Fifth 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.

On balance, and after having regard to the increase in total cash consideration, to the determination by the Independent Expert that the Revised Takeover Offer is **NOT FAIR BUT REASONABLE**, and to the uncertainty associated with realising alternative liquidity options, the Non-Affiliated Directors unanimously recommend that in the absence of a superior proposal, Realm Shareholders **ACCEPT** the Revised Takeover Offer**.**

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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 (**Fifth 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 and 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 attached the replacement bidder's statement dated 14 March 2018 (**Replacement Bidder's Statement**), a second supplementary bidder's statement dated 15 March 2018, a third supplementary bidder's statement dated 15 May 2018, a fourth supplementary bidder's statement dated 12 June 2018, a fifth supplementary bidder's statement dated 4 July 2018 and a sixth supplementary Bidder's Statement dated 16 July 2018 (**Sixth Supplementary Bidder's Statement**) (collectively, the **Bidder's Statement**).

This document supplements, and must be read together with, Realm's Target's Statement dated and lodged with ASIC on 29 March 2018 (**Original Target's Statement**), Realm's first supplementary target's statement dated 4 May 2018 (**First Supplementary Target's Statement**), Realm's second supplementary target's statement dated 21 May 2018 (**Second Supplementary Target's Statement**), Realm's third supplementary target's statement dated 21 May 2018 (**Third Supplementary Target's Statement**) and Realm's fourth supplementary target's statement dated 5 July 2018 (**Fourth Supplementary Target's Statement**) (together with this Fifth Supplementary Target's Statement, collectively the **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 (**Offer**).

Capitalised terms used in this Fifth Supplementary Target's Statement have the same meaning given to them in the Target's Statement, unless defined otherwise in this Fifth Supplementary Target's Statement or the context otherwise requires. Section 12.2 of the Original Target's Statement sets out certain rules of interpretation, which apply equally to this Fifth Supplementary Target's Statement.

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

A copy of this Fifth Supplementary Target's Statement was lodged with ASIC and provided to ASX on 18 July 2018. Neither ASIC nor ASX or any of their respective officers take any responsibility for the contents of this Fifth Supplementary Target's Statement.

You should read this document in its entirety. The 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.

2. SUPPLEMENTARY INDEPENDENT EXPERT REPORT

The Non-Affiliated Directors confirm that the Independent Expert has provided a supplementary independent expert's report dated 18 July 2018 in response to the Fifth Supplementary Bidder's Statement and the Sixth Supplementary Bidder's Statement which sets out the Bidder's final offer of $1.35 per Realm Share comprised of $1.00 cash per share under the Offer and $0.35 per Realm Share paid as compensation pursuant to an undertaking given to the Takeovers Panel (**Revised Takeover Offer**), a copy of which is set out as Attachment 1 of this Fifth Supplementary Target's Statement (**Supplementary Independent Expert's Report**). It is important that Realm Shareholders read the Supplementary Independent Expert's Report in full.

The Non-Affiliated Directors note that there is **NO CHANGE** to the original valuation of a Realm Share provided by the Independent Expert and the estimated fair market value of a Realm Share (on a control basis) remains at $1.62 to $1.92.

The Non-Affiliated Directors further note that the Independent Expert has:

a) estimated the fair market value (on a minority interest basis) to be $1.25 to $1.48 per Realm Share; and

b) concluded, for the reasons stated in the Supplementary Independent Expert's Report, that the Revised Takeover Offer of $1.35 per Realm Share is **NOT FAIR BUT REASONABLE**.

However, the Independent Expert has stated that the risk profile associated with accepting versus rejecting the Revised Takeover Offer is markedly different and is essentially a matter of the individual risk appetite of each Realm Shareholder. For those Realm Shareholders who have a relatively low risk appetite, they may prefer to accept the Revised Takeover Offer, receiving liquidity through accepting the Revised Takeover Offer and receiving cash proceeds that are certain. For those Realm Shareholders with a higher risk appetite, they may prefer to reject the Revised Takeover Offer and, if they are not compulsorily acquired, wait for realisation of the Bidder Group's investment in Realm, receive such dividends as may be declared in the future and potentially receive a better exit price.

On balance, in the Independent Expert's stated opinion, as Realm Shareholders are likely to receive a small control premium at the low end of the Independent Expert's range and liquidity at a certain price and, recognising the disadvantages and challenges associated with being a minority shareholder where there is such a significant majority shareholder and uncertain path to liquidity, the Independent Expert considers the Revised Takeover Offer to be reasonable.

3. NON-AFFILIATED DIRECTORS' RECOMMENDATION

3.1 Non-Affiliated Directors recommendation

The Non-Affiliated Directors are aware that the decision for Realm Shareholders as to whether or not to accept the Revised Takeover Offer is finely balanced and will depend on the circumstances, investment time horizon and risk tolerance of each individual Realm Shareholder.

On balance, and after having regard to the increase in total cash consideration, to the determination by the Independent Expert that the Revised Takeover Offer is **NOT FAIR BUT REASONABLE**, and to the uncertainty associated with realising the alternative liquidity options, the Non-Affiliated Directors unanimously recommend that in the absence of a superior proposal, Realm Shareholders **ACCEPT** the Revised Takeover Offer.

The remaining directors of Realm make no recommendation to Realm Shareholders in relation to the Revised Takeover Offer due to their interests with the Bidder Group.

3.2 Why the Non-Affiliated Directors recommend you ACCEPT the Revised Takeover Offer

Realm Shareholders with a shorter-term investment time horizon and lower risk tolerance should **ACCEPT** the Revised Takeover Offer, in the absence of a superior proposal, to take advantage of the nearer-term liquidity and certainty of receipt of cash proceeds.

Reasons why Realm Shareholders might choose to **ACCEPT** the Revised Takeover Offer include:

1) **The Independent Expert has determined the Revised Takeover Offer to be not fair but reasonable**

   The Revised Takeover Offer provides cash consideration in line with the Independent Expert's fair market value range (on a minority interest basis) of $1.25 to $1.48 per Realm Share. The Independent Expert's Report on the initial Offer of $0.90 per Realm Share did not include a valuation on a minority interest basis.

   The Independent Expert considered that the value of a Realm share is more likely to be in the lower half of the fair market value range (on a minority interest basis) of $1.25 to $1.48 per Realm Share. Accordingly, the Independent Expert considered that it was likely that the Revised Takeover Offer includes a small control premium.

2) **The Revised Takeover Offer provides a near-term liquidity opportunity to monetise your shareholding in Realm by receiving cash**

   The total cash consideration of $1.35 per Realm Share in the Revised Takeover Offer represents an increase of 50% to the original Offer price of $0.90 per Realm Share.

   Realm Shareholders who accept the Revised Takeover Offer will have certainty of receiving $1.00 per Realm Share within 14 days of the Bidder receiving a valid acceptance and, in accordance with an undertaking provided by the Bidder to the Takeovers Panel, will receive the additional $0.35 per Realm Share compensation payment by no later than 3 December 2018. The undertaking is not prescriptive on how the Bidder may fund the payment of this compensation amount and the Bidder is yet to provide details on how it intends to do so.

3) **The Revised Takeover Offer provides certainty of timing and proceeds compared to alternative liquidity options**

   Whilst Realm is at an advanced stage of preparation for a capital raise, there is no certainty that the capital raise will be successful, and that the Company will be able to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The Independent Expert considered it likely that the issue price of a share under a capital raise would need to be less than the Revised Takeover Offer and less than the Independent Expert's valuation range on a minority interest basis.

   No superior competing proposal has emerged and there is no certainty of an alternative liquidity outcome eventuating that will enable Realm Shareholders to realise a higher value for their Realm Shares and over what timeframe this may occur.

4) **Realm Shareholders who do not accept the Revised Takeover Offer face delays in receiving consideration for their Realm Shares**

   The Bidder now has a relevant interest of 88.94% in Realm and there is a high likelihood that the Bidder's interest in Realm will have increased to 90% of greater before the close of the Offer Period. Realm Shareholders who do not accept the Revised Takeover Offer face the risk of being compulsorily acquired and receiving consideration for their Realm Shares at a later date that than under the Revised Takeover Offer.

Furthermore, Realm Shareholders not acquired through a compulsory acquisition process face uncertainty as to timing and consideration received for their Realm Shares through an alternative liquidity event.

Realm Shareholders should refer to the Supplementary Independent Expert's Report set out at Attachment 1 for further information.

3.3 Why Realm Shareholders might choose to reject the Revised Takeover Offer

Realm Shareholders with a longer-term investment horizon and higher risk tolerance that have the expectation of an alternative liquidity event delivering greater overall value for their Realm Shares may consider rejecting the Revised Takeover Offer, recognising that, if the Bidder does not achieve compulsory acquisition, this approach carries greater risks given Realm's current circumstances.

Reasons why Realm Shareholders might choose to reject the Revised Takeover Offer include:

1) The Revised Takeover Offer is not fair

The Revised Takeover Offer provides cash consideration which is below the Independent Expert's fair market value range (on a control basis) of $1.62 to $1.92 per Realm Share.

2) Realm Shareholders who accept the Revised Takeover Offer may forego a higher total value for their Realm Shares

In the event that the total value offered under any general compulsory acquisition process by the Bidder exceeds the total value of the Revised Takeover Offer Realm Shareholders who do not accept the Revised Takeover Offer will receive the higher total value for their Realm Shares and Realm Shareholders who accept the Revised Takeover Offer will not receive any additional consideration for their Realm Shares.

Furthermore, Realm Shareholders not acquired through a compulsory acquisition process may receive higher consideration for their Realm Shares through one or a combination of alternative liquidity events.

Realm Shareholders should refer to the Supplementary Independent Expert's Report set out at Attachment 1 for further information.

3.4 Non-Affiliated Directors present intentions

The Non-Affiliated Directors hold the following Realm shares:

a) James Beecher holds 1,000,000 Realm Shares; and

b) Michael Rosengren does not hold any Realm Shares.

The Non-Affiliated Directors **DO NOT** presently intend to accept the Revised Takeover Offer in respect of their Realm Shares. However, the Non-Affiliated Directors reserve their right to change their minds, particularly where the Bidder acquires a full beneficial interest in at least 90% of Realm Shares. The Non-Affiliated Directors will update Realm Shareholders if there are any changes to this present intention.

4. SIXTH SUPPLEMENTARY BIDDER'S STATEMENT

On 16 July 2018, the Bidder lodged with ASIC the Sixth Supplementary Bidder's Statement, which sets out the Bidder decision to accelerate payment of the $1.00 per Realm Share cash consideration component of the Revised Takeover Offer as follows:

a) Realm Shareholders whose valid acceptances were received by the Bidder before 7.00 pm (Sydney time) on 13 July 2018 will be paid by 27 July 2018; and

b) Realm Shareholders who accept the Revised Takeover Offer after 7:00 pm (Sydney time) on 13 July 2018 will be paid within 14 days of the Bidder receiving a valid acceptance.

All Realm Shareholders who accept the Revised Takeover Offer will receive the additional $0.35 per Realm Share compensation payment by 3 December 2018.

The Bidder has declared that the Revised Takeover Offer is final and will not be increased in the absence of a superior proposal for Realm.

The Bidder has disclosed that as at 17 July 2018, it has voting power in 88.94% of Realm's Shares.

5. HOW TO ACCEPT THE REVISED TAKEOVER OFFER

The Offer Period closes at 7:00pm on 3 August 2018. Realm Shareholders who wish to **ACCEPT** the Revised Takeover Offer should follow the instructions set out in Section 3 of the Sixth Supplementary Bidder's Statement.

6. COMPULSORY ACQUISITION

In the event that the Bidder Group acquires a full beneficial interest in at least 90% of Realm Shares and is entitled to proceed to compulsory acquisition of the outstanding Realm Shares under Part 6A.2 of the Corporations Act, the Bidder has stated its intention to proceed with compulsory acquisition (refer to section 5.2 of the Replacement Bidder's Statement for further details on the Bidder's intentions).

Under the Taurus Undertakings, if the Bidder or any of its associates undertake a proposal to acquire 100% of the remaining Realm Shares that it and its associates do not already own on or before 31 December 2018 (whether by way of compulsory acquisition, scheme of arrangement, takeover bid or similar), the Bidder must ensure that the proposal delivers a total value paid or delivered under that transaction to Realm Shareholders of at least $1.35 per Realm Share.

Realm Shareholders should note that if the Bidder exercises the general compulsory acquisition power in Part 6A.2 of the Corporations Act:

a) the Bidder would be required to provide a compulsory acquisition notice which must include all information known to the Bidder Group that is material in deciding whether to object to the acquisition;

b) if the Bidder undertakes the compulsory acquisition process before 31 December 2018, the Bidder must ensure that the terms of the compulsory acquisition delivers a total value paid or delivered under that transaction to Realm Shareholders of at least $1.35 per Realm Share but the Bidder may increase the total value offer above this floor price;

c) if the Bidder undertakes the compulsory acquisition process after 31 December 2018 but within 6 months of the Bidder becoming the 90% holder, there is no minimum price or value which the Bidder must offer under the compulsory acquisition notice;

d) the compulsory acquisition notice must be accompanied by a report from an independent expert nominated by ASIC on whether the terms of the compulsory acquisition offers a **FAIR VALUE** for Realm Shares and an objection form;

e) if Realm Shareholders with at least 10% of the Realm Shares covered by the compulsory acquisition notice object to the acquisition within the specified period of at least one month, the Bidder must apply to the Court, and bear the cost of court proceedings, if it wishes to proceed with the compulsory acquisition; and

f) in order for the court to approve the compulsory acquisition, the Bidder will need to satisfy the court that the terms of the compulsory acquisition give **FAIR VALUE** for the Realm Shares.

If the court is not satisfied that the terms of the compulsory acquisition give fair value for the Realm Shares, **THE COMPULSORY ACQUISITION WILL NOT TAKE PLACE AND REALM SHAREHOLDERS WHO HAVE NOT ACCEPTED THE OFFER WILL RETAIN OWNERSHIP OF THEIR REALM SHARES**.

In the event this occurs, Realm Shareholders should consider section 5.3 of the Original Bidder's Statement which details the Bidder's intentions if the Bidder Group becomes the holder of less than 90% of the Realm Shares. In summary, the Bidder has stated that:

a) it is not supportive of Realm's continued listing on the ASX (or the capital raising necessary to lift the current suspension of Realm Shares from trading on the ASX), and therefore the Bidder will actively encourage the Board of Realm to apply for the removal of Realm from the official list of ASX;

b) to the extent possible, it will continue the operation of Foxleigh in accordance with all operating permits, licences and regulations and in-line with industry best practice environmental, social and governance standards while undertaking a divestment of Realm's Alumicor and Chrometco interests;

c) to the extent possible, it will conduct a broad based review of the employment and roles of all Realm employees and the ongoing appointment of the Realm Directors;

d) subject to the undertakings provided to the Takeovers Panel, 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; and

e) it will continue to deal with its stake in Realm with a view to maximising its returns.

For further information on the general compulsory acquisition power, please refer to section 5.11(b) of the Original Target's Statement.

Where the Bidder (together with its associates) obtains a relevant interest in at least 90% of Realm Shares and has acquired at least 75% (by number) of the Realm Shares that the Bidder offered to acquire under the Revised Takeover Offer, the Bidder may rely on the follow-on compulsory acquisition under Part 6A.1 of the Corporations Act. If this occurs, the Bidder would not be required to include an independent expert's report in the compulsory acquisition notice. Realm Shareholders have statutory rights to challenge the compulsory acquisition but would be required to establish to the satisfaction of a court that the terms of the offer made under the compulsory acquisition notice do not represent **FAIR VALUE**.

For further information on the follow on compulsory acquisition power, please refer to section 5.11(a) of the Original Target's Statement.

Realm Shareholders should be aware that if they do not accept the Revised Takeover Offer and their Realm Shares are compulsorily acquired, those Realm Shareholders will face a delay in receiving the Revised Takeover Offer consideration for their Realm Shares as compared to those Realm Shareholders who accepted the Revised Takeover Offer.

7. ASIC AND ASX RELIEF

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

8. 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).

9. AUTHORISATION OF FIFTH SUPPLEMENTARY TARGET'S STATEMENT

This Fifth Supplementary Target's Statement is dated 18 July 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: 18 July 2018

Attachment 1 Supplementary Independent Expert's Report

Realm Resources Limited

Supplementary Independent expert's report and Financial Services Guide

18 July 2018

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Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) has been engaged by Realm Resources Limited (Realm) to prepare a supplementary independent expert's report (our Supplementary Independent Expert's Report) in connection with the proposed takeover by T2 Resources Fund Pty Limited of Realm Resources Limited for AUD1.35 consideration (the Revised Takeover Offer). Realm will provide our Supplementary Independent Expert's Report to you.

Our Supplementary Independent Expert's Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Supplementary Independent Expert's Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately AUD 75,000 (Australian dollars) exclusive of GST in relation to the preparation of our Supplementary Independent Expert's Report. This fee is not contingent on the outcome of the Revised Takeover Offer.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

Deloitte Corporate Finance Pty Limited have provided other services, excluding this Supplementary Independent Expert's Report, over the past two years to Realm Resources Limited. The services previously provided relate to the preparation of the Independent Expert's Report relating to the original Takeover Offer by T2 Resources Fund Pty Limited where we received fees of AUD 200,000.

What should you do if you have a complaint?

If you have a concern about our Supplementary Independent Expert's Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS).

FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

18 July 2018

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18 July 2018

Dear Directors

Supplementary independent expert's report[1]

Introduction

We refer to our independent expert's report dated 23 March 2018 (our Independent Expert's Report) contained in the Target's Statement, dated 29 March 2018, issued by Realm Resources Limited (Realm or the Company), advising whether, in our opinion, the takeover offer from T2 Resources Fund Pty Limited (the Bidder), a special purpose vehicle wholly owned by Taurus Resources No 2 Trust (T2 Trust) to acquire the shares in Realm that it did not already own for AUD 0.90 cash per share is fair and reasonable to the Non-Associated Shareholders of Realm (the Takeover Offer).

In our Independent Expert's Report, we concluded that the Takeover Offer was neither fair nor reasonable to the Non-Associated Shareholders.

On 4 July 2018, Realm received an unconditional revised offer from T2 Resources Fund Pty Limited of AUD 1.35 per share (Revised Consideration) (Revised Takeover Offer). The offer is comprised of AUD 1.00 cash per Realm share and AUD 0.35 cash per Realm share paid as compensation pursuant to an undertaking given to the Takeovers Panel, payable by 3 December 2018. The full details of the Revised Takeover Offer are included in the Fifth Supplementary Bidder's Statement, which was released to the market on 4 July 2018.

Deloitte Corporate Finance has been requested by the directors of Realm not affiliated with the Bidder (the Non-Affiliated Directors) to prepare this supplementary independent expert's report (Supplementary Independent Expert's Report) advising whether or not in our opinion the Revised Takeover Offer is fair and reasonable to the Non-Associated Shareholders. The Supplementary Independent Expert's Report will be contained in a further supplementary target's statement to be issued by Realm.

Summary and conclusion

In our opinion the Revised Takeover Offer is not fair but reasonable. In arriving at this opinion, we have had regard to the following factors.

The Revised Takeover Offer is not fair

According to ASIC Regulatory Guide 111, in order to assess whether the Revised Takeover Offer is fair, the independent expert is required to compare the fair market value of a share in Realm on a control basis with the fair market value of the consideration offered by the Bidder. The Revised Takeover Offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer.

[1] This report must be read in conjunction with the Independent Expert's Report issued on 23 March 2018.

As set out in Appendix 2 below, we have updated our analysis of the fair market value of a Realm share, which has not resulted in any change to our valuation of a Realm share.

Set out in the table below is a comparison of our assessment of the fair market value of a Realm share with the Revised Consideration offered by the Bidder Group.

Table 1: Fairness assessment

	Low (AUD)	High (AUD)
Estimated fair market value of a Realm share (on a control basis)	1.62	1.92
Revised Consideration offered[1]	1.35	1.35

Note: 1. We have not discounted the AUD 0.35 per share component of the Revised Consideration, as we consider the timing difference between August and December 2018 (being when the amount will be paid) has an immaterial impact on the Revised Consideration.
Source: Deloitte Corporate Finance analysis

The Revised Consideration offered by the Bidder Group is below the range of our estimate of the fair market value of a Realm share. Accordingly, it is our opinion that the Revised Takeover Offer is not fair.

The Revised Takeover Offer is reasonable

We have considered the following factors in assessing the reasonableness of the Revised Takeover Offer. A number of the individual reasonableness factors are the same as set out in our earlier IER.

The Revised Takeover Offer provides an immediate liquidity opportunity for the Non-Associated Shareholders

Trading in Realm's shares has been suspended since 13 September 2016 apart from a trading window between mid-June and mid-July 2017. As a consequence, Non-Associated Shareholders have not been able to trade their shares on the ASX since that time.

Accordingly, the Revised Takeover Offer provides a certain liquidity opportunity for Non-Associated Shareholders if they accept the Revised Takeover Offer, albeit at a price below our valuation of a share in Realm on a control basis.

The Revised Takeover Offer provides a premium to a minority interest value for a Realm share

We consider a key factor in evaluating the Revised Takeover Offer is whether or not the Non-Associated Shareholders are in a better or worse position if they accept the Revised Takeover Offer, compared to their position in the absence of the Revised Takeover Offer.

Notwithstanding their combined shareholding in Realm (approximately 11% on a collective basis), the Non-Associated Shareholders are unable to influence the operations of Realm or the future growth strategies, nor are they able to control the cash flows of the business, including the payment of dividends.

As a result of these factors, the fair market value of a share in Realm on a minority interest basis is likely to be lower than the fair market value estimated under the guidance provided by Regulatory Guide 111, as set out in the table above, which requires value to be determined on a control basis. We have, therefore, also compared our estimate of the fair market value of a share in Realm on a minority interest basis with the Revised Takeover Offer.

A minority interest discount is the inverse of a premium for control (*minority interest discount = 1-[1/(1+control premium)]*). In estimating an appropriate minority interest to apply to our valuation of a Realm share, we have had regard to control studies observed in the market, as well as our own internal research (refer to Appendix 3). From this analysis, we consider a control premium range of 20% to 40% to be representative of premiums observed in the general market. In addition, we have considered our internal research to focus on companies in the energy and resources sector and note in general, whilst there were a limited number of observations, control premiums observed were towards the high end of the range.

Based on the above analysis, we have applied a minority interest discount of 23% (equivalent to an implied control premium of approximately 30%) in order to estimate the fair market value of a share in Realm on a minority interest basis, as follows.

Table 2: Valuation of a share in Realm on a minority interest basis

	Unit	Low	Mid	High
Value per share in Realm (control basis)	**AUD**	**1.62**	**1.77**	**1.92**
Control premium		30%	30%	30%
Discount for minority interest		23%	23%	23%
Value per share in Realm (minority basis)	**AUD**	**1.25**	**1.36**	**1.48**

Source: Deloitte Corporate Finance analysis

Based on the outcome of the process to solicit alternative offers for the Company, discussed below, we consider the value of a Realm share is more likely to be in the lower half of our valuation range. Accordingly, we consider it likely that the Revised Consideration includes a small control premium.

We also consider that, if Realm succeeds in re-listing its shares, as discussed below, we would expect Realm shares to trade at lower levels than the value of a Realm share on a minority interest basis as estimated above, as shares in Realm are likely to be relatively illiquid (regardless of whether or not the capital raising proceeds). Illiquid shares tend to trade at a discount to minority interest values and that discount could be significant. This may be exacerbated if Realm continues to not pay dividends.

In the absence of the Revised Takeover Offer, or some other liquidity event, Non-Associated Shareholders may not be able to achieve the value of the Revised Takeover Offer, or be able to sell their shares, in the short to medium term.

Alternative paths to liquidity for Non-Associated Shareholders

We consider that there are several potential paths to liquidity for Non-Associated Shareholders:

- a re-listing of Realm shares on the ASX
- participate in a transaction with the Bidder Group as it exits its shareholding at some time in the future
- continue to hold shares and receive such dividends as the Directors may determine until such time as mining ceases.

We recognise that these alternatives, from the perspective of Non-Associated Shareholders seeking liquidity, are not ideal. There are significant challenges associated with re-listing Realm shares on the ASX and continuing to hold shares for the purpose of receiving any dividends that the Directors of Realm decide to declare.

We discuss each of these alternative paths below.

Re-listing of shares

Realm has failed to comply with the ASX's minimum 20% free float requirement due to the Bidder Group holding 88.94% of the Company's share capital (as at 17 July 2018). In order to meet this free float requirement, the Non-Affiliated Directors intend to continue to progress the capital raising and ASX compliance work streams, so that in the event the Bidder Group does not reach at least the 90% general compulsory acquisition threshold through the bid process, the Company is in a position to conduct a capital raising, at a price to be decided at that point in time (the Equity Raising).

We understand that the Company has undertaken due diligence investigations and prepared a draft prospectus for an Equity Raising, having secured advisers and paid ASX re-listing fees. However, there is no certainty that the Equity Raising will be successful and that the Company will satisfy the re-listing conditions of the ASX, including the free float condition.

On 3 July 2018, the Takeovers Panel accepted undertakings from the Bidder Group's nominee directors which are subject to certain qualifications (the Undertakings) to provide the Non-Affiliated Directors with the ability to pursue an Equity Raising for a period of three months following the close of the Offer Period. While these undertakings enable the Non-Affiliated Directors to continue to pursue an Equity Raising, it will be necessary for all Realm Directors to consider and approve a prospectus and the terms of any Equity Raising remain uncertain.

It is not clear what the ultimate effect of the Undertakings will be, as all Directors will need to satisfy their fiduciary duties and there may be room for legitimate concerns about the absence of a need for additional capital and the proposed issue price of the Equity Raising. It could be very challenging for an

Equity Raising to occur if the Directors believe that an Equity Raising dilutes the value of a share in Realm.

We consider it likely that the issue price of a share under an Equity Raising would need to be less than the Revised Consideration offered and less than our valuation range on a minority interest basis.

Whilst the Undertakings improve the chance of the Equity Raising occurring, there is no certainty that one will transpire that will enable the Non-Associated Shareholders to trade their shares on market.

The dilutionary impact of the capital raising would depend on the price at which the capital was raised. We note, however, that we consider the dilution impact would likely be relatively minor.

Bidder Group exit

The Bidder Group substantively comprises an eight year closed fund that was raised in March 2011 with a term until March 2019, which can be extended to March 2021 and beyond under certain conditions.

Any purchaser of the Bidder Group's interest in Realm will need to make a takeover offer for Realm, given the size of the shareholding of the Bidder Group, which any remaining Non-Associated Shareholders will have an opportunity to participate in. It may be expected that the Bidder Group will seek a price in excess of the present Revised Consideration.

Whilst it is quite likely that the Bidder Group's interest will be realised in the future, the range of potential dates for such an event is uncertain. If and when such a transaction emerges, this will provide an alternative liquidity event for Non-Associated Shareholders at a price that is, at least, acceptable to the Bidder Group.

Non-Associated Shareholders with an appropriate risk appetite and investment timeframe may be prepared to wait for realisation of the Bidder Group's investment in Realm and may receive more than the Revised Consideration of AUD 1.35 per share at that time.

Receipt of dividends

If the Takeover Offer is not successful, Non-Associated Shareholders may participate in the value arising from Realm's interest in the Foxleigh coal mine through any dividends paid as the Company's Directors may determine.

The Directors of the Company could pursue a path of returning cash flows to shareholders by way of dividends (with at least some proceeds being a capital return).

There is also a possibility of a special dividend in the short term, given the significant amount of cash presently held by the Company.

Clearly, whether or not Realm pays dividends in the future will be strongly influenced by the Bidder Group and we would expect the Bidder Group's support for dividends or capital returns to be strongly influenced by the tax profile of the investor group in T2 Funds.

Alternative transactions

The Company's advisers have run a process to solicit alternative offers for the Company. During the process, more than forty parties were approached, twelve undertook some form of due diligence and three went to site. To date, this process has not resulted in an offer.

The Non-Affiliated Directors are not confident that an offer will emerge from this process at this time.

Shareholders who reject the bid may be compulsorily acquired or remain as part of a smaller minority

The Bidder Group, which owned 88.94% of Realm's shares as at 17 July 2018, has announced its intention to compulsorily acquire the remaining shares in the Company if it is entitled to do so. There are three potential scenarios for Non-Associated Shareholders, pending the level of acceptance and the Bidder Group's resulting interest in Realm.

Potential scenarios that may arise as a consequence of the Revised Takeover Offer are outlined below.

If the Bidder Group becomes the holder of at least 96.4% of Realm's shares

Under Part 6A.1 of the Corporations Act, a bidder is entitled to compulsorily acquire any outstanding shares where it acquires more than 90% of the target's share capital and at least 75% of shares subject to its offer at the same price as that offered by a bidder.

Accordingly, based on the current shareholding structure of Realm, the Bidder Group is entitled to compulsorily acquire any remaining outstanding shares once it has secured a shareholding representing approximately 96.4% of the issued shares of the Company.

If the Bidder Group becomes the holder of at least 90% of the Realm shares but does not acquire at least 75% of the shares the subject of the Takeover Offer

According to the Supplementary Bidder's Statement issued on 14 March 2018, if the Bidder Group becomes the holder of at least 90% of the shares but does not acquire the interests in at least 75% of the shares subject to its offer, the Bidder Group intends to give notices to compulsorily acquire any outstanding Realm shares in accordance with Part 6A.2 (general compulsory acquisition) of the Corporations Act. In these circumstances, an independent expert's report will be prepared which will state whether, in the expert's opinion, the terms proposed in the general compulsory acquisition notice give a fair value for the securities concerned. The independent expert's report will be prepared by an expert nominated by ASIC and appointed by the Bidder. In assessing whether the terms proposed in the general compulsory acquisition are fair, the valuer must assess fairness in accordance with Regulatory Guide 111 and Section 667C of the Corporations Act.

If a general compulsory acquisition is undertaken, the Bidder Group has given an undertaking to the Takeovers Panel that the proposal will be at least equal to the Revised Consideration of AUD 1.35 cash per share, and the offer must occur within a six-month period (as per the Corporations Act). The floor undertaking of AUD 1.35 is only applicable if the general compulsory acquisition commences before 31 December 2018. The Bidder Group will be able to increase the consideration offered under the general compulsory acquisition at any time, or potentially decrease the consideration post 31 December 2018. If the Bidder changes the consideration paid in respect of the compulsory acquisition process from AUD 1.35, the shareholders who previously accepted the Revised Takeover Offer will not receive the adjusted offer price.

The Bidder Group will be entitled to commence the general compulsory acquisition procedure on obtaining a beneficial interest in at least 90% of the shares. If the matters set out in the bullet points below occur, the Bidder Group will compulsory acquire the remaining interest in Realm:

- no Realm shareholder objects to the compulsory acquisition, or the number of objecting Realm shareholders represents less than 10% of the number of remaining securities at the end of the objection period; or
- the Court approves the acquisition.

If the appointed independent expert does not reach a "fair" opinion and/or 10% of the remaining Non-Associated Shareholders object to the compulsory acquisition, the Bidder will be required to progress the matter through the Court and establish that the terms of transaction are fair. Where the independent expert does not reach a fair opinion, it may be difficult to obtain a court order for a compulsory acquisition. Under the situation where the remaining Non-Associated Shareholders object to the compulsory acquisition and the matter proceeds to court, the Bidder Group will be responsible for all court costs (including those of the Non-Associated Shareholders).

However, the opinion of the independent expert cannot be known at this stage. A general compulsory acquisition may take some time, potentially up to 12 months, and may not result in a price higher than AUD 1.35 being paid.

If the Bidder Group acquires less than 90% of Realm's shares

If the Bidder Group acquires less than 90% of Realm's shares, then it will not be able to compulsorily acquire the Realm shares which have not been accepted into the Revised Takeover Offer. The remaining Non-Associated Shareholders will continue to hold their shares and receive such dividends as may be declared in the future and potentially receive a better exit price.

There are risks associated with Realm's future prospects, especially in relation to a downturn in coal prices

Whilst the mine has benefited from the rise in coal prices since Realm acquired its 70% interest in the mine in August 2016, it is vulnerable to any future downturn in coal prices and unforeseen events that could affect its profitability at current prices. Such events include the failure of aged equipment, failure to contain overburden removal costs and other operating costs, unpredictable weather conditions and lower yields than forecast.

Conclusion on reasonableness

Non-Associated Shareholders that accept the Revised Takeover Offer achieve liquidity and realise a small control premium for their shares. Non-Associated Shareholders who do not accept the Takeover Offer face the risk of being compulsorily acquired in certain circumstances, as set out above.

For Non-Associated Shareholders who do not accept the Revised Takeover Offer and where compulsory acquisition cannot be undertaken, shares in Realm may be re-listed. These Non-Associated Shareholders may be able to achieve a better price at some future time, if and when the Bidder Group realises its investment as part of the realisation of the assets of T2 Funds. With a dominant shareholder, holding 88.94% of the shares, Non-Associated Shareholders will likely have limited influence over future growth strategies, dividend policies or exit strategies.

The risk profile associated with accepting versus rejecting the Revised Takeover Offer is markedly different and is essentially a matter of the individual risk appetite of each Non-Associated Shareholder. For those Non-Associated Shareholders who have a relatively low risk appetite, they may prefer to accept the Revised Takeover Offer, receiving liquidity and price certainty.

For those Non-Associated Shareholders with a higher risk appetite, they can reject the Revised Takeover Offer and, if they are not compulsorily acquired, wait for realisation of the Bidder Group's investment in Realm, receive such dividends as may be declared in the future and potentially receive a better exit price.

On balance, in our opinion, as Non-Associated Shareholders are likely receiving a small control premium at the low end of our range and liquidity at a certain price and, recognising the disadvantages and challenges associated with being a minority shareholder where there is such a significant majority shareholder and uncertain path to liquidity, we therefore consider the Revised Takeover Offer to be reasonable. We recognise that some Non-Associated Shareholders may place a different weighting on some of these factors.

Accordingly, in our opinion, the Revised Takeover Offer is reasonable.

Opinion

In our opinion, the Revised Takeover Offer is not fair but reasonable.

The key factors that have caused us to change our opinion from "neither fair nor reasonable" in our Independent Expert's Report to "not fair but reasonable" in this Supplementary Independent Expert's Report are that the Bidder Group's takeover offer has increased by 50% since our Independent Expert's Report and Realm and its advisers have undertaken the alternative transaction process, which did not result in any other offers being received.

An individual Non-Associated Shareholder's decision in relation to the Revised Takeover Offer may be influenced by his or her particular circumstances. If in doubt, the Non-Associated Shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our Independent Expert's Report dated 23 March 2018 and the remainder of this Supplementary Independent Expert's Report.

Yours faithfully

Stephen Reid

Authorised Representative
AR Number: 461011

Appendix 1: Operations update

Foxleigh coal mine

Our prior valuation of the Foxleigh coal mine was undertaken with reference to operational and financial performance up until 31 December 2017. Management has since provided us with updated results as at 30 June 2018. The commentary below summarises the key changes between those dates.

Year to date performance for the Foxleigh coal mine has been broadly in line with that set out in the Foxleigh Model referred to in our Independent Expert's Report. In particular, revenue was in line with the forecast, selling costs 1.5% above the forecast and FOR cash costs 1.8% below the forecast at June 2018. The full year forecast is expected to outperform the full year budget, primarily due to continued favourable coal prices.

In addition to mining the Foxleigh Plains the Company has developed the One Tree West pit and a trial pit 3km north of the Foxleigh Plains deposit (Fox North), resulting in the business now having three operating pits. We have summarised below the key updates to the Foxleigh coal mine since the issue of our Independent Expert's Report.

- **Development**: Management progressed the development of One Tree West as per the mine plan, as well as the development of the Fox North pits. During this period, as a result of the development operations at One Tree West and Fox North, several operational records have been achieved (since 2012), including drilling, blasting and waste stripping. These production records have occurred over the last three months.

  The expansion of Fox North took approximately six weeks to transform the trial pit into a functioning mine site. Development included a new haul road, agreements with neighbours, updated plan of operations, power line de-energising, topsoil removal, waste dump establishment and coal to plant.

- **Coal tonnages**: Year to date ROM production has been broadly in line with the forecast, although saleable production was slightly lower. Management has forecast the full year production and sales to be slightly above budget at year end.

- **Price**: Contract pricing for Quarter 1 (January to March 2018) has been negotiated and management have noted that a component of Quarter 2 (April to June 2018) pricing has been settled. The pricing that has been achieved is not inconsistent with the PCI pricing forecasts that we set out in our Independent Expert's Report.

- **Yield**: Yield has slightly declined, primarily as a result of higher levels of oxidised coal from the Fox North trial pit (CHPP YTD yield of 69% versus forecast of 74%). This is expected to be offset in the coming period as higher yielding seams are processed. Management has noted they expect the full year yield to be slightly above budget.

- **Capital works**: Management undertook an upgrade to the wash plant over the period, with a focus on improving recoverability, particularly of fine coal.

- **People update**: The new commercial manager and the CFO (Graham Yerbury) have both started in their new roles.

Appendix 2: Valuation update

We have assessed the fair market value of a share in Realm, on a control basis, to be in the range of AUD1.62 to AUD1.92.

In estimating the fair market value of a share in Realm, we have reviewed our valuation analysis previously undertaken in our Independent Expert's Report. This has primarily involved updating our discounted cash flow analysis for the Foxleigh coal mine (including updating working capital balances).

Valuation of the Foxleigh coal mine

In updating our analysis of the Foxleigh coal mine, we updated the Foxleigh Model to capture cash flows and the opening balance sheet as at 31 May 2018.

We have undertaken a review of recent performance of the Foxleigh coal mine (as set out in Appendix 1) and held discussions with management in regards to the results achieved. SRK Consulting has also reviewed recent operational results and have indicated the operating results to date are in line with their expectations and the assumptions set out in our Independent Expert's Report. As such, we have not adjusted any of these inputs in the Foxleigh Model or the scenarios we have considered in our analysis.

Similarly, the coal pricing recently achieved by management is consistent with the pricing adopted in our Independent Expert's Report. We have also reviewed market reports released since December 2017 and note published pricing is also consistent with our view. As such we have not adjusted our forecast PCI prices.

We have updated our foreign exchange rate assumptions (due to slight movements in the short term) and the key inputs to our discount rate. We have updated our analysis in the Foxleigh Model for these minor changes. The resulting value of the Foxleigh coal mine is unchanged from our previously selected value.

Valuation of Realm's other assets

We have reviewed the valuation of the other assets and liabilities of Realm, being various exploration assets, corporate costs and cash. Based on the revised financial and operating performance provided by management, we have not identified any significant changes in the nature of the assets and liabilities to indicate a change in value from our previously selected values.

Valuation summary

Based on our review of the recent financial and operating results and our review of macro-economic assumptions, we have not identified any material movements in assumptions that would impact our selected value of AUD1.62 to AUD1.92 per Realm share, on a control basis.

Appendix 3: Control Premium Studies

Set out in this appendix are a number of studies and analysis we have identified in order to inform our assessment of the appropriate range of control premiums to apply. Most specifically, we maintain our own database of transactions in the Australian market and using this database we are able to calculate historical control premiums.

Deloitte database of Australian public company M&A activity

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 30 June 2018. Our merger and acquisition data was sourced from MergerMarket, Capital IQ and Thomson Reuters along with publicly available news and information sources. This identified 630 transactions that were completed during the period under review[2].

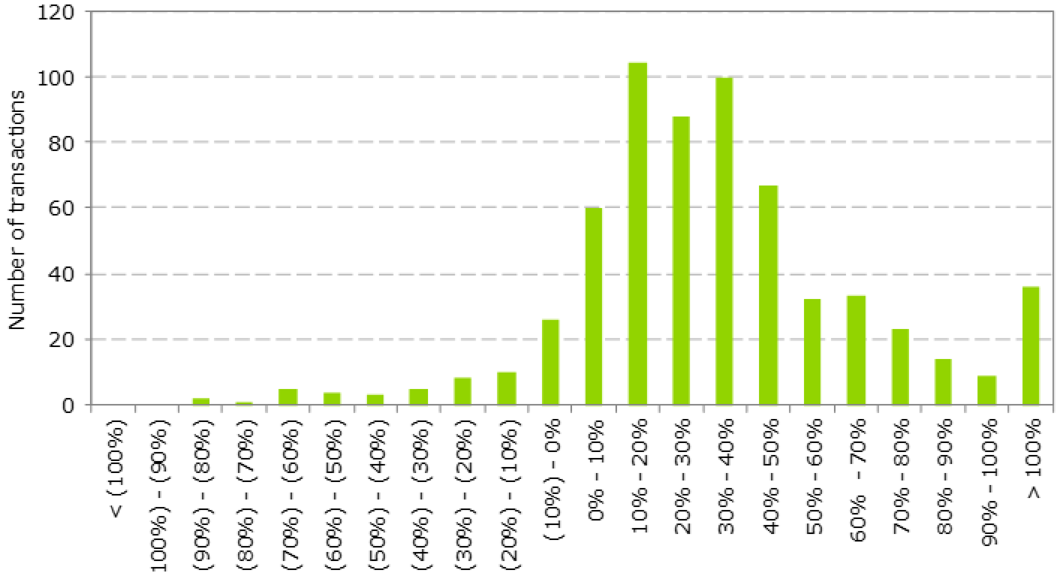
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 30 June 2018 are widely distributed with a long 'tail' of transactions with high premiums.

Figure 1: Control premium analysis - distribution of transactions



Source: Deloitte Corporate Finance analysis

The following table details our findings.

Table 3: Control premium analysis – overall market findings

	Control premium
Upper quartile	48%
Average	36%
Median	30%
Lower quartile	14%

Source: Deloitte Corporate Finance analysis

2 Excluding transactions where inadequate data was available.

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise 'special purchaser' value which is only available to a very few buyers. Such 'special purchaser' value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

For the reasons set out above, we consider the control premium range of 20% to 40% to be representative of general market practice for the following reasons.

Other studies

In addition to our own analysis as set out above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, 'Cross Country Determinants of Mergers and Acquisitions', on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- 'Valuation of Businesses, Shares and Equity' (4th edition, 2003) by W.Lonergan states at pages 55-56 that: "Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly."
- a study conducted by P.Brown and R.da Silva dated 1997, 'Takeovers: Who wins?', JASSA: The Journal of the Securities Institute of Australia, v4 (Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7% (however, we note that during this period the Australian economy went through a period of unusually weak economic growth, including a recession)
- a study conducted by A. Gilmore, G. Yates and I. Douglas of RSM dated 2017, 'Control Premium Study 2017 – Insights into market dynamics, financial dynamics and other factors', on successful takeovers and schemes of arrangement completed between 1 July 2005 and 30 June 2016 for companies listed on the Australian Stock Exchange. The study included 463 transactions (for which meaningful data was available) and indicated an average implied control premium at 20 days pre-bid of 34.5% and a median implied control premium of 27.0%.

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