

First Supplementary Target's Statement

by Realm Resources Limited

ACN 008 124 025

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

The Non-Affiliated Directors continue to unanimously recommend that Realm Shareholders **REJECT the Offer by **TAKING NO ACTION****

1. INTRODUCTION

This document is a supplementary target's statement issued by Realm Resources Limited ACN 008 124 025 (**Realm** or the **Company**) under section 644 of the Corporations Act (**First Supplementary Target's Statement**) in response to the offer by the Bidder to acquire all of your ordinary fully paid Shares in Realm made pursuant to its bidder's statement dated 23 February 2018 lodged with the Australian Securities and Investments Commission (**ASIC**) on 23 February 2018 as supplemented by the Bidder's first supplementary bidder's statement dated 14 March 2018 which attaches the replacement bidder's statement dated 14 March 2018 and the second supplementary bidder's statement dated 15 March 2018 (together the **Bidder's Statement**).

This First Supplementary Target's Statement supplements, and should be read together with, Realm's Target's Statement dated and lodged with ASIC on 29 March 2018 (**Target's Statement**) issued in response to the unsolicited, conditional, off-market takeover offer by the Bidder to acquire all of the Realm Shares that it does not already own or control for \$0.90 per Realm Share in cash (**Offer**).

Capitalised terms used in this First Supplementary Target's Statement have the same meaning given to them in the Target's Statement, unless the context otherwise requires.

Section 12.2 of the Target's Statement sets out certain rules of interpretation, which apply equally to this First Supplementary Target's Statement.

This First Supplementary Target's Statement prevails over the Target's Statement to the extent of any inconsistency.

A copy of this First Supplementary Target's Statement was lodged with ASIC and provided to ASX on 4 May 2018. Neither ASIC nor ASX or any of their respective officers take any responsibility for the contents of this First Supplementary Target's Statement.

You should read this document in its entirety. This First Supplementary Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain personal financial advice. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to accept the Offer.

If you have recently sold all of your Realm Shares, please disregard this document.

2. NO CHANGE TO THE NON-AFFILIATED DIRECTORS' RECOMMENDATION

The Non-Affiliated Directors continue to unanimously recommend that Realm Shareholders **REJECT** the Offer for the reasons set out in section 1 of the Target's Statement as supplemented by this First Supplementary Target's Statement.

To **REJECT** the Offer, you should **TAKE NO ACTION** in respect of all correspondence sent to you by the Bidder.

3. NO CHANGE TO THE INDEPENDENT EXPERT'S REPORT OR THE INDEPENDENT TECHNICAL EXPERT'S REPORT

The Non-Affiliated Directors note that there is **NO CHANGE** to the Independent Expert's Report or the Independent Technical Expert's Report set out in the Target's Statement.

The Non-Affiliated Directors further note that there is **NO CHANGE** to the valuation provided by the Independent Expert and that the Independent Expert maintains that the Offer is **NEITHER FAIR NOR REASONABLE** and the estimated fair market value (on a control basis) is \$1.62 to \$1.92 per Realm Share.

4. RE-LISTING LIQUIDITY OPTION

In reason 1.1 of the Target's Statement, details are included of other potential alternatives available to Realm Shareholders to realise their investment in Realm that are considered to be more compelling than accepting the Offer. These alternative paths to liquidity include the re-listing of Realm Shares on ASX (**Re-listing Liquidity Option**). Section 1.5 of the Target's Statement lists the preparatory work streams that have been undertaken by Realm in connection with the capital raise which would form part of the Re-listing.

In considering the Re-Listing Liquidity Option, Realm Shareholders should be aware that there are a number of conditions which must be satisfied by Realm in order to successfully undertake the Re-compliance.

As previously disclosed by Realm, ASX has determined that Realm's acquisition of a 70% interest in the Foxleigh Coal Mine constituted a significant change in the nature or scale of Realm's activities, and therefore Realm is required to re-comply with chapters 1 and 2 of the Listing Rules as if Realm were applying for admission to the Official List.

Relevantly, as a condition of re-listing, Realm is required to have a 'free float' of at least 20% on re-listing. Due to the Bidder Group's interest and its decision not to sell-down any of its stake, the Company is required to undertake a capital raise to meet the 20% free float condition. ASX has required that the capital raise occurs pursuant to a prospectus that complies with the requirements of section 710 of the Corporations Act.

Realm Shareholders are referred to the Bidder's intentions in sections 5.2 and 5.3 of the Bidder's Statement regarding the continued listing of Realm on ASX. In particular, Realm Shareholders should note that the Bidder is not supportive of Realm's continued listing on the ASX or the capital raising necessary to lift the current suspension of Realm Shares. Further, in section 5.3(b) of the Bidder's Statement, the Bidder has stated that it will seek to replace all current Realm Directors (other than those which it determines to retain following a review) with nominees of the Bidder.

Realm Shareholders should also be aware that ASX has absolute discretion in deciding whether or not to re-admit Realm to the Official List and to quote its securities, and that Realm Shares will remain suspended until Realm successfully completes the Re-compliance. There is a risk that Realm may not be able to meet the requirements of the ASX

for re-quotation of its Shares on 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.

For further details on the Re-listing, refer to Realm's Notice of Extraordinary General Meeting dated 15 June 2017 (Notice of EGM) which is available free of charge on Realms website <http://www.realmresources.com.au>. Refer to section 10.7(d) of the Target's Statement for details on how to obtain a copy of the Notice of EGM free of charge.

5. LIKELIHOOD OF ASX DE-LISTING

In section 5.12 of the Target's Statement, details are provided in respect of the likelihood of Realm being removed from the Official List.

In addition to the matters set out in section 5.12 of the Target's Statement, it is important for Realm Shareholders to note that ASX's policy is to remove from the Official List any entity whose securities have been suspended from trading for a continuous period of 3 years. Realm's Shares have been suspended from trading since 14 July 2017 (being approximately 9 months as at the date of the Supplementary Target's Statement). Therefore, were Realm Shares to not commence trading prior to 14 July 2020, Realm will be removed from the Official List.

As part of any formal request to be removed from the Official List, an entity is required to confirm to ASX what, if any, arrangements will be in place to enable security holders to sell their securities in the lead up to, and/or after, its removal from the Official List. ASX may also impose conditions on removal from the Official List including a buy-back facility or other facility acceptable to ASX that allows Realm Shareholders to sell their securities for a nominated period following removal of those securities from the Official List.

6. BIDDER GROUP TRANSACTION LIQUIDITY OPTION AND CONTINUED HOLDING OPTION

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

In section 1.1 of the Target's Statement, a summary of the IER is provided. One component of the Independent's Expert's assessment of the reasonableness of the Offer is that alternative paths to liquidity are available to Realm Shareholders including:

- (a) participation in a transaction with the Bidder Group as it exits its fund position (**Bidder Group Transaction Liquidity Option**); and
- (b) Realm Shareholders continuing to hold unlisted shares and receive such dividends as the Directors may determine (**Continued Holding Option**).

Realm Shareholders should note that in respect of the Bidder Group Transaction Liquidity Option, the T2 Fund has an initial maturity date of 2019 (subject to extension) and a 24 month period following maturity during which the fund can realise assets. Accordingly, it is unlikely that any such Bidder Group Transaction Liquidity Option would occur until 2019 (at the earliest) and potentially as late as 2021 (or later still if the T2 Fund's investors so approve). In respect of the Continued Holding Option, as disclosed in section 1.1 of the IER, the Company does not intend to pay any dividends in the near term. Realm Shareholders should bear this in mind when considering whether the Continued Holding Option is more compelling than the Offer.

7. HARD COKING COAL

In section 1.3 of the Target's Statement, premium HCC prices were used to highlight the recent improvements in metallurgical coal market conditions. While it is disclosed that the realised price for LV PCI produced at the Foxleigh Coal Mine is negotiated on a quarterly basis with reference to the premium HCC prices over a given period, it is important to note that the Foxleigh Coal Mine does not produce premium HCC or HCC.

8. UNDERVALUE STATEMENT

In reason 1.4 of the Target's Statement, the Non-Affiliated Directors provide reasons why the Offer Price does not provide an adequate premium to Realm Shareholders.

In addition to the matters set out in section 1.4 of the Target's Statement, the Non-Affiliated Directors refer you to the Independent Expert's Report, where the Independent Expert has determined that the Offer is neither fair nor reasonable and the estimated fair market value is \$1.62 to \$1.92 per Realm Share. The Non-Affiliated Directors note that the Independent Expert's fair market value range of a Share in Realm (on a control basis) is 80.0% to 113.3% higher than the Offer Price.

Further, the Bidder's Statement references that the Offer Price represents a 9.8% premium to the 21 day VWAP of Realm Shares between 15 June 2017 and 13 July 2017 (refer to the Bidder's Letter and Reason 2 in the Bidder's Statement), which the Non-Affiliated Directors consider is incorrect as a result of a calculation error made by the Bidder. The correct premium to the 21 day VWAP of Realm Shares for this period of 4.3% is referenced in reason 1.4 of the Target's Statement.

For the avoidance of doubt, Realm Shareholders should refer to the correct figure in the Target's Statement and disregard the incorrect figure in the Bidder's Statement. The Bidder has been notified of this error.

9. ADDITIONAL AMENDMENTS TO THE TARGET'S STATEMENT

9.1 Footnote 3 on page 16

Footnote number 3 of the Target's Statement on page 16, includes the following reference "*See RRP ASX announcement dated 1 December 2018*". The reference at footnote 3 should be "*See RRP ASX announcement dated 1 December 2017*".

9.2 Satisfaction of Conditions

In Frequently Asked Question 14 in section 3, Frequently Asked Question 15 in section 3 and section 5.7 of the Target's Statement, details are provided in respect of the satisfaction of the Conditions.

In addition to the matters set out in Frequently Asked Question 14 in section 3, Frequently Asked Question 15 in section 3 and section 5.7 of the Target's Statement, it is important for Realm Shareholders to note that, as at the date of this First Supplementary Target's Statement:

- (a) the Conditions relating to the Employee Securities are capable of satisfaction (subject to the Bidder Group becoming entitled to proceed with compulsory acquisition). Refer to section 10.2 of the Target's Statement for further information; and
- (b) the Non-Affiliated Directors are not aware of any action which may breach the 'no prescribed occurrences' Condition during the Offer Period.

Any Shares issued during the Offer Period in connection with the Re-Compliance or the Shares to be issued to Michael Rosengren (subject to Shareholder approval) which was announced on 1 December 2017 will breach the 'no prescribed occurrences' Condition. However, assuming the Offer Period is not extended further by the Bidder, the Non-Affiliated Directors do not currently intend to issue any such Shares during the Offer Period.

9.3 Follow on compulsory acquisition

In Frequently Asked Question 31 in section 3 and section 5.11(a) of the Target's Statement, details are provided in respect of the follow on compulsory acquisition of Realm Shares.

The disclosure in section 5.11(a) and Frequently Asked Question 31 in section 3 of the Target's Statement in respect of the number of Realm Shares that the Bidder Group would need to acquire to be able to proceed to compulsorily acquisition under Part 6A.1 of the Corporations Act is 27,145,991 Realm Shares (not 27,261,930 Realm Shares as previously disclosed in the Target's Statement) and achieve a 96.43% relevant interest in Realm Shares (not a 96.41% relevant interest in Realm Shares as previously disclosed in the Target's Statement).

9.4 General compulsory acquisition

In Frequently Asked Question 31 in section 3 and section 5.11(b) of the Target's Statement, details are provided in respect of the general compulsory acquisition of Realm Shares.

The disclosure in section 5.11(b) and Frequently Asked Question 31 in section 3 of the Target's Statement in respect of the number of Realm Shares that the Bidder Group would need to acquire to be able to proceed to compulsorily acquisition under Part 6A.2 of the Corporations Act is 10,868,705 Realm Shares (not 11,003,291 Realm Shares as previously disclosed in the Target's Statement) being 30.03% of the remaining Realm Shares (not 30.27% of the remaining Realm Shares as previously disclosed in the Target's Statement).

9.5 Substantial Realm Shareholders

In section 7.3(a) of the Target's Statement, details are provided of substantial Realm Shareholders.

In section 7.3(a) of the Target's Statement, M.D. Sass Finstrat Taurus Holdings, LLC is incorrectly described as a member of the Bidder Group. While this entity has a relevant interest in 217,110,255 Realm Shares, it is not a member of the Bidder Group.

9.6 Possible taxation consequences

Section 8.1(b) of the Target's Statement notes that there may be taxation consequences of disposing your Realm Shares pursuant to the Offer. Realm Shareholders should also note that there may be taxation consequences as a result of other possible transactions (including the Bidder Group Transaction Liquidity Option) and therefore Realm Shareholders should consider obtaining specific professional taxation advice as to the taxation implications applicable to their circumstances.

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

In Section 8.2 of the Target's Statement, details are provided in respect of the risks associated with rejecting the Offer and continuing an investment with Realm.

In addition to the disclosure on the risks relating to Realm's re-compliance with Chapters 1 and 2 of the Listing Rules, Realm Shareholders should note that in the event that the Company fails to re-comply with Chapters 1 and 2 of the Listing Rules, Realm may be

removed from the Official List (see section 5.12 of the Target's Statement and section 4 of this Supplementary Target's Statement for further details).

9.8 Employee Options

In Section 10.2(c) of the Target's Statement, details are provided in respect of the Employee Option Plan.

The Non-Affiliated Directors note that in respect of the cancellation of the Employee Options referred to in section 10.2(c) of the Target's Statement, the Non-Affiliated Directors will procure that the Company pay the cash consideration to the Employee Option holder.

9.9 ASX Announcements

Section 10.11(b)(iii) is updated to 4 May 2018, being the date of this First Supplementary Target's Statement. The details of ASX Announcements set out in Attachment 3 to the Target's Statement, are amended on the following basis:

- (a) the 'Takeover Offer – Take no Action' announcement was released on 12 February 2018, not 23 February 2018; and
- (b) the list of ASX Announcements should also include the following announcements:
 - (i) Notice of Annual General Meeting dated 30 April 2018;
 - (ii) Quarterly Activities and Cashflow Report dated 16 April 2018;
 - (iii) Appendix 4G dated 11 April 2018;
 - (iv) Revision - ASX Additional Information Annual Accounts dated 11 April 2018;
 - (v) Media Report dated 9 April 2018;
 - (vi) New date for giving notice of status of conditions dated 6 April 2018;
 - (vii) Variation of Takeover Bid - extension of offer period dated 5 April 2018;
 - (viii) Letter to Shareholders dated 4 April 2018;
 - (ix) Target's Statement dated 29 March 2018;
 - (x) Summary Realm Resources Ltd Financial Report 2017 dated 29 March 2018;
 - (xi) Full Year Statutory Accounts dated 29 March 2018; and
 - (xii) Change of Director's Interest Notice - Rectification dated 28 March 2018.

10. ASIC AND ASX RELIEF

Realm has not been granted any modifications or exemptions by ASIC under the Corporations Act in connection with the Offer. Realm has also not been granted any waivers from ASX in relation to the Offer.

Realm has relied on ASIC Class Order 13/521 to include references to certain statements in this First Supplementary Target's Statement without obtaining the consent of those persons, and ASIC Corporations (Consents to Statements) Instrument 2016/72 to include information sourced from publications and journals as well as trading data. Any Realm Shareholder who

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

11. SHAREHOLDER INFORMATION LINE

If you have any further queries in relation to the Offer, please call the Realm Shareholder information line or you can speak to your legal, financial or taxation adviser.

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

12. AUTHORISATION OF FIRST SUPPLEMENTARY TARGET'S STATEMENT

This First Supplementary Target's Statement is dated 4 May 2018 and has been approved by a resolution passed by the Non-Affiliated Directors of Realm.

Signed for and on behalf of Realm Resources Limited:



James Beecher on behalf of the Non-Affiliated Directors

Director and Chairman of the Sub-Committee

Realm Resources Limited

Dated: 4 May 2018