

15 May 2018

To Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Electronic lodgement

Dear Sir / Madam

T2 Resources Fund Pty Limited (Bidder) – off market takeover bid for the entire share capital of Realm Resources Limited (Target)

We refer to the Bidder's takeover bid for the entire issued share capital of the Target (**Offer**) made under the bidder's statement dated 23 February 2018 (as supplemented or replaced from time to time) (**Bidder's Statement**).

In accordance with section 647(3)(a)(ii) of the *Corporations Act 2001* (Cth) (as modified by ASIC Class Order [CO 13/528]), we enclose a copy of the Bidder's third supplementary bidder's statement (**Third Supplement**).

In addition, please note as annex A to the enclosed Third Supplement the notice required under section 650D and 650F of the *Corporations Act* (**Notice**) to vary the Offer as follows:

- (a) increase the cash consideration under the Offer to \$1.00 for each Realm Share; and
- (b) declare the Offer free from the conditions relating to the employee securities set out in paragraph (b) of Appendix 2 of the Bidder's Statement.

A copy of the enclosed Third Supplement (including the Notice) was lodged with the Australian Securities & Investments Commission and the Target earlier today. A copy will be sent to each Target security holder in accordance with section 648B and 648C.

Yours faithfully



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THIRD SUPPLEMENTARY BIDDER'S STATEMENT



If you are in any doubt as to how to act, you should consult your professional adviser as soon as possible.

**in respect of the Offer by:
T2 RESOURCES FUND PTY LIMITED**

**to purchase all of your shares in:
Realm Resources Limited
ACN 008 124 025**

For each Realm Share you will receive the increased Cash Consideration of \$1.00 per Realm Share which is a significant increase on the previous consideration offered

**THE BIDDER RECOMMENDS
THAT YOU ACCEPT THE OFFER**

Legal Adviser **KING & WOOD
MALLESONS**

This document is the third supplementary bidder's statement ("**Third Supplement**") to the Bidder's Statement dated 23 February 2018 ("**Original Bidder's Statement**") issued by T2 Resources Fund Pty Limited (ACN 624 330 696) ("**Bidder**") and lodged with the Australian Securities and Investments Commission ("**ASIC**") on 23 February 2018, in relation to the off-market takeover bid by the Bidder ("**Offer**") for all the ordinary shares in Realm Resources Limited (ACN 008 124 025), as supplemented by the Bidder's first supplementary bidder's statement dated 14 March 2018 ("**First Supplement**") which attaches the replacement bidder's statement dated 14 March 2018 ("**Replacement Bidder's Statement**") and as supplemented by the Bidder's second supplementary bidder's statement dated 15 March 2018 ("**Second Supplement**").

This Third Supplement is to be read together with the First Supplement, the Replacement Bidder's Statement and the Second Supplement. Unless the context requires otherwise, defined terms in the Replacement Bidder's Statement (as supplemented by the First Supplement and the Second Supplement) have the same meaning in this Third Supplement. This Third Supplement prevails to the extent of any inconsistency with the First Supplement, the Replacement Bidder's Statement and the Second Supplement.

This Third Supplement is dated 15 May 2018 and a copy was lodged with ASIC on that date. Neither ASIC nor any of its officers takes any responsibility for the contents of this Third Supplement.

For further information in relation to the Offer or how to accept it, or if you have lost your personalised Acceptance Form and require a replacement, please call the Bidder information line on 1800 810 147 (callers in Australia) or +61 3 9415 4278 (caller outside Australia) between 8:30am and 5:30pm (Sydney time) on Business Days.

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REVISED OFFER OVERVIEW

- The Bidder has elected to increase the Cash Consideration to \$1.00 per Realm Share.
- The Bidder has elected to free the Offer from the Condition relating to the Employee Securities. Accordingly, the Offer remains subject only to the no prescribed occurrences condition, satisfaction of which is entirely within the control of Realm.¹ See section 1.4 of this Third Supplement.
- The Offer Period has been extended to 11 June 2018. As such, the new date for giving notice of the status of the final defeating Condition is 1 June 2018. If the Offer Period is not extended and there have been no prescribed occurrences by 1 June 2018 then Realm Shareholders who have accepted the Offer will be paid the Increased Cash Consideration of \$1.00 per Realm Share by no later than 1 July 2018.²
- The Bidder has significant concerns with the valuation of Realm prepared by Deloitte Corporate Finance Pty Limited (the **Independent Expert**). Please see section 3 of this Third Supplement for further information on these concerns.
- Realm has presented alternative paths to liquidity in the Target's Statement – namely relisting of Realm Shares on ASX, participation in a transaction with the Bidder Group and continuing to hold Realm Shares and receive dividends. For the reasons set out in section 4 of this Third Supplement, the Bidder believes that the likelihood of these eventuating are low or, in the case of the Bidder Group transaction, are unlikely to eventuate any earlier than 2021 and potentially even later. As such, the Bidder recommends that any Realm Shareholders who would like a near-term liquidity option should **ACCEPT** the Offer.

1. On 14 May 2018, the Target announced a buy-back and cancellation of 333,333 employee plan shares in Realm. These actions breached conditions of the Offer contained in paragraph (a)(ii) and (a)(iii)(A) of Appendix 2 of the Replacement Bidder's Statement. The Bidder waives its right to rely on those breaches set out in 14 May 2018 announcement only. It retains the right to rely on those Offer Conditions in the future.

2. On 14 May 2018, the Target announced a buy-back and cancellation of 333,333 employee plan shares in Realm. These actions breached conditions of the Offer contained in paragraph (a)(ii) and (a)(iii)(A) of Appendix 2 of the Replacement Bidder's Statement. The Bidder waives its right to rely on those breaches set out in 14 May 2018 announcement only. It retains the right to rely on those Offer Conditions in the future.

1

VARIATION OF OFFER TERMS

1.1 INCREASE OF OFFER PRICE TO \$1.00

The Bidder has decided to increase the Cash Consideration from \$0.90 per Realm Share to \$1.00 per Realm Share (**Increased Cash Consideration**). This is an aggregate increase of \$25.3 million or 11% per share, valuing Realm at over \$253 million.

The formal notice required under section 650D of the Corporations Act in connection with the variation of the Offer Terms as a result of the Increased Cash Consideration is attached as Annexure A.

Using the Independent Expert's valuation framework, but applying the Bidder's view of the correct assumptions to be made to address its concerns with the Independent Expert's valuation (set out in sections 3.1 to 3.5 of this Third Supplement), the Bidder has calculated a valuation range for Realm of \$0.91 to \$1.06 (**Revised Valuation Range**).

Furthermore, consistently with ASIC regulatory guidance, the Bidder notes that the Independent Expert has not applied a minority interest or marketability discount when it prepared its valuation range. However, it is noted in the Independent Expert's report (**IER**) that, if Realm Shares were to recommence trading on ASX, they would trade at a price reflecting a suitable minority interest and marketability discount.³ The Bidder notes that valuation practice when valuing a minority holding is to apply a discount to the broader valuation consistent with the results of a recent KPMG survey of Australian valuation practitioners (**KPMG Valuation Practices Survey**),⁴ the Bidder considers that a minority interest discount of 25% is appropriate when valuing Realm (when taking account of the Bidder Group's existing holding).⁵ If you apply this to the Revised Valuation Range, this results in an equity value of \$0.68 to \$0.79 per share. The Increased Cash Consideration represents a 26% to 46.9% premium to this range.

See section 3 of this Third Supplement for further information.

1.2 PREMIUM TO LAST TRADED PRICE

The Increased Cash Consideration of \$1.00 per Realm Share represents a premium of approximately:

- 17.6% to the last traded price of Realm Shares immediately prior to the last suspension of Realm Shares on the ASX on 13 July 2017; and
- 15.9% to the 21 day VWAP of Realm Shares between 15 June 2017 and 13 July 2017.

1.3 EXTENSION OF OFFER PERIOD

As described in the notice of extension dated 7 May 2018, the Bidder has decided to extend the Offer Period so that the Offer will now remain open for acceptance until 7.00pm (Sydney time) on Monday 11 June 2018 (unless further extended in accordance with the Corporations Act).

3. See page 67 of the Target's Statement.

4. <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/valuation-practices-survey-2017.pdf>

5. See section 3.6 of this Third Supplement for the basis for this view.

1 VARIATION OF OFFER TERMS CONTINUED

1.4 FREEING THE OFFER FROM CONDITIONS RELATING TO THE EMPLOYEE SECURITIES

After due consideration of section 10.2 of the Target's Statement, the Bidder has elected to waive the Offer and each contract resulting from acceptance of the Offer from the defeating Conditions set out in paragraph (b) of Appendix 2 of the Offer Terms which relate to the Employee Options and the Employee Securities.

The formal notice required under 650F of the Corporations Act in connection with freeing the Offer from those Defeating Conditions is attached as Annexure A.

The Bidder notes that the Offer and each contract resulting from acceptance of the Offer remains subject to the no prescribed occurrences condition set out in paragraph (a) of Appendix 2 of the Offer Terms. Satisfaction of that Condition is entirely within the control of Realm.⁶

As a result of the further extension of the Offer Period, the new date for giving the notice of the status of the remaining Defeating Condition is 1 June 2018.

If the Offer Period is not extended and there have been no prescribed occurrences by 1 June 2018 then Realm Shareholders who have accepted the Offer will be paid the Increased Cash Consideration of \$1.00 per Realm Share by no later than 1 July 2018.⁷

1.5 REASONS TO ACCEPT THE OFFER

Realm Shareholders should accept the Offer promptly with without delay for the following reasons:

- The Increased Cash Consideration provides an immediate liquidity event at an attractive and certain price.
- The Increased Cash Consideration provides a premium to historic trading levels for your Realm Shares.
- Realm Shareholders will not incur stamp duty or brokerage charges.
- If the Offer is not successful, and no alternative proposal emerges (noting no alternative proposal has emerged as at the date of this Third Supplement), you may not be able to sell your Realm Shares.

Realm Shareholders should refer to the Replacement Bidder's Statement for further information on these reasons to accept.

6. On 14 May 2018, the Target announced a buy-back and cancellation of 333,333 employee plan shares in Realm. These actions breached conditions of the Offer contained in paragraph (a)(ii) and (a)(iii)(A) of Appendix 2 of the Replacement Bidder's Statement. The Bidder waives its right to rely on those breaches set out in 14 May 2018 announcement only. It retains the right to rely on those Offer Conditions in the future.

7. On 14 May 2018, the Target announced a buy-back and cancellation of 333,333 employee plan shares in Realm. These actions breached conditions of the Offer contained in paragraph (a)(ii) and (a)(iii)(A) of Appendix 2 of the Replacement Bidder's Statement. The Bidder waives its right to rely on those breaches set out in 14 May 2018 announcement only. It retains the right to rely on those Offer Conditions in the future.

2

BIDDER'S INTENTIONS REGARDING CAPITAL RAISE AND THE BOARD

We note that the Target's Statement made a number of references to the capital raise and re-listing. We appreciate that the ability of Realm to complete a capital raise and therefore relist on the ASX may be a material factor for a Realm Shareholder when considering whether or not to accept the Offer.

As set out in section 5.3 of the Replacement Bidder's Statement, the Bidder is not supportive of Realm's continued listing on the ASX (or the capital raise necessary to lift the current suspension of Realm Shares from trading on ASX). Whilst the decision to apply for a removal of Realm from the official list of the ASX lies with the Board of Realm, the Bidder will actively encourage Realm to apply for a removal of Realm from the official list of the ASX to the extent it is able to do so consistently with ASX guidance and on the basis that doing so is in the interests of Realm and its Shareholders.

The Bidder is of the view that the disclosures in the Target's Statement regarding Realm's ability to complete a capital raise and therefore relist on the ASX were deficient for the following reasons:

- On the face of the disclosures, it appeared that there were no hurdles or impediments to a relisting and that it is a viable alternative liquidity option for Realm Shareholders.
- Realm Shareholders were not adequately informed of the timetable and likelihood of a capital raise and therefore readmission to ASX.
- Realm Shareholders were not adequately informed of the impact of the Bidder's intentions on the ability of Realm to undertake the capital raise.

As a result of these concerns, Realm issued supplemental disclosure on 4 May 2018, which included the following:

*"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 relisting.

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.

2 BIDDER'S INTENTIONS REGARDING CAPITAL RAISE AND THE BOARD CONTINUED

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."

T2 LP (a member of the Bidder Group) has nominated two additional nominee directors to the board of Realm, such nominations to be considered at the upcoming AGM scheduled for 30 May 2018. Realm Shareholders should note that, as a holder of greater than 50% of Realm Shares, the Bidder Group has sufficient voting power to pass these resolutions.

Realm Shareholders should be aware that all directors of Realm, whether Bidder Group nominees or otherwise, owe fiduciary duties to act in the best interests of Realm. Furthermore, all directors will need to consider whether or not they have a material personal interest in any resolution in relation to relisting or delisting that may mean they cannot participate in it.⁸

8. See ss 191 and 195 of the Corporations Act 2001 (Cth).

3

MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT

We refer to the Target's Statement which Realm Shareholders would have received from Realm on or around 29 March 2018. The Bidder has significant concerns with the Independent Expert's Report and the technical report (**Technical Report**) prepared by SRK Consulting (**Technical Expert**). Accordingly, Realm Shareholders should consider the Bidder's concerns described below, in determining whether to accept the Offer. These concerns (which are set out below) are fundamental and go to the Independent Expert's valuation of Realm.

3.1 BASIS OF THE VALUATION CONDUCTED BY THE INDEPENDENT EXPERT

The Independent Expert has used a discounted cash flow methodology to value the Foxleigh mine (being the key asset of Realm).

3.2 WHAT IS A DISCOUNTED CASH FLOW METHODOLOGY?

This is a way to value Realm by predicting future cash flow projections of the Foxleigh mine (amongst other assets) and then discounting that projected cash flow to arrive at a value of what that cash flow would equate to as of today's date (known as net present value).

3.3 THREE POTENTIAL CASH FLOW SCENARIOS USED BY THE INDEPENDENT EXPERT

You will note that the Independent Expert's valuation is based on three potential cash flow scenarios:

- (a) a "Base Case";
- (b) an "Enhanced Base Case"; and
- (c) an "Expanded Enhanced Case".

For your information, below is a summary of what each of these cash flow scenarios are and the basis on which they have been derived by the Independent Expert.

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

Cash flow projection	Explanation	Bidder comments
The 'Base Case'	<p>This is the base case cash flow projections for the Foxleigh Mine and is based on:</p> <ul style="list-style-type: none"> the existing Foxleigh financial model which Realm uses; the latest reserves statements for the Foxleigh mine which have been certified in accordance with JORC standards; and the existing life of mine plan for the Foxleigh mine and the three year plan which has been approved by the board. 	<p>This is the appropriate cash flow projection on which the valuation should be based. Operating and capital cost assumptions contained in the Base Case have been constructed from "first principles" using real data, based on costs and equipment productivities achieved with allowance for expected mining conditions. The Base Case is consistent with the current model applied by Realm and does not rely on highly speculative estimates of how the cash flows could be enhanced.</p> <p>The Bidder also refers Realm Shareholders to the independent geologist's report prepared by Encompass Mining which was included in Realm's notice of extraordinary general meeting dated 14 June 2017 (EGM Technical Report).⁹ The Bidder notes that the operating cost parameters contained in the Base Case are consistent with those assumptions included in the EGM Technical Report. That EGM Technical Report was prepared in accordance with the JORC Code 2012 and included operating cost parameters based on "a variety of sources ... including quotes from contractors, independent reports and Encompass Mining's cost database".</p> <p>Similarly, the Bidder refers to Realm's JORC statement of coal resources and reserves for Foxleigh plains issued to the market on 22 December 2017 (December JORC Statement).¹⁰ That December JORC Statement contained operating cost parameters consistent with the Base Case. This report was independently prepared by Measured Group Pty Ltd with operating cost assumptions "provided by the owner based on either tendered process costs or activity costs consistent with the Foxleigh operation".</p>

9. http://www.realmresources.com.au/site/PDF/1836_1/NoticeofExtraordinaryGeneralMeetingProxyForm

10. http://www.realmresources.com.au/site/PDF/1976_1/JORCupdate

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

Cash flow projection	Explanation	Bidder comments
The 'Enhanced Base Case'	<p>This is enhanced cash flow projections for Foxleigh based on the Base Case projections.</p> <p>This is based on certain speculative suggested productivity enhancements and cost reductions which result in perceived lower costs to remove overburden and lower mining, CHPP and product haul and trail loadout costs.</p>	<p>These suggested enhancements are a radical departure from the way the Foxleigh mine is currently operated. The Bidder has no confidence in the ability of these enhancements to be implemented. These assumptions are inconsistent with Realm's own operating cost projections for Foxleigh and, as noted above, those contained in multiple technical reports prepared on the Foxleigh mine during 2017 (i.e. the EGM Technical Report and the December JORC Statement).</p> <p>The Technical Report does not provide any quantitative or qualitative information to support the Enhancements. Instead the Technical Report purports to justify a radical departure from the Base Case by a "throw away" reference to generic industry norms.</p> <p>It is simplistic and naïve to suggest that Foxleigh can suddenly achieve material savings just because certain other mines may have lower unit costs. Each mine will have its own relative cost performance based on specific factors, including geological and geotechnical conditions, equipment selection and mine layout. The Target's Statement acknowledges this exact point in a number of places, see (emphasis made by Bidder):</p> <ul style="list-style-type: none"> • <i>"With respect to mining, the Foxleigh deposit is geologically and structurally complex presenting a risk to mining assumptions and coal recovery Seam dislocation and repetition due to faulting is common, may impact on equipment productivity"</i> (page 144 of the Target's Statement) • <i>"In SRK's opinion, the CHPP+haulage+TLO operating expenditures outlined in the financial model are somewhat ambitious and may not be achievable"</i> (page 149 of the Target's Statement) <p>The Bidder understands that these suggested enhancements are based on the opinion of certain representatives of the Technical Expert who visited Foxleigh for a very limited period of time.</p>

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

Cash flow projection	Explanation	Bidder comments
The 'Expanded Enhanced Case'	This is a further enhancement on the Enhanced Base Case based on certain perceived additional coal resources in the future from the Dagers Tip, Pipeline and Roper Creek pits between 2032 and 2041.	<p>Very little information is given in the Target's Statement or Technical Report regarding the work which has been done to justify the basis on which it believes that these resources are viable or recoverable.</p> <p>Indeed, the Bidder refers to page 88 of the Target's Statement which notes that the Technical Expert has not conducted "<i>an audit or review of the projections in accordance with the standards issued by the Auditing and Assurance Standards Board</i>" and therefore the Technical Expert expresses no opinion on "<i>the reliability of the projections or the reasonableness of the underlying assumptions</i>".</p> <p>As such, the Bidder does not consider that Realm Shareholders should take the Expanded Enhanced Case into account when assessing the bid. They can be taken as nothing more than guess work at future potential resources from additional areas within the Foxleigh mine.</p>

3.4 CORRECT VALUATION BY REFERENCE TO THE BASE CASE

For the reasons set out above, the Bidder is of the view that it is inappropriate to include the Enhanced Base Case or Expanded Enhanced Case when considering the value of Foxleigh (and in turn, the value of Realm Shares).

On this basis, Realm Shareholders should disregard any value attributable to the Enhanced Base Case or Expanded Enhanced Case and only consider the valuation of Realm based on the Base Case. The Bidder has set out in section 3.6 its view of the valuation of Realm using only the Base Case.

3.5 CONCERNS WITH UNDERLYING ASSUMPTIONS USED BY THE INDEPENDENT EXPERT

As noted, the Bidder also has fundamental material concerns with the following key underlying assumptions on which the Independent Expert's valuation was derived:

- (i) Long-term coal price
- (ii) Discount rate
- (iii) Adjusted cash position and rehabilitation assumptions
- (iv) Katingan Ria project

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

Further information on the concerns with each of these assumptions is set out below.

(a) **Long term coal price**

Realm Shareholders should be aware that the valuation derived by the Independent Expert is highly sensitive to the underlying long-term coal price assumption used given the value is derived by predicted future sales of the coal produced by Foxleigh, being LV PCI.

What long term coal price did the Independent Expert use?

The Independent Expert used a long-term LV PCI coal price of US\$95–110/t.

What is the concern with this long-term coal price?

That price range is not realistic and does not reflect the current market consensus view. By way of example, we refer Realm Shareholders to KPMG's March/April 2018 quarterly summary of coal price forecast data (**KPMG Coal Price Report**). The prevailing KPMG Coal Price Report includes a range of US\$82.5/t–103.7/t for long-term price forecasts for LV PCI coal.¹¹

Accordingly, the Bidder is of the view a more appropriate long-term coal price valuation range of is US\$90/t to US\$95/t which spans the KPMG median value of US\$92.5/t.

The Bidder also notes that the long term LV PCI price forecasts set out in the prevailing KPMG Coal Price Report was supplied by Realm to Measured Group Pty Ltd for usage in the December JORC Statement.¹² At that point in time a long-term LV PCI coal price of US\$95/t was applied. This approach was also adopted in the EGM Technical Report released to the market by Realm which used a long-term LV PCI coal price of US\$80/t.

(b) **Discount rate**

What discount rate has the Independent Expert used?

The Independent Expert has used a discount rate of 9% to 10%.

What is a more appropriate discount rate?

For the reasons set out below, the Bidder believes the discount rate applied by the Independent Expert is not appropriate and is unduly optimistic. It is based on a number of unreasonable assumptions, as set out below.

11. <https://home.kpmg.com/content/dam/kpmg/au/pdf/2018/coal-price-fx-consensus-forecast-march-april-2018.pdf>

12. http://www.realmresources.com.au/site/PDF/1976_1/JORCUupdate

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

Assumption	Independent Expert view	Bidder's concerns
Cost of debt	The Independent Expert has assumed a pre-tax cost of debt of 5.5–6.5% pa.	<p>The cost of debt used by the Independent Expert is inappropriate, given the fact that the actual cost of debt of Realm is 9%pa (being the current rate of interest on the Performance Guarantee Facility and Realm's working capital facility).</p> <p>The Independent Expert has opted for a more favourable cost of debt on the basis that it believes Realm could secure longer term debt at a better rate. It is hard to agree with this statement given Realm is able to refinance the Performance Guarantee Facility and Realm's working capital facility at any time. It has not, however, chosen to refinance that facility and indeed extended the duration of the facility as recently as December 2017. As such, if it was possible for Realm to secure debt at a significantly better rate, why has Realm not done so to date?</p>
Beta	The Independent Expert has used an unlevered beta in the range of 1.20 to 1.30 and levered beta range of 1.27 to 1.35 for the Foxleigh coal mine.	<p>What is beta?</p> <p>Beta is the measurement of a company's volatility in relation to the market. The market has a beta of 1.0, and individual stocks are ranked according to how much that stock deviates from the market. Accordingly, a beta of 2.0 means that stock is 100% more volatile than the market.</p> <p>Issues with beta used by Independent Expert</p> <p>The beta used for Realm does not reconcile with the peer group presented in Table 19 of the IER.</p> <p>For example, the beta used for Realm is better than that of Whitehaven Coal (2.06 on 4-year basis) or Glencore plc (1.41 on a 4-year basis).¹³ Both of these companies (and all other companies in the selected peer group) are significantly larger than Realm with a materially different risk profile owing to asset and commodity diversification. Although Whitehaven Coal only produces coal, production is split across multiple operations with coal sales into both metallurgical and thermal coal markets.</p> <p>As such, it is hard to see how the Independent Expert can justify applying a lower beta to Realm than that of Glencore plc – a multinational commodity trading and mining company which has annual earnings (before income tax) of ~US\$8.5 billion.¹⁴</p>

13. See page 106 of the Target's Statement

14. See the 2017 Annual Report of Glencore plc dated 1 March 2018

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

Taking into account the actual cost of debt of Realm and a more realistic beta for the reasons set out above, the Bidder believes a more appropriate discount rate of at least 11% should have been applied.

(c) **Adjusted cash position and rehabilitation assumptions**

Realm has a A\$77 million debt to the Taurus Mining Finance Fund in the form of a performance guarantee facility issued to the State Government (**Performance Guarantee**). This Performance Guarantee is to secure certain obligations which Realm owes to the State Government regarding rehabilitation of the Foxleigh mine.

Realm is contractually required to provide the Performance Guarantee or some other form of collateral to the State Government. As such, if Realm did not have access to the Performance Guarantee or a replacement bank guarantee, it would need to provide cash to the State Government as collateral for the rehabilitation costs.

The Bidder does not believe that the cost of the Performance Guarantee or, alternatively, the cost of providing cash collateral to the State Government has been factored into the valuation and that the approach used in the IER is inappropriate. Whilst this is not a borrowing to be repaid by Realm unless the underlying guarantee is drawn, it should still be factored into the valuation of the equity in Realm by reducing the net cash position as a senior secured obligation.

The Bidder has calculated the valuation impact of the Performance Guarantee by taking account of Realm's need to cash-collateralise its share of mining rehabilitation obligations upon the expiry of the Performance Guarantee on 31 January 2019. This cash would be returned over the life of the Foxleigh mine as rehabilitation and other liabilities reduce. In an aggregate sense the cash flows net to zero but in a time value sense there is a significant negative value. Assuming the cash is returned gradually over time pro rata against the remaining liabilities, the Bidder estimates a value reduction of A\$31.2m (or ~A\$0.12 per Realm Share) after adding back the financial assurance costs assumed in the IER.¹⁵

Finally, Realm Shareholders should note that the Taurus Mining Finance Fund is not a related entity or associate of the Bidder. As such, it should be considered in the same way as any other third party debt of Realm.

(d) **Katingan Ria project**

The Bidder notes that the Independent Expert has selected a valuation range of A\$9 million to A\$12 million for the Katingan Ria project.

The Technical Expert identifies some fundamental risks associated with the Katingan Ria project, as follows:

- (i) *"Although the Project as proposed in 2011 has gained in principle acceptance as an 'environmentally feasible' activity, SRK considers that there is some uncertainty as to the validity of the 2011 AMDAL approval for the Project as currently defined."*¹⁶
- (ii) *"The most significant risk to the Katingan Ria Project is the proposed development of the adjacent power station. SRK understands that there is currently no certainty as to the likely timing that such a power station may be built nor any discussions as to the likely conditions that may be attached to such a power station taking coal from the Katingan Ria Project."*¹⁷
- (iii) *"The processing risks associated with the equipment capacity and capital cost estimates were not able to be assessed"*.¹⁸

The Bidder believes that these risks are not appropriately reflected in the chosen valuation range which is based on a net present value assessment that assumes first coal production is achieved within two years. The Bidder believes that this assessment does not reflect the fact that the project is currently only pre-feasibility stage, carries significant permitting uncertainty and its lack of a local partner for which the preferred development strategy (ie. construction of an adjacent power station) is reliant upon.

15. Page 93 of the Target's Statement.

16. Page 171 of the Target's Statement.

17. Page 171 of the Target's Statement.

18. Page 171 of the Target's Statement.

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

Further, the Bidder notes that Realm's latest audited financial statements dated 31 December 2017 includes a lower valuation of A\$5.9 million for the Katingan Ria project. In light of the material risks set out above, the Bidder believes this is a more appropriate value to be ascribed to this project and is the figure included in the Bidder's valuation set out in section 3.6 of this Third Supplement.

3.6 BIDDER'S VIEW ON THE VALUATION OF REALM

The Bidder sets out below its sum of the parts valuation of Realm addressing each of the concerns set out in sections 3.1 to 3.5.

No.	Valuation component	Bidder assumed value	Source
1	Foxleigh (100% basis)	US\$200–US\$241 million ¹⁹	Page 95 of the Target's Statement – see Base Case valuation of Foxleigh using an 11% discount rate and US\$90 to 95 per tonne long term benchmark PCI coal prices
2	Foxleigh (70% basis)	A\$185.8 to A\$223.9 million	Bidder calculation using reference point specified in row 1 above at the relevant exchange rate
3	Katingan Ria (51%)	A\$5.93 million	Realm book value as at 31 December 2017 as described in section 3.5(e) of this Third Supplement
4	Alumicor (74%)	A\$3.0 million	Mid-point of the Independent Expert's range set out in page 65 of the Target's Statement
5	Crometco (45m shares)	A\$0.58 million	Market price as at 11 May 2018
6	Net Cash	A\$75.9 million	Realm reported cash balance of A\$100.9 million as at 31 March 2018 less A\$25.0 million allowance for tax liability as set out in page 66 of the Target's Statement
7	Corporate Costs	(A\$10.5 million)	Mid-point of the Independent Expert's range set out in page 65 of the Target's Statement
8	Bank Guarantee Funding	(A\$31.15 million)	As described in section 3.5(iii) of this Third Supplement
9	Equity value of Realm (unadjusted)	A\$229.6–A\$267.7 million	Calculated based on figures in rows 1 to 8 above
10	Number of Ream Shares outstanding	252,926,162	See Appendix 3C lodged by Realm on 14 May 2018
11	Equity value per Realm Share (unadjusted)	A\$0.91–A\$1.06 per share	Aggregate value in row 9 dividend by number of outstanding Realm Shares specified row 10

19. USD figures have been converted to AUD using the Reserve Bank of Australia AUD/USD spot exchange rate 0.7534 and ZAR figures have been converted to AUD using a ZAR/AUD exchange rate of 0.10747 both as of 11 May 2018

3 MATERIAL ISSUES WITH INDEPENDENT EXPERT'S REPORT CONTINUED

We note that consistent with ASIC regulatory guidance,²⁰ the Independent Expert did not apply a minority interest or marketability discount when valuing Realm Shares as set out in the IER. That being said, the Independent Expert does note that if Realm Shares were to recommence trading on ASX, they would trade at a price reflecting a suitable minority interest and marketability discount.²¹

The Bidder notes that valuation practice when valuing a minority holding is to apply a minority discount to the broader valuation with an additional discount applied for lack of marketability. The Bidder refers to the KPMG Valuation Practices Survey which included a median minority interest discount of 25% (when taking account of the Bidder Group's existing holding in Realm).²²

The impact of such minority interest discount on the value of a Realm Share is set out below with a minority interest discount of 25% assumed by the Bidder.

12	Minority interest discount	25%	As described in section 3.5(e) of this Third Supplement
13	Equity value per Realm Share (adjusted)	A\$0.68 to \$0.79 per share	Calculated using equity value per Realm Share set out in row 11, subject to the discount set out in row 12.

The Increased Cash Consideration represents a 26% to 46.9% premium to this valuation range once a minority interest discount is applied.

20. Paragraph RG 111.11(b) of ASIC regulatory guide 111 (*Contents of expert reports*)

21. See page 67 of the Target's Statement.

22. <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/valuation-practices-survey-2017.pdf>

4

BIDDER COMMENTS ON TARGET'S STATEMENT

4.1 LIKELIHOOD OF DELISTING FROM ASX

It is ASX's policy to remove from the official list any entity whose securities have been suspended from trading for a continuous period of 3 years. As such, in the event:

- Realm does not request (or is not granted) approval to delist upon request or following a 'successful takeover bid'; and
- the capital raise does not proceed or is not successful such that Realm is unable to recommence trading (noting the Bidder's intentions regarding a capital raise set out in section 2 above),

then it is entirely plausible that Realm will remain suspended for the foreseeable future and will be automatically removed from the official list on the third anniversary from the last date the shares traded (being 14 July 2020).

As such, if the Bidder does not acquire enough Realm Shares to allow it to proceed to compulsory acquisition, it is very likely that remaining Realm Shareholders will be left with highly illiquid shares in a Company which has a very large substantial shareholder with a majority of nominee directors on the Board.

4.2 OTHER LIQUIDITY OPTIONS

The Company has presented three alternative paths to liquidity rather than accepting the Offer, as follows:

Liquidity Option	The Bidder's assessment of the likelihood that this liquidity option will eventuate
Relisting of Realm Shares on ASX	LOW For the reasons set out above, the Bidder believes it is highly unlikely that the Realm Shares will be relisted on ASX.
Participating in a transaction with the Bidder Group as it exits its fund position	LOW The currently maturity date of the T2 Fund is 2019, but that is subject to a further period of 24 months during which the fund can realise its assets. Further, the T2 Fund can postpone the sale of assets past this window, subject to investor approval. As such, when weighing up accepting the Offer now (constituting immediate liquidity) versus waiting for participation in a potential transaction with the Bidder Group, Realm Shareholders should note that any such transaction (if it occurs at all) would likely not occur until earlier than 2021, and potentially even later.
Continuing to hold Realm Shares and receive dividends	LOW We refer to page 73 of the Target's Statement which explicitly states that Realm has no intention to pay any dividends in the near term. Furthermore, Realm Shareholders should note that Realm has not paid a dividend since 1999. As such, Realm Shareholders should consider that the likelihood of receiving distributions on Realm Shares as very low when weighing that up against the benefits of accepting the immediate liquidity event via the Offer.

4 BIDDER COMMENTS ON TARGET'S STATEMENT CONTINUED

4.3 MISLEADING INFORMATION ON TARGET'S STATEMENT REGARDING PRICE OF HCC AND PREMIUM HCC

We refer to section 1.3 on pages 10 to 12 of the Target's Statement in which the Target discusses recent uplifts in hard coking coal (**HCC**) prices and premium hard coking coal (premium HCC) prices and compares the price of HCC and premium HCC to the recent share value of Realm.

Realm Shareholders should not be misled by this information in the Target's Statement – none of Realm's assets produces HCC or, indeed, premium HCC. The Company's assets produce low volume pulverised coal injection metallurgical coal (**LV PCI**). Even the Independent Expert's valuation is based on the price of LV PCI, not HCC or premium HCC.

As such, Realm Shareholders should disregard any information in the Target's Statement regarding the correlation between HCC or premium HCC and the value of Realm.

5 HOW TO ACCEPT

The Offer may only be accepted for all of your Realm Shares. You may accept the Offer during the Offer Period in the manner specified below. How you accept the Offer depends on whether your Realm Shares are in a CHESS Holding or an Issuer Sponsored Holding. Your personalised Acceptance Form outlines which type of holding you have.

- **If you hold your Realm Shares in an Issuer Sponsored Holding** (your SRN starts with an “I”), to accept the Offer you must complete, sign and return the enclosed personalised Acceptance Form in accordance with the instructions on it and lodge it by returning it (together with all other documents required by the instructions on your personalised Acceptance Form) in the reply paid envelope provided or to the address indicated on the form (and set out below) so that your acceptance is received before the end of the Offer Period.
- **If you hold your Realm Shares in a CHESS Holding** (your HIN starts with an “X”), to accept the Offer you must comply with the ASX Settlement Operating Rules by doing one of the following:
 - (i) instruct your Controlling Participant (usually your broker) to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in sufficient time for the Offer to be accepted before the end of the Offer Period. Acceptances must be received by 7pm (Sydney time) on the last day of the Offer Period, unless the Offer Period is extended; or
 - (ii) complete and sign the accompanying personalised Acceptance Form and send it (together with all other documents required by the instructions on the form) directly to your Controlling Participant (usually your Broker) in sufficient time for the Offer to be accepted before the end of the Offer Period with instructions to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period. Acceptances must be received by 7pm (Sydney time) on the last day of the Offer Period, unless the Offer Period is extended; or
 - (iii) complete, sign and return your personalised Acceptance Form in accordance with the instructions on it and lodge it by returning it to the address indicated on the Application Form (and set out below) in sufficient time so that your acceptance is received before 7pm (Sydney time) on the second last day of the Offer Period, unless the Offer Period is extended. This will authorise the Bidder to instruct your Broker or other Controlling Participant to initiate acceptance of the Offer on your behalf.
- **If you are a Broker or an ASX Settlement Participant**, to accept the Offer you must initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period. Acceptances must be received by 7pm (Sydney time) on the Closing Date, unless the Offer Period is extended.
- **If some of your Realm Shares are held in an Issuer Sponsored Holding and some in a CHESS Holding**, if you wish to accept the Offer you will need to accept the Offer separately for each holding. Paragraphs 4.3(a) and 4.3(c) of the Offer Terms in Appendix 1 of the Original Bidder’s Statement contains further information on how to accept the Offer.

The postal and delivery addresses for your completed personalised Acceptance Form are as follows.

BY POST

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001
Australia

A reply paid envelope (for use by Realm Shareholders within Australia) is enclosed for your convenience.

The transmission of your personalised Acceptance Form and other documents is at your own risk.

For full details see section 4 of the Offer Terms in Appendix 1 of the Original Bidder’s Statement.

6 NEXT STEPS

The Bidder encourages Realm Shareholders to accept the Offer as soon as possible. The Offer will remain open for acceptance until 7:00pm (Sydney time) on 1 June 2018 (unless further extended under the Corporations Act). We enclose an additional personalised acceptance form for your convenience.

Full details of how to accept the Offer are contained in section 5 of this Third Supplement.

7 AUTHORISATION

This Third Supplement has been approved by a resolution passed by all of the directors of T2 Resources Fund Pty Limited.

Signed by Martin Boland of the Bidder in accordance with section 351 of the Corporations Act on behalf of T2 Resources Fund Pty Limited.



Martin Boland
Director

ANNEX A

T2 RESOURCES FUND PTY LIMITED ("BIDDER")

NOTICE UNDER SECTIONS 650D and 650F OF THE CORPORATIONS ACT

TO: Realm Resources Limited (ACN 008 124 025) ("**Target**")
Australian Securities & Investments Commission ("**ASIC**")
ASX Limited ("**ASX**")

In accordance with ASIC Class Order CO 13/521, to those persons shown as holders of Realm Shares in the register of members of Realm as at 3 May 2018, and to each person to whom an Offer was made pursuant to the Bidder's Statement dated 23 February (as supplemented) by the Bidder ("**Realm Shareholder**")

1 INCREASE OF CONSIDERATION

The Bidder gives notice under section 650D of the Corporations Act 2001 (Cth) (the "**Corporations Act**") that it varies the Offer by increasing the Cash Consideration to \$1.00 for each Realm Share.

The increased price will apply to all Realm Shareholders who accept the Bidder's Offer, including Realm Shareholders who have already accepted the Offer on or before the date of this notice.

Realm Shareholders who have withdrawn their acceptance will need to complete and lodge a further Acceptance Form in order to accept the Offer and obtain the increased Cash Consideration.

2 WAIVER OF DEFEATING CONDITION

The Bidder gives notice under section 650F of the Corporations Act that:

- (a) the Offer and any contract resulting from acceptance of the Offer is free from the Condition relating to the Employee Securities set out in paragraph (b) of Appendix 2 of the Bidder's Statement.
- (b) as of 14 May 2018, Bidder's voting power in Target is 86.53%.¹

Unless the context requires otherwise, defined terms in the Bidder's Statement dated 23 February 2018 (as supplemented on 14 March 2018, 15 March 2018 and 15 May 2018) have the same meaning in this notice.

A copy of this notice was lodged with ASIC on 15 May 2018. ASIC takes no responsibility for the contents of this notice.

This notice is dated 15 May 2018.



Signed by _____ **on behalf of T2 Resources Fund Pty Limited**

¹ This figure is based on the revised number of Realm shares disclosed in the Appendix 3C lodged with ASX by Realm on 14 May 2018.

