

Company Announcements
ASX Limited
By Electronic Lodgement
30 August 2016

Foxleigh Transaction

Highlights

- **Realm Resources Limited (ASX: RRP) (“Realm or Company”) (Taurus Resources Fund No. 2 - 87.8%) announces that its 99.9% owned subsidiary Middlemount South Pty Ltd (“Middlemount”) has completed the Foxleigh Transaction (“Transaction”) with Anglo American Metallurgical Coal Assets Pty Ltd (“Anglo”).**
- **The Transaction comprises:**
 - **acquisition of a 70% interest in the Foxleigh Coal Mine (“Foxleigh”), and a 100% interest in EPC 855; and**
 - **acquisition of 100% of EPC 1669.**
- **Foxleigh is an open cut mining operation located near the town of Middlemount in Central Queensland’s Bowen Basin coalfield. The mine produces high quality low-volatile pulverised coal injection (PCI) coal.**
- **Foxleigh is 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.**
- **Realm and Middlemount have strengthened their corporate capabilities with new board and management appointments.**

1. Foxleigh

Foxleigh Mine is located in Queensland’s Bowen Basin coalfield, 12km south of Middlemount and 272km northwest of Rockhampton (see Figure 1). The mine was established in 1999 as an open cut operation producing benchmark quality, low volatile PCI coal for the export market. Saleable production in CY 2015 (100% basis) was ~2.6 million tonnes.

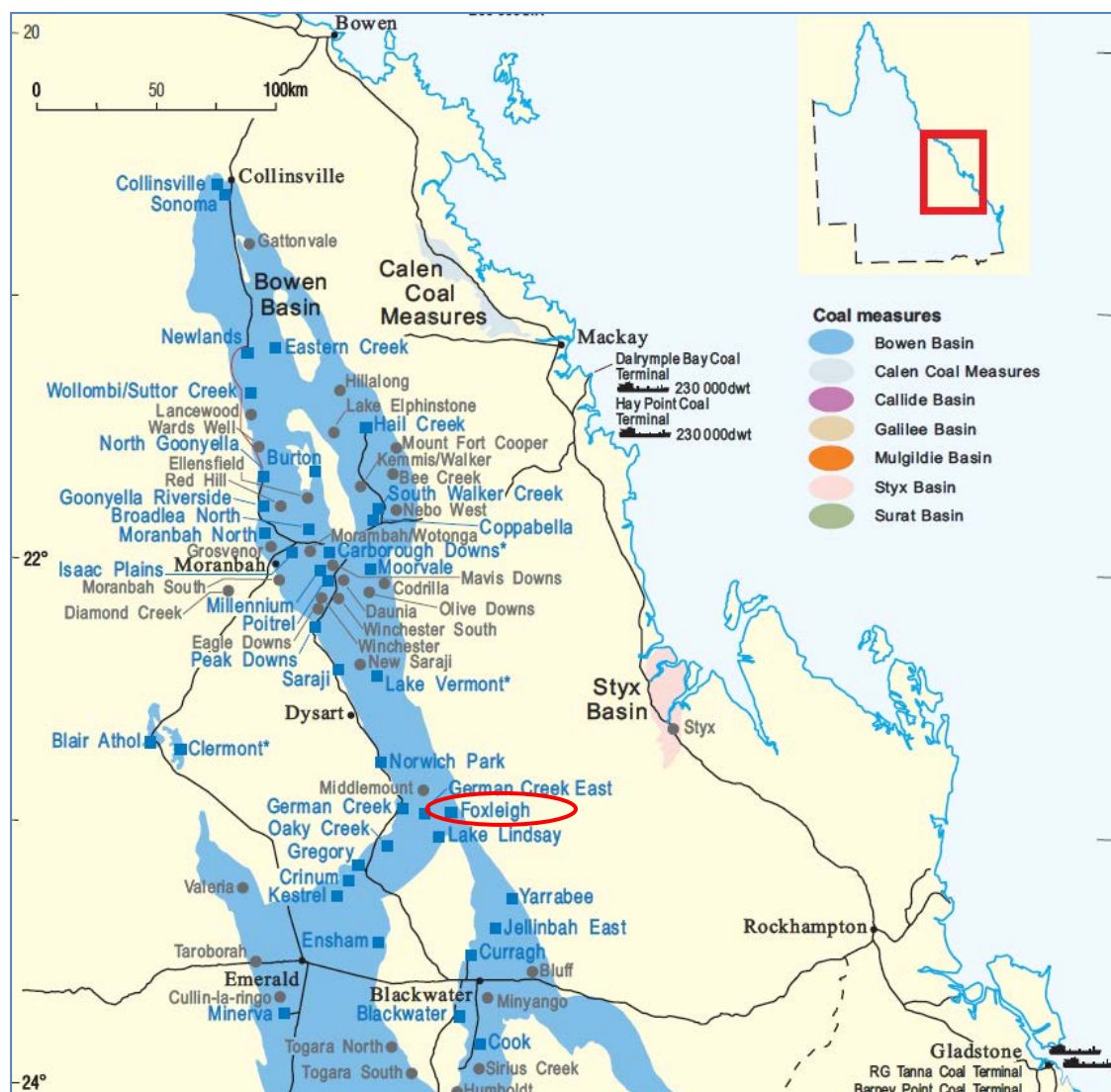
Mining is undertaken using the truck and shovel method with raw coal delivered to Foxleigh’s coal handling and preparation plant (“**CHPP**”) for washing. The CHPP has processing capacity in excess of 4Mtpa of raw coal.

Product coal is hauled 27km on a private haul road to a dedicated train loading facility located alongside the Capcoal rail loop and is then railed 280km to the Dalrymple Bay Coal Terminal (“**DBCT**”) at the Port of Hay Point near Mackay, Queensland.

Foxleigh has a diversified base of longstanding customers in key export markets including South Korea, China, Taiwan and Japan.

Relevant organisational and corporate arrangements are shown in Appendix A.

Figure 1: Foxleigh Location and Infrastructure Map



Source: Queensland Government – Department of Mines and Energy

2. Transaction Overview

Under the Transaction, Middlemount has acquired 100% of the shares in Foxleigh Coal Pty Limited (“FCL”) and 100% of EPC 1669 tenement from Anglo. FCL owns 70% of the Joint Venture and 100% of EPC 855.

As part of the Transaction:

- Bank guarantees totalling A\$85.3m have been put in place on a back to back basis to Anglo to cover the underlying guarantees as follows:
 - a) in favour of the State of Queensland in respect of the mining licences of the Joint Venture and the EPC’s; and
 - b) in favour of various counterparties to Joint Venture contracts.

- The Company has paid A\$43.7m cash to Anglo. A further working capital adjustment may be payable in 80 days, subject to a dispute period.
- FCL will pay Anglo 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:
 - if ACPA is greater than A\$105 per tonne then a payment of A\$1.00 per tonne; or
 - if ACPA is greater than A\$115 per tonne then a payment of A\$2.00 per tonne; or
 - if ACPA is greater than A\$130 per tonne then a payment of A\$3.00 per tonne.

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

- 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.

3. Funding

Realm has provided the funding for Middlemount’s Transaction through the following two funding arrangements:

Bridge Loan

Facility Amount	A\$50m
Borrower	Realm Resources Limited
Lender	Taurus Resources Fund No. 2
Term	12 months
Arranging Fee	2.5% of Facility Amount (capitalised)
Interest Rate	10% per annum (capitalised)
Security	Unsecured
Other Key Terms	<ul style="list-style-type: none"> - Bullet repayment at maturity - Facility denominated in A\$ terms - Facility currently A\$43.7m drawn

Performance Guarantee and Working Capital Facility

Facility Amount	US\$98.5m available in two tranches: <ul style="list-style-type: none"> - Performance Guarantee Facility US\$78.5m - Working Capital Facility US\$20.0m
Borrower	Middlemount South Pty Limited
Lender	Taurus Mining Finance Fund
Term	24 months
Arranging Fee	3.0% of Facility Amount
Interest Rate	9% per annum
Security	Secured

Other Key Terms	<ul style="list-style-type: none"> - Non-amortising - Facility denominated in US\$ terms - Taurus Mining Finance Fund granted a 1.0% gross revenue royalty on Realm's share of saleable coal production - No financial covenants - Performance Guarantee Facility currently US\$64.5m drawn - Working Capital Facility currently US\$4.4m drawn
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Following completion of the Transaction and related financing arrangements, Realm has a pro-forma cash balance in excess of A\$25m.

The Company intends to re-finance any outstanding amounts under the Bridge Loan via an equity raising to be undertaken during the coming year and has mandated Morgans Corporate Limited to assist in this regard. Taurus Resources Fund No. 2 has indicated its support to act as a sub-underwriter for any equity raising. Further details on Realm's equity raising plans will be provided in due course.

4. Corporate Arrangements

Middlemount is a 99.9% owned subsidiary of Realm, which is in turn 87.8% held by Taurus Resources Fund No. 2.

As a result of the 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**").

Foxleigh is governed by the Foxleigh Joint Venture Agreement ("**Foxleigh JVA**") to which FCL, CAML (Middlemount & POSCO), and Nippon are counterparties.

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

Under the Foxleigh JVA, upon a change in control of a joint venturer, the other joint venturers have the option (within 60 days) to elect to acquire the joint venture interest of the participant, which is the subject of a change in control. The option can only be exercised for all of the joint venture interest. The valuation for the interest is to be determined after the option is exercised – either by agreement or, failing that, by independent valuation.

Under the CAML shareholder arrangements in place, POSCO has the option to acquire some or all of the shareholding of FCL in CAML at an independent valuation on a change in control of CAML.

5. Effects on the Company

The Transaction is expected to have an effect on the Company's financial position, however the Company is not in a position at this stage to provide accurate and complete guidance as to the likely impact on the Company's revenue or profitability until Middlemount's JORC report on reserves and resources is completed. Middlemount will undertake the necessary geological assessments and studies required in accordance with the JORC 2012 code to verify the estimates provided by Anglo as soon as practical and is confident that JORC 2012 reserve and resource estimates, together with the corresponding competent person's statement, will be completed by the end of Q4 2016.

As the Transaction is debt financed there will be no immediate impact on the total equity interests of the Company. The total assets of the Company are likely to increase by approximately A\$64m (including cash), with a corresponding increase in liabilities.

Middlemount intends to conduct a detailed review of Foxleigh operations commencing immediately. When this is completed, the Company will advise the likely effect of the Transaction on the financial position of the Company.

6. Board and Management Appointments

Board and management appointments have been made as follows:

- Mr Gordon Galt has been appointed as the Non-Executive Chairman of Realm;
- Mr Richard Rossiter remains as an Executive Director of Realm;
- Mr Peter Briggs has been appointed as the Chief Executive Officer of Middlemount; and
- Mr Scott Graham has been appointed as the Chief Operating Officer of Middlemount.

Gordon Galt (Non-Executive Chairman)

Gordon is a mining engineer with extensive coal industry experience in Australia since the early 1970's. In Queensland he worked at South Blackwater, gaining his First Class Mine Manager's qualifications in 1976, then was one of the key early development team members at Capcoal German Creek in 1977. He was initially Open Cut Manager then Mine Manager at Central Colliery - Queensland's first longwall mine and for many years Australia's most productive underground coal mine. He was then Development Manager for Southern Colliery, also at German Creek in 1987. In 1991, Gordon was appointed Operations Manager at Ulan Coal in NSW. He became General Manager at Ulan in 1993, then Managing Director at Cumnock Coal in 1996 before roles as Managing Director with Newcrest Mining and in investment banking with ABN AMRO. Gordon is currently Chairman of Nucoal Resources Limited and Lefroy Exploration Limited and is a Non-Executive Director of Finders Resources Limited.

Peter Briggs (Middlemount South Interim CEO)

Peter is a mining engineer with 20 years' experience in the coal industry and another 15 years in banking which has included advising on numerous coal and related infrastructure projects. Peter is an experienced operator of coal mines in South Africa, USA and Australia. Peter has worked for AEI Resources Inc (Kentucky), Cyprus Amax Coal Company (Colorado) and AMCOAL (South Africa). At Cyprus he headed up the Business Improvement

process for the Lithgow region (540 employees) and ran the 2Mtpa Clarence Colliery with a workforce of 330 employees. At the Commonwealth Bank of Australia, he financed numerous coal and port transactions, including NCIG II (2010) Felix Resources, Port Waratah Coal Services, Macarthur Coal, the Ashton underground mine and Western Canadian Coal Corp. He also has a detailed knowledge of port infrastructure with his financing of Wiggins Island Coal Export Terminal Pty Ltd (WICET).

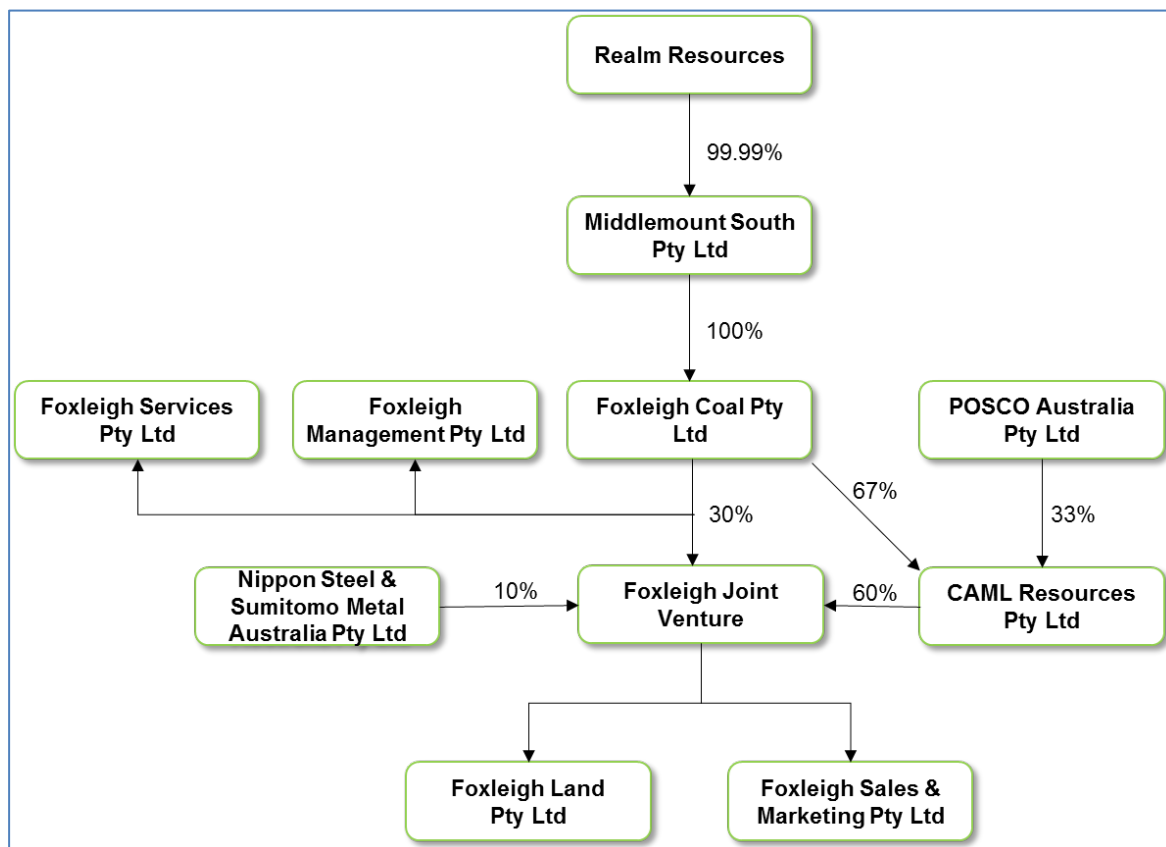
Scott Graham (Middlemount South Chief Operating Officer)

Scott is a qualified mining engineer and Site Senior Executive (SSE) with extensive open cut coal mining experience in Australia and Indonesia since the early 1990's. In Queensland, he worked as an engineer and production superintendent at Gregory, Blackwater and Goonyella mines with what is now BMA. He has also worked for New Hope Coal, Thiess Indonesia, Dyno Nobel, Downer EDI Mining and Middlemount Coal in a variety of engineering and management roles. He gained his Limited Mine Manager's qualifications in 2000 and since 2006, has been an SSE at Millennium, Grosvenor Construction, Ensham and BMA Exploration.

About Realm

Information on Realm Resources Limited is available on the Company's website at www.realmresources.com.au. For further information, please contact Mr Richard Rossiter (Executive Director) by email at richard.rossiter@realmresources.com.au.

Appendix A – Foxleigh Ownership Details



Source: Realm Resources