authorised for issue by the directors on 30 March 2016. The directors have the power to amend and reissue the financial statements.

Anglo Coal (Foxleigh) Pty Ltd
Consolidated income statement
For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Revenue from continuing operations			
Sale of goods	2	**201,517**	211,540
Other revenue from continuing activities	2	**1,336**	543
		202,853	212,083
Other income	3	**5,186**	13,327
Expenses			
Cost of goods sold		**(205,765)**	(198,591)
Other expenses from continuing operations			
Distribution		**(41,180)**	(39,843)
Marketing		**(1,702)**	(1,003)
Administration		**(1,207)**	(1,136)
Impairment of non-current assets	4	**(191,036)**	(102,606)
Finance costs	4	**(18,653)**	(19,170)
Share of profit from associates		**14**	10
Loss before income tax		**(251,490)**	(136,929)
Income tax (expense) / benefit	5	**(5,624)**	38,450
Loss for the year		**(257,114)**	(98,479)
Loss is attributable to:			
Owners of Anglo Coal (Foxleigh) Pty Ltd		**(257,114)**	(98,479)

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

Anglo Coal (Foxleigh) Pty Ltd
Consolidated statement of comprehensive income
For the year ended 31 December 2015

	2015 $'000	2014 $'000
Loss for the year	**(257,114)**	(98,479)
Other comprehensive Income		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss for the year	**(257,114)**	(98,479)
Total comprehensive loss for the year is attributable to:		
Owners of Anglo Coal (Foxleigh) Pty Ltd	**(257,114)**	(98,479)

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

Anglo Coal (Foxleigh) Pty Ltd
Consolidated balance sheet
As at 31 December 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**26,602**	34,458
Trade and other receivables	7	**11,635**	15,136
Inventories	8	**21,760**	26,627
Current tax receivables	9	**3,823**	6,583
Other current assets	10	**931**	842
Total current assets		**64,751**	83,646
Non-current assets			
Other receivables	11	**1,310**	1,676
Property, plant and equipment	12	**-**	202,628
Investments accounted for using the equity method		**29**	29
Deferred tax assets	13	**-**	5,034
Other non-current assets	14	**39,249**	-
Total non-current assets		**40,588**	209,367
Total assets		**105,339**	293,013
LIABILITIES			
Current liabilities			
Trade and other payables	15	**26,495**	24,984
Provisions	16	**12,709**	12,229
Total current liabilities		**39,204**	37,213
Non-current liabilities			
Borrowings	17	**592,942**	581,009
Trade and other payables		**-**	1,050
Provisions	18	**32,749**	28,741
Other non-current liabilities	19	**-**	446
Total non-current liabilities		**625,691**	611,246
Total liabilities		**664,895**	648,459
Net liabilities		**(559,556)**	(355,446)
EQUITY / (DEFICIT)			
Accumulated losses	20(a)	**(559,556)**	(355,446)
Total deficit		**(559,556)**	(355,446)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Anglo Coal (Foxleigh) Pty Ltd
Consolidated statement of changes in equity
For the year ended 31 December 2015

	Notes	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2014		(256,967)	(256,967)
Loss for the year		(98,479)	(98,479)
Total comprehensive income for the year		(98,479)	(98,479)
Balance at 31 December 2014		(355,446)	(355,446)
Balance at 1 January 2015		(355,446)	(355,446)
Loss for the year		(257,114)	(257,114)
Tax consolidation adjustment	20	53,004	53,004
Balance at 31 December 2015		(559,556)	(559,556)

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

Anglo Coal (Foxleigh) Pty Ltd
Consolidated statement of cash flows
For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		228,932	246,331
Payments to suppliers, government and employees (inclusive of goods and services tax)		(241,314)	(246,951)
Finance costs		(451)	(1,027)
Income taxes received		15,481	2,432
Insurance proceeds		-	10,131
Net cash inflow / from operating activities	23	2,648	10,916
Cash flows from investing activities			
Payments for property, plant and equipment		(6,494)	(9,995)
Net cash outflow from investing activities		(6,494)	(9,995)
Cash flows from financing activities			
Repayment of borrowings		(4,181)	(492)
Net cash inflow / (outflow) from financing activities		(4,181)	(492)
Net (decrease) / Increase in cash and cash equivalents		(8,027)	429
Cash and cash equivalents at the beginning of the financial year		34,458	34,085
Effects of exchange rate changes on cash and cash equivalents		171	(56)
Cash and cash equivalents at the end of the financial year	6	26,602	34,458

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

Contents of the notes to the Consolidated Financial Statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Anglo Coal (Foxleigh) Pty Ltd and its controlled entities ('the group').

(a) Basis of preparation

(i) Special purpose financial report

In 2015, Anglo American plc, the ultimate parent entity, announced that it plans to divest its interest in the Foxleigh operations. The directors have prepared this special purpose financial report (the 'Financial Statements') for the sole purpose of providing information as part of the divestment process of the company and must not be used for any other purpose.

In the directors' opinion, the group is a for-profit non-reporting entity because there are no users dependent on general purpose financial reports. As a wholly-owned controlled subsidiary of Anglo American Australia Limited, pursuant to ASIC Class Order 98/1418 the company has relief from the requirement to prepare and lodge an audited financial report under the *Corporations Act 2001* and as such is not required to prepare standalone financial statements.

The financial statements have been prepared in accordance with:

- the basis of accounting specified by all Australian Accounting Standards and Interpretations.
- the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality* and AASB 1048 *Interpretation of Standards*.

The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The ability of the group to continue as a going concern is dependent on the continued funding support of the group's parent entity. Funding is currently provided through a facility with Anglo American Metallurgical Coal Finance Limited (a wholly-owned subsidiary of Anglo American Australia Limited) under the terms of which the group can apply for funding as required. Given the historic practice of providing funding, the relationship between the lender and the group, the directors have no cause for concern that the funding will not continue. At the date of signing these financial statements the parent is in the process of divesting of its interest in the group. Once the divestment is completed, the group will be under the control of a new parent entity that will determine the group's future direction and funding requirements.

The pending divestment of the group and the resultant change in the group's parent entity gives rise to significant uncertainty as to whether the group will be able to continue as a going concern and therefore, whether the group will be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or to the amounts and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment and investment property.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Material estimates include:

- useful economic lives of assets and coal reserves;
- key assumptions used to determine the recoverable amount of assets, in particular
    - commodity prices and exchange rates;
    - capital and operating expenditure; and
    - available reserves and resources.
- restoration, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. Management uses its judgement and experience to provide for, discount and depreciate these costs over the timeframe the rehabilitation activities are expected to occur. Predominantly this timeframe is three years beyond the life of mine.
- the assessment of fair value is principally used in accounting for business combinations, impairment testing, and the valuation of certain financial assets and liabilities.
- on an ongoing basis the group is a party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognised where, based on the group's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of other contingent liabilities is made in note 21 unless the possibility of a loss arising is considered remote.

The use of inaccurate assumptions in calculations for any of these estimates could result in a significant impact on the financial results.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

(iv) New and amended standards adopted by the group

In the current year, the group adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and applicable to its operations, effective for annual reporting periods beginning 1 January 2015. These changes did not have a material impact on the financial statements.

(v) Early adoption of standards

The group did not early adopt any new accounting standards and interpretations.

(vi) New accounting standards and interpretations not yet effective

New accounting standards, amendments to accounting standards and interpretations that are not yet effective for the year ending 31 December 2015 have not been applied in preparing these financial statements. It is not expected that these will have a significant impact on the financial statements of the group.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'	1 January 2018	31 December 2018
AASB 15 ' Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019

The potential effect of these Standards/Interpretations on the group's financial statements has not yet been determined.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Anglo Coal (Foxleigh) Pty Ltd ('company' or 'parent entity') as at 31 December 2015 and the results of all subsidiaries for the year then ended. Anglo Coal (Foxleigh) Pty Ltd and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

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

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

(ii) Joint arrangements

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

Joint operations

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

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

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

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

(iii) Sales companies

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

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Anglo Coal (Foxleigh) Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

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

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

(iii) Group companies

All of the group entities have a functional currency of Australian dollars ('AUD').

(d) Revenue recognition

(i) Sales revenue

Sales revenue is recognised when the below criteria have been met and is received, on average, within 25 days of sale.

Amounts are recognised when there has been a passing of risk to a customer, and:

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the group;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the product has been dispatched to the customer and is no longer under the physical control of the group (or property in the product has earlier passed to the customer); and
- the selling price can be determined with reasonable accuracy.

(ii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Management fee income

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

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(v) Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(vi) Royalties

Royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises.

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure is written off in the year in which it is incurred. When a decision is taken that a mining property has become viable for commercial production, all further pre-production expenditure is capitalised (refer note 1(r)).

(f) Maintenance and repairs

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

The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(o). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or the taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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

Royalties and resource rent taxes are treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current payables and included in expenses.

Tax consolidation legislation

The tax consolidation legislation allows a group of corporate entities comprising a parent entity and its Australian wholly owned entities to elect to form a tax consolidated group and be treated as a single entity for income tax purposes.

Entities in the wholly owned group, of which the group is a subsidiary, elected to form a tax consolidated group from 1 July 2002 and notified the Australian Taxation Office ('ATO') of this election on 27 February 2004. Accordingly, Interpretation 1052 Tax Consolidation Accounting has been applied in preparing these financial statements.

The head company of the tax consolidated group is Anglo American Australia Limited. Wholly owned entities in the tax consolidated group were not separate taxable entities during the reporting period.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax cost or adjustable values of the assets of the entity, which are deemed to be held by the head company for tax consolidation purposes. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head company, on the basis the head company has the legal obligation (or right) to these amounts under Australian taxation law.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a Tax Sharing Deed ('TSD') with the head entity, which incorporates a tax funding arrangement and a tax sharing agreement. The TSD gives effect to the following:

- the group's tax liability is allocated on the basis of notional taxable income to all members whose notional taxable income is more than zero, being the contribution amounts;
- any deferred tax balances (including deferred tax assets arising from unused tax losses and relevant tax credits) arising each year that are assumed/received by the head entity are receivable / payable between each contributing member and the head entity; and
- intercompany tax related payables are only paid by the contributing member when the head entity has paid the liability to the ATO, and any tax losses incurred are paid for by the transferee company and received by each loss company under the TSD.

Due to the existence of the TSD between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the head entity and each member of the group in relation to the tax contribution amounts paid or payable between the head entity and the other members of the tax-consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset, deferred tax assets (including those arising from unused tax losses and tax credits) and deferred tax liabilities in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants through retained earnings.

1 Summary of significant accounting policies (continued)

(h) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

The group did not have any finance leases at the reporting date.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

The ability to collect amounts owed by trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the consolidated income statement.

1 Summary of significant accounting policies (continued)

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the amount estimated to be obtained from sale or use of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale or use.

Coal stockpiles

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

Spare parts and consumables

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

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

(m) Investments and other financial assets

Classification

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the nature and purpose of the investments and financial assets. Management determines the classification of its investments and financial assets at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 7) and other receivables (note 11) in the consolidated balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date which is the date on which the group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the consolidated income statement as gains or losses on disposal of available-for-sale asset.

Measurement

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

Available-for-sale financial assets are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale investments revaluation reserve. Dividend income on available-for-sale financial assets are recognised in the consolidated income statement when the group's right to receive the dividend is established.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the consolidated income statement within other income or expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of revenue from continuing operations when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated income statement.

1 Summary of significant accounting policies (continued)

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(o) Property, plant and equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Property, plant and equipment includes the group's share of the assets of Foxleigh Joint Venture and any fair value adjustments that arose on acquisition of the group's interest in its joint operations and any assets held directly by the group.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on either a straight-line basis or units-of-production basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value.

Certain parcels of freehold land have been acquired for the purpose of the extraction of mineral reserves. Such parcels of freehold land are depreciated in a manner that reflects the benefits to be derived from it, otherwise freehold land is not depreciated.

The units-of-production basis results in an amortisation charge proportional to the depletion of the recoverable mineral resources. Each item's economic life has due regard to both its own physical life limitations and to present assessments of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments, where applicable. Estimated lives normally vary from up to the shorter of mine life and twenty years for items of plant and equipment to the shorter of mine life and forty years for buildings.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

An item's carrying amount is written down immediately to its recoverable amount if the item's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

(p) Leasehold improvements

The cost of improvements on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. Leasehold improvements held at the reporting date are amortised over the period of the lease.

1 Summary of significant accounting policies (continued)

(q) Non-current assets constructed by the group

The costs of non-current assets constructed by the group includes the cost of all materials used in construction, direct labour on the project, borrowing costs during construction and an appropriate proportion of variable and fixed overhead.

(r) Mine development

Mine development represents costs incurred once a development decision has been taken. All future costs of development subsequent to this decision are capitalised and classified under non current assets as 'Mine Development'.

Mine development costs are amortised either on the units-of-production method or a straight-line method so as to write off the net cost over its expected useful life.

(s) Deferred stripping

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

All amounts capitalised in respect of waste removal are depreciated using the unit-of-production method based on the component of the ore body to which they relate.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the reporting date which are unpaid.

The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings, using the effective interest rate method.

Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

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

(v) Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the group during the period.

1 Summary of significant accounting policies (continued)

(w) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be made and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

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

1 Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

(iii) Industry long service leave fund

Under the *Coal Mining Industry (Long Service Leave Funding) Act 1992*, the group is required to make contributions to the Coal Mining Industry Long Service Leave Scheme (Long Service Leave Fund) for long service leave payments to employees under the terms of various coal mining industry awards.

Where appropriate, a corresponding entitlement to reimbursement from the Long Service Leave Fund has also been recognised.

(iv) Termination benefits

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

(y) Restoration, rehabilitation and environmental expenditure

An obligation to incur rehabilitation costs arises when the environment is disturbed by the development or ongoing production of a mine. Costs arising from the installation of plant and other site preparation work discounted to its net present value, are provided for and capitalised at the start of each project as soon as the obligation to incur such costs arise. These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the asset.

Costs for rehabilitation and restoration of subsequent site disturbance made on an ongoing basis during production are provided for and charged against profits as extraction progresses.

Net present value has been calculated using a nominal discount rate of 5.60% (2014: 5.58%).

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

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ('GST'), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- for receivables and payables, which are recognised inclusive of GST.

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

(aa) Comparatives

Comparative amounts have, where necessary, been reclassified so as to be consistent with current year disclosures.

(ab) Rounding off amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Revenue

	2015 $'000	2014 $'000
Revenue from continuing operations		
Sales revenue		
Sale of goods	**201,517**	211,540
Revenue from continuing operations		
Interest revenue	**1,222**	106
Rental income	**114**	437
	1,336	543
Total revenue from continuing operations	**202,853**	212,083

3 Other income

	2015 $'000	2014 $'000
Insurance proceeds (refer note (a))	**-**	10,131
Foreign exchange gains	**5,114**	3,153
Other income	**72**	43
	5,186	13,327

(a) Insurance proceeds

Final settlement in relation to insurance claims lodged, as a result of rain and flooding which occurred in 2013, was received in 2014.

4 Expenses

Classification of these expenses by nature:	**2015 $'000**	2014 $'000
Coal stock movement	**7,458**	(13,581)
Contractors and professional services	**37,792**	31,870
Cost of carbon	**(9)**	523
Depreciation and amortisation expense	**15,803**	29,852
(Despatch) / demurrage	**4,362**	4,416
Employee benefits expense	**41,482**	45,904
Equipment hire	**19,852**	22,171
Freight costs	**36**	1,316
Impairment of property, plant and equipment	**191,036**	102,606
Marketing	**1,702**	1,003
Materials	**58,300**	65,475
Net loss on disposal of property, plant and equipment	**52**	-
Other expenses	**5,646**	4,698
Port costs	**12,434**	11,869
Rail costs	**24,348**	22,242
Rates and licences	**1,239**	650
Rehabilitation movement	**5,356**	(2,739)
Royalties	**14,001**	14,904
	440,890	343,179

Loss before income tax includes the following specific expenses:

Depreciation		
Buildings	**585**	751
Plant and equipment	**7,513**	7,874
Mine development	**1,966**	2,055
Total depreciation	**10,064**	10,680
Amortisation		
Coal reserves and mining rights	**3,869**	17,439
Freehold land	**1,786**	1,513
Leasehold land	**-**	138
Leasehold improvements	**84**	82
Total amortisation	**5,739**	19,172
Finance costs		
Interest and finance charges paid / payable	**16,565**	17,354
Unwinding of discount relating to provisions	**2,088**	1,816
Total finance costs	**18,653**	19,170
Impairment of other assets		
Impairment of property, plant and equipment (refer note (a))	**191,036**	102,606
Total impairment of other assets	**191,036**	102,606

4 Expenses (continued)

(a) Impairment expense

During 2015, the group recognised impairments of $191,036 thousand (2014: $102,606 thousand) to property, plant and equipment. The 2015 and 2014 impairment changes were principally driven by the decline in high quality pulverised coal injection coal prices.

5 Income tax (expense) / benefit

(a) Income tax benefit

	2015 $'000	2014 $'000
Current tax expense	-	382
Deferred tax expense / (benefit)	6,782	(41,543)
Adjustments for current tax of prior periods	-	(6,353)
Adjustments for deferred tax of prior periods	(1,158)	2,588
Total corporate income tax expense / (benefit) (refer note (i))	5,624	(44,926)
Minerals resource rent tax expense (refer note (i))	-	6,476
Total income tax expense / (benefit) per the consolidated income statement	5,624	(38,450)

(i) Income tax legislation

Corporate income tax represents income tax under the Income *Tax Assessment Act 1997*. The Minerals resource rent tax represents the income tax under the *Mineral Resource Rent Tax Act 2012*. This Act was repealed during 2014 resulting in a income tax charge for the year due to the derecognition of the deferred tax asset.

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	2015 $'000	2014 $'000
Loss from continuing operations before income tax benefit	(251,490)	(136,930)
Tax at the Australian tax rate of 30% (2014 - 30%)	(75,447)	(41,079)
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Effect of unused tax losses and tax offsets not recognised as deferred tax	53,004	-
Unrecognised temporary differences	23,893	-
Other	298	(82)
	1,748	(41,161)
Previously recognised temporary differences now derecognised	5,034	-
Minerals resource rent tax expense	-	6,476
Adjustments for current tax and deferred tax of prior periods	(1,158)	(3,765)
Total income tax expense / (benefit) per the consolidated income statement	5,624	(38,450)

6 Current assets - Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	**26,602**	34,458

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

	2015 $'000	2014 $'000
Balances as above	**26,602**	34,458
Balances per consolidated statement of cash flows	**26,602**	34,458

7 Current assets - Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	**5,611**	9,251
Other receivables	**6,024**	5,885
	11,635	15,136

8 Current assets - Inventories

	2015 $'000	2014 $'000
Stores		
Stores at cost	11,080	8,485
Stores allowance for obsolescence	(1,290)	(1,285)
	9,790	7,200
Work in progress		
Work in progress at net realisable value	1,198	7,108
Finished goods		
Finished goods at net realisable value	10,772	12,319
	21,760	26,627

9 Current assets - Current tax receivables

	2015 $'000	2014 $'000
Current tax receivables	3,823	6,583
	3,823	6,583

10 Current assets - Other current assets

	2015 $'000	2014 $'000
Prepayments	931	842
	931	842

11 Non-current assets - Other receivables

	2015 $'000	2014 $'000
Other receivables	1,310	1,676
	1,310	1,676

12 Non-current assets - Property, plant and equipment

Consolidated	Capital work in progress $'000	Freehold land $'000	Leasehold land and buildings $'000	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Coal reserves and mining rights $'000	Mine development $'000	Total $'000
At 1 January 2014									
Cost	6,557	24,999	16	8,495	123,517	1,286	747,853	28,084	940,807
Accumulated depreciation and amortisation	-	-	(4)	(3,857)	(73,939)	(52)	(525,865)	(10,890)	(614,607)
Net book amount	6,557	24,999	12	4,638	49,578	1,234	221,988	17,194	326,200
Year ended 31 December 2014									
Opening net book amount	6,557	24,999	12	4,638	49,578	1,234	221,988	17,194	326,200
Impairment	-	-	-	-	-	-	(102,606)	-	(102,606)
Additions	7,262	-	-	-	-	-	-	-	7,262
Depreciation and amortisation charged to the Consolidated Income Statement	-	(1,513)	(138)	(751)	(7,874)	(82)	(17,439)	(2,055)	(29,852)
Transfers	(1,970)	(126)	126	248	1,280	-	-	442	-
Other	-	-	-	-	1,624	-	-	-	1,624
Closing net book amount	11,849	23,360	-	4,135	44,608	1,152	101,943	15,581	202,628
At 31 December 2014									
Cost	11,849	24,873	142	8,743	126,421	1,286	747,853	28,526	949,693
Accumulated depreciation and amortisation	-	(1,513)	(142)	(4,608)	(81,813)	(134)	(645,910)	(12,945)	(747,065)
Net book amount	11,849	23,360	-	4,135	44,608	1,152	101,943	15,581	202,628

12 Non-current assets - Property, plant and equipment (continued)

	Capital work in progress $'000	Freehold land $'000	Leasehold land and buildings $'000	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Coal reserves and mining rights $'000	Mine development $'000	Total $'000
Year ended 31 December 2015									
Opening net book amount	11,849	23,360	-	4,135	44,608	1,152	101,943	15,581	202,628
Impairment	(9,689)	(21,574)	-	(3,634)	(43,382)	(1,068)	(98,074)	(13,615)	(191,036)
Additions	5,374	-	-	-	-	-	-	-	5,374
Depreciation and amortisation charged to the Consolidated Income Statement	-	(1,786)	-	(585)	(7,513)	(84)	(3,869)	(1,966)	(15,803)
Transfers	(7,534)	-	-	84	7,450	-	-	-	-
Disposals	-	-	-	-	(52)	-	-	-	(52)
Other	-	-	-	-	(1,111)	-	-	-	(1,111)
Closing net book amount	-	-	-	-	-	-	-	-	-
At 31 December 2015									
Cost	-	24,888	127	8,826	132,532	1,286	747,853	28,526	944,038
Accumulated depreciation and amortisation	-	(24,888)	(127)	(8,826)	(132,532)	(1,286)	(747,853)	(28,526)	(944,038)
Net book amount	-	-	-	-	-	-	-	-	-

13 Non-current assets - Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	-	(205)
Provisions	-	6,851
Unrealised foreign exchange gains	-	(1,659)
Other	-	47
	-	5,034

14 Non-current assets - Other non-current assets

	2015 $'000	2014 $'000
Tax related amounts receivable from related party	39,249	-

15 Current liabilities - Trade and other payables

	2015 $'000	2014 $'000
Trade payables	21,778	16,354
Accrued expenses	2,243	4,115
Sundry payables	2,474	4,515
	26,495	24,984

16 Current liabilities - Provisions

	2015 $'000	2014 $'000
Annual leave	4,164	4,208
Long service leave	3,824	3,386
Other employee benefits	2,604	2,984
Rehabilitation, restoration and environmental provisions	2,117	1,651
	12,709	12,229

17 Non-current liabilities - Borrowings

	2015 $'000	2014 $'000
Unsecured		
Loans from related parties	**592,942**	581,009
	592,942	581,009

Represents an unsecured, interest bearing loan from Anglo American Metallurgical Coal Finance Ltd.

18 Non-current liabilities - Provisions

	2015 $'000	2014 $'000
Employee benefits	**1,372**	1,756
Restoration, rehabilitation and environmental provisions	**31,377**	26,985
	32,749	28,741

19 Non-current liabilities - Other non-current liabilities

	2015 $'000	2014 $'000
Tax related amounts payable to related party	**-**	446
	-	446

20 Accumulated losses

(a) Accumulated losses

	2015 $'000	2014 $'000
Balance 1 January	**(355,446)**	(256,967)
Net loss the year	**(257,114)**	(98,479)
Tax consolidation adjustment	**53,004**	-
Balance 31 December	**(559,556)**	(355,446)

21 Contingencies

(a) Contingent liabilities

The group had contingent liabilities at 31 December 2015 in respect of:

I) Bank guarantees amounting to $5,608 thousand (2014: $7,156 thousand).
ii) Other contingent liabilities amounting to $70 thousand (2014: $70 thousand).

Other contingent liabilities predominantly relate to personal injury claims made against the group.

In addition to the above, bank guarantees are held by the group (2015: $74,144 thousand; 2014: $82,500 thousand) as a requirement of mining leases held with the Queensland Government. The financial assurance requirement relates to rehabilitation obligations in respect of land disturbed. Notably, these are not considered contingent liabilities as the obligation to incur rehabilitation costs has been fully provided for (refer note1 (y)).

(b) Contingent assets

As at 31 December 2015, the group did not have any contingent assets (2014: $nil).

22 Commitments

(a) Commitments

Contracted capital commitments at the reporting date but not recognised as liabilities in the consolidated balance sheet is as follows:

	2015 $'000	2014 $'000
Within one year	**84**	841
	84	841

In addition, the group had outstanding commitments under contracts relating to port and rail services.

(b) Mining leases

(i) Mining lease commitments

	2015 $'000	2014 $'000
Within one year	**377**	371
Later than one year but not later than five years	**1,576**	1,554
Later than five years	**7,172**	7,533
	9,125	9,458

Mining lease commitments relate to lease rights to explore or exploit natural resources paid to various Government Regulators and other non-cancellable arrangements in relation to property, plant and equipment.

23 Reconciliation of loss after income tax to net cash (outflow) / inflow from operating activities

	2015 $'000	2014 $'000
Loss for the year	(257,114)	(98,479)
Impairment of non-current assets	191,036	102,606
Non-cash rehabilitation costs	1,111	(1,624)
Net gain on sale of non-current assets	52	-
Depreciation and amortisation	15,803	29,852
Net exchange difference	(171)	56
Interest capitalised to loan	16,114	16,327
Change in operating assets and liabilities:		
Decrease in trade and other receivables	3,867	15,549
Decrease / (Increase) in inventories	4,867	(13,355)
Decrease in deferred tax asset	5,034	8,508
Decrease / (Increase) in provision for income taxes receivable	2,760	(799)
Increase In other operating assets	(89)	(123)
Decrease / (Increase) in tax related balances with related party	13,309	(43,727)
Increase / (Decrease) in trade and other payables	1,581	(3,638)
Increase / (Decrease) in other provisions	4,488	(237)
Net cash (outflow) / inflow from operating activities	2,648	10,916

24 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

25 Additional company information

The principal activities of the group consist of:

- holding a 70% share of the Foxleigh Joint Venture, held both directly and indirectly;
- mining in Australia and sale of high quality pulverised coal injection coal; and
- exploration in Australia for additional coal resources.

The group consists of the parent company Anglo Coal (Foxleigh) Pty Ltd, an Australian proprietary company limited by shares, incorporated and domiciled in Australia. For information about the group's policies in relation to the basis of accounting for interests in other entities, see note 1. A list of the principal subsidiaries and joint operations of the group are set out below:

- Anglo Coal (Foxleigh Management) Pty Ltd;
- Anglo Coal (Foxleigh Services) Pty Ltd;
- CAML Resources Pty Ltd;
- Foxleigh Land Pty Ltd; and
- Foxleigh Joint Venture.

The group's registered office and principal place of business is:

Ground floor
201 Charlotte Street
Brisbane Qld 4000

26 Controlling entities

The immediate parent entity is Anglo American Metallurgical Coal Assets Pty Ltd.

The ultimate Australian parent entity is Anglo American Australia Limited.

The ultimate parent entity is Anglo American plc, a company incorporated in the United Kingdom with its primary listing on the London Stock Exchange.

As detailed in Note 1 to the financial statements, the group is not a reporting entity because in the opinion of the directors' there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored to satisfy, specifically, all of their needs. Accordingly this is a 'special purpose financial report' prepared for the purpose of providing information as part of the divestment process of the group.

In the directors' opinion:

(a) the financial statements and notes set out on pages 1 to 31:

  (i) comply with Australian Accounting Standards to the extent described in Note 1 to the financial statements;
  (ii) presents fairly the group's financial position as at 31 December 2015 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the period ended on that date; and

(b) at the date of this declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Adriaan Esterhuizen
Director
Brisbane
30th March 2016

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Deloitte.

Independent Auditor's Report to the Board of Directors of Anglo Coal (Foxleigh) Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of Anglo Coal (Foxleigh) Pty Ltd, which comprises the consolidated balance sheet as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 1 to 32.

Directors' Responsibility for the Financial Report

Directors are responsible for the preparation and fair presentation of the financial report in accordance with the basis of preparation described in Note 1 and have determined that the basis of preparation is appropriate to meet the financial reporting requirements and needs of the Board of Directors. The directors' responsibility also includes such internal control as the directors' determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Anglo Coal (Foxleigh) Pty Ltd as at 31 December 2015 and its financial performance for the year then ended in accordance with the basis of preparation as described in Note 1.

Significant uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1 in the financial report which outlines the potential divestment of the company. The matters set out in Note 1 indicate that a significant uncertainty may exist which casts significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Basis of Accounting and Restriction on Distribution and Use

The financial report has been prepared to meet the requirements of the Board of Directors in relation to the proposed divestment of the Anglo Coal (Foxleigh) Pty Ltd. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the directors and should not be used or relied upon by parties other than the directors.

Deloitte Touche Tomatsu

DELOITTE TOUCHE TOHMATSU

Colin Brown
Partner
Chartered Accountants
Brisbane, 30 March 2016

Proxy instructions

Registered Office

Suite 4101
Level 41
1 Macquarie Place
Sydney NSW 2000 Australia

Proxies

Shareholders are entitled to appoint up to two individuals or bodies corporate to act as proxies to attend and vote on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed each proxy must be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half the votes.

A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked, the proxy may vote as they choose. Where more than one box is marked on an item, the vote will be invalid on that item.

The Proxy Form (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to Realm Resources Limited at:

- Online at www.investorvote.com.au
- in person at: Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW, 2000 Australia;
- by post to: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC, 3001.;
- by facsimile to: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- Custodians, nominees, non-broker participants, portfolio administrators, portfolio aggregators and eligible financial advisers may also lodge their proxy online. Visit www.intermediaryonline.com.

Note that the Proxy Form must be received by the Company not later than 11.00 am AEST on 12 July 2017. **Proxy forms received later than this time will be invalid.**

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by that corporation's constitution.

The proxy may, but need not, be a Shareholder of the Company. A proxy may be a person or a body corporate.

In the case of Shares jointly held by two or more persons, all joint holders must sign the Proxy Form.

For the convenience of Shareholders, a Proxy Form is enclosed. However, the Company will accept any appointment of a proxy which complies with the requirements of section 250A of the Corporations Act.

Completion of a Proxy Form will not prevent individual members from attending the Extraordinary General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Meeting.

Voting Entitlement

For the purposes of Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have determined that the persons eligible to vote at the Extraordinary General Meeting are those registered shareholders of the Company at 7.00 pm (AEST) on 12 July 2017. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Realm Resources Limited

ABN 98 008 124 025

RRP
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 855 080
(outside Australia) +61 3 9415 4000

Proxy Form

XX

Vote and view the notice of meeting online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00 am AEST Wednesday 12 July 2017.

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE, or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Realm Resources Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Realm Resources Limited to be held at Maddocks Lawyers, Level 27, Angel Place, 123 Pitt Street, Sydney, NSW, 2000 on Friday, 14th July, 2017 at 11:00 am AEST and at any adjournment or postponement of that Meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Change to scale of activities	☐	☐	☐
2	Consolidation of Capital	☐	☐	☐
3	Approval for issue of shares under the Capital Raise	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name _____ **Contact Daytime Telephone** _____ **Date** / /