

Company Announcements  
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By Electronic Lodgement

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Dear Sir/Madam

## **KATINGAN RIA COAL PROJECT – PROGRESS UPDATE**

- **Engagement with potential strategic and off take partners accelerating**
- **Recent recovery in the coal price for expected Katingan Ria coal quality**
- **Final forestry permitting on track for completion in H2 2013**

**Realm Resources Ltd. (ASX: RRP) (“Realm” or the “Company”)** is pleased to provide an update on recent progress at the Katingan Ria project in Kalimantan, Indonesia, as well as the market outlook for its thermal coal product.

Following the recent completion of the Feasibility Study, the Company has focussed on securing strategic off take partners and financing for the project, and advancing the final stages of permitting.

Engagement with potential strategic partners and investors has accelerated with updates to the data room and assisted by a gradual recovery in the price of Katingan Ria 4,200kcal GAR coal to around US\$43/t. This is now above the base case Life of Mine FOB cash cost forecast of \$41.23/t and the cost forecast for the initial five years of US\$37.62/t.

On the permitting front, the Company has taken key steps towards upgrading the ‘In-Principle’ Forestry (*Izin Pinjam Pakai*) Operations permit to a Final Forestry Operations permit in H2 2013, thereby allowing the Company to progress with coal mining operations and production.

Commenting on the update, Chairman Richard Rossiter said, “We are encouraged by recent progress at Katingan Ria, coinciding with the gradual strengthening of regional markets for its coal product. Together with our partners, we remain committed to bringing Katingan Ria on stream as a simple, low cost, 2.5Mtpa operation in the near term”.

## Introduction

Katingan Ria (RRP 51%), which is located in Central Kalimantan Indonesia, is shaping up as a simple, open-cut operation that will supply low ash and low sulphur coal ideally suited for modern Indian and Chinese power generation.

The coal project is located near the town of Tumbang Samba in Central Kalimantan, Indonesia (Figure 1). The project is planned as a 2.5Mt pa open cut mine with coal hauled approximately 40km - 45 km to a stockpiling and barge loading facility on the Katingan River. Barges will then transport coal 435 km from the stockpile area to the river mouth for transshipment into coal ships for delivery to market. Coal is planned to be sold “unwashed”, meaning there is no metallurgical treatment required to achieve a saleable product.

**Figure 1: Project Location**



## **Strategic partner, off take and financing update**

Engagement with potential strategic partners and investors has accelerated with the completion of the Feasibility Study, updates to the data room and a gradual recovery in price of Katingan Ria 4,200kcal GAR coal.

Importantly, PT PLN (PERSERO), the Indonesian State owned Electricity Corporation (“PLN”), has issued a Request For Proposal (RFP) to preselected bidders for construction and operation of two 100 Mw power stations near Kasongan in Central Kalimantan some 135km downstream from the Project’s proposed Upper Stockpile (see Figure 1). Katingan Ria coal specifications are ideally suited for the power station furnaces. RRP is in discussions with several of PLN’s invitees, with bids due in Q3 2013, and coal supply by 2016/7. Bidders are required to secure coal for the power stations and PLN will be part of the supplier selection process and be the off-taker for the power produced.

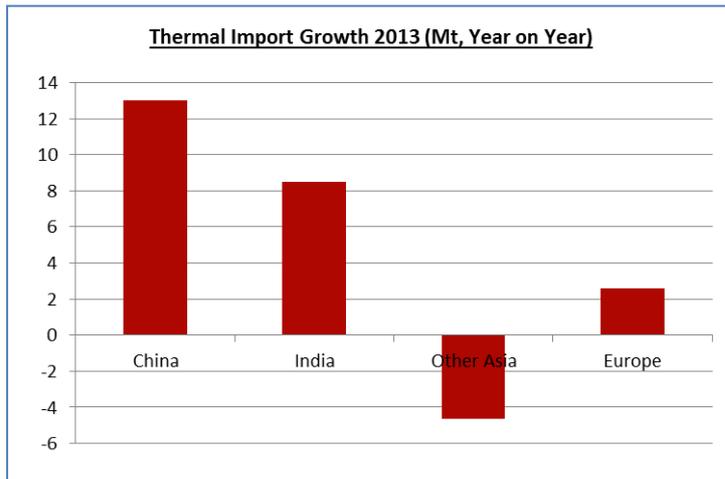
In addition, RRP is in discussions with other potential strategic partners and off takers and will provide further updates as matters progress.

## **Coal market and price update**

The global seaborne market continues to be dominated by China and India on the demand side, and Indonesia and to a lesser extent, Australia on the supply side (Salva Quarterly Thermal Coal Market Wrap – Q1 2013) (Figure 2 and 3). Indonesian supply has continued to grow strongly despite the decline in thermal coal prices, and together with the USA is keeping a lid on prices.

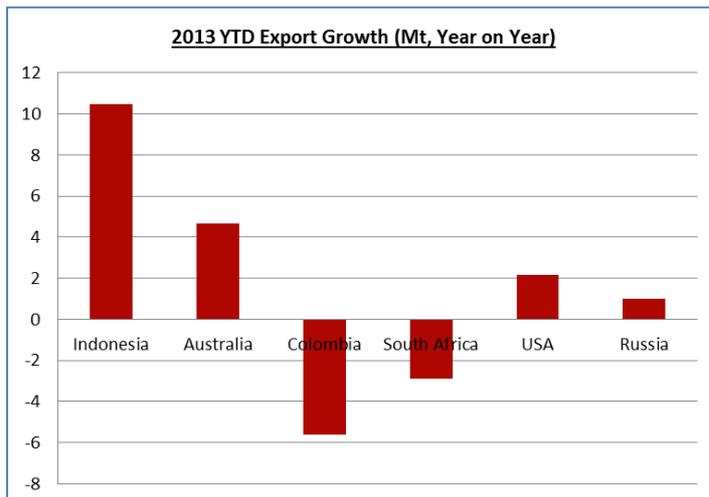
Interestingly, the demand growth in China and India has been in lower CV coals (sub 4,800kcal GAR), with demand for higher CV coals flat in these markets. This, in addition to weaker demand for traditional higher quality coal markets in the region (Japan, Korea, Taiwan), has led to higher CV coal prices easing while the lower CV prices have continued to rise steadily (Figure 4).

Figure 2: Thermal Import Growth Q1 2013



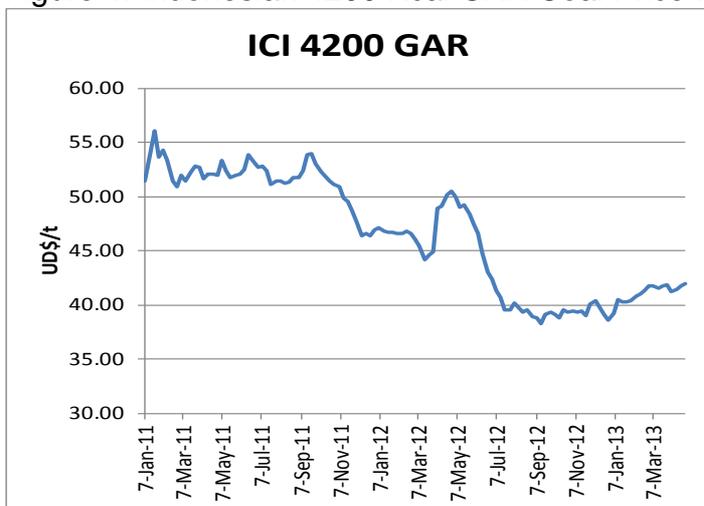
Source: Salva Report May 2013

Figure 3: Thermal Export Growth Q1 2013



Source: Salva Report May 2013

Figure 4: Indonesian 4200 Kcal GAR Coal Price Index



Source: Argus

In the Company's recently announced Feasibility Study and JORC Reserve reports, a long term coal price of US\$52/t for Katingan Ria 4,200kcal GAR coal has been used (note: based on an internal Market Study by Salva Resources in November 2012, this equates to a long term Hunter Valley coal price of around \$104/t).

Recently, prices for 4,200 kcal GAR coal have risen to around US\$43/t. While this is below the assumed long term forecast of US\$52/t, the price is above the forecast project base case FOB cash cost, particularly in the early lower cost years (Table 1). The operating cost in the initial years is lower due to mining targeting the low strip ratio areas in the south of the mining permit area. In the base case, the average operating cost over the first five years is \$37.62/t excluding royalties (\$39.37/t including royalties), while the LOM average operating cost is \$41.23/t excluding royalties (\$42.68/t including royalties).

Table 1: First Five Years Operating Cost Summary for Base Case, Excluding Royalty

Item	Y1 (\$/t)	Y2 (\$/t)	Y3 (\$/t)	Y4 (\$/t)	Y5 (\$/t)	Average
Mining Costs	17.26	17.67	15.42	16.31	18.11	<b>16.85</b>
ROM Stockpile and Crushing	3.50	3.50	3.50	3.50	3.50	<b>3.50</b>
Barging and Transshipment	13.34	14.96	15.35	16.04	16.04	<b>15.51</b>
Overheads	1.02	1.18	1.22	1.22	1.22	<b>1.20</b>
Other	0.87	0.81	0.53	0.48	0.48	<b>0.57</b>
<b>Total</b>	<b>35.99</b>	<b>38.13</b>	<b>36.02</b>	<b>37.54</b>	<b>39.35</b>	<b>37.62</b>

### Status of permitting

The permitting phase, which has taken longer than initially forecast, is nearing completion with the last remaining forestry permit (Final Forestry permit or *Izin Pinjam Pakai*), on track for approval in H2 2013. A summary of the progress to date is as follows:

PT Katingan Ria (“**PTKR**”) obtained its exploration mining license (formerly called *Kuasa Pertambangan Eksplorasi*) on 23 December 2008 for the mining area of 5,053Ha in the District of Marikit and Senaman Mantikei, Regency of Katingan, Province of Central Kalimantan. The mining license, in compliance with the Mining Law No. 4 of 2009, has been upgraded and converted into an Operation Production Mining License (*Ijin Usaha Pertambangan Operasi Produksi*) No. 545/222/KPTS/VIII/2011 dated 9 August 2011 for the area of 4,258Ha.

In order to comply with environmental regulations and requirements, PTKR completed its environmental analysis document (*Analisa Mengenai Dampak Lingkungan or AMDAL*) along with its environmental management plan (*Rencana Kelola Lingkungan*), environmental monitoring plan (*Rencana Pemantauan Lingkungan*) and feasibility study, all of which were approved under the Bupati approval No. 660.1/155/KPTS/V/2011 dated 6 May 2011.

According to the national spatial map, the whole of the mining area of the project under the IUP Operation Production is included within a production forestry area. Therefore, prior to commencing the exploration activities, PTKR first obtained the Borrow to Use Forestry Permit (*Izin Pinjam Pakai*) Exploration from the Minister of Forestry under No.SK. 610/Menhut-II/2010 dated 1 November 2010 for 2,680.79 Ha and No. SK.355/Menhut-II/2011 dated 24 June 2011 for 1,600 Ha.

To allow PTKR to carry out coal mining operations and production, PTKR must obtain a Borrow to Use Forestry Permit (*Izin Pinjam Pakai*) from the Minister of Forestry, the application was lodged on 29 January 2012. PTKR received an In-Principle approval of the Borrow to Use Forestry Permit (*Izin Pinjam Pakai*) from the Minister of Forestry under its Decree No. S.515/Menhut-VII/2012 dated 7 November 2012 for the total area of 3,058.25Ha. The Borrow to Use Forestry Permit (*Izin Pinjam Pakai*) will be granted in stages with the first stage to be given for 1,000Ha. The In-Principle approval of the Borrow to Use Forestry Permit (*Izin Pinjam Pakai*) letter signed by the Ministry of Forestry outlines the following steps to be taken by PTKR prior to the granting of the final Borrow to Use (*Izin Pinjam Pakai*); namely:

1. the completion of the baseline survey for the Borrow to Use area, which includes:
  - a. conducting a boundary marking of the 1,000 ha area;
  - b. conducting a timber inventory within the 1,000 ha area;
2. determine the amount to be paid to the Forestry Department and the forestry concession holders for any trees that may be used during the Borrow to Use period;
3. the adjustment and finalisation of the Forestry Rehabilitation Work Plan which is dependent on the base line survey; and
4. the notarisation of all formal documents for the Pinjam Pakai Permit.

At this stage, boundary marking and timber inventory surveys have been completed. The Company is currently progressing discussions with the forestry concession holders and the Department of Forestry aimed at completing all activities for the submission of the final Borrow to Use Permit or Pinjam Pakai towards mid 2013, and is targeting H2 2013 for the granting of the final Borrow to Use (*Izin Pinjam Pakai*) permit. Once granted, the Katingan Ria coal project is essentially permitted for coal mining operations and production.

Table 2: PT Katingan Ria – Permitting Status

Licence	Status	Maximum Area	Additional requirements
IUP Exploration	Granted on 23 December 2008	5,053 Ha	None
IUP Operation Production ( <i>IUP Operasi Produksi</i> )	Upgraded on 9 August 2011	4,258 Ha	<i>Izin Pinjam Pakai</i> shall be obtained prior to commencement of the operation and production activities.
Environmental document ( <i>AMDAL</i> )	Approved 6 May 2011		None
<i>Izin Pinjam Pakai</i> Exploration	Initially granted on 1 November , thereafter on 24 June 2011	2,681 Ha and 1,600 Ha	None
In-Principle approval of <i>Izin Pinjam Pakai</i> operation production	Granted on 7 November 2012	3,058.25 Ha	None
<i>Izin Pinjam Pakai</i> operation production	In process	1,000 Ha 1,000 Ha 1,000 Ha	Will be granted in stages with the first stage to be given for 1,000 Ha.  The boundary marking and timber inventory has been completed; finalisation of outstanding steps is underway.

**For further information please contact:**

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**About Realm**

Realm's strategy is to create shareholder value through exploration and development of bulk commodity projects, primarily in coal. In addition, the Company has platinum group metals, advanced exploration projects and an aluminium dross treatment plant in South Africa.