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## APPENDIX 4D HALF YEAR REPORT

Name of Entity: Realm Resources Limited

ABN: 98 008 124 025

For the half year ended: 30 June 2010

Results for announcement to the Market

	June 2010 \$	June 2009 \$	Change \$	Change %
Sale of Goods	2,261,399	3,015,618	Down 754,219	Down 25.0
Finance Income	207,313	214,980	Down 7,667	Down 3.6
(Loss)/profit after tax	(659,047)	(170,350)	Down 488,697	N/a
Net (loss)/profit attributable to members	(694,016)	(269,291)	Down 424,725	N/a

Dividends – No dividends were paid or declared during the half year period (2009 – nil)

	June 2010	June 2009
Net tangible assets per share (cents per share)	4.4	7.4
	June 2010	June 2009
Basic earnings per share (cents per share)	(0.43)	(0.16)
Diluted earnings per share (cents per share)	(0.43)	(0.16)

### Loss of control of entities having material effect

Not applicable

### Details of associates and joint venture activities

The Company now owns 47.5% of Masedi Platinum (Proprietary) Limited (“Masedi”) and 49.9% of Nkwe Platinum (Scarlet) (Proprietary) Limited (“NPS”). Additional information on Masedi and NPS can be found in the Financial Report for the year ending 31 December 2009.

### Dividend reinvestment plans

Not applicable

### Foreign Entities

Realm Resources Limited controlled Alumicor SA Holdings Limited and Realm Resources SA (Proprietary) Limited during the half year period.

### Commentary on the results for the period:

Refer to the attached half yearly report. Net loss attributable to members for the half year ended 30 June 2010 was \$694,016 (June 2009: \$269,291 loss), primarily this was due to project costs on the Kliprivier Platinum Prospect. During the period Alumicor’s tolling customer, Hulamin, assumed certain processing input costs, in return there was a reduction of the tolling fee this resulted in lower revenue. The other significant source of income is finance income derived from interest on cash assets and receivables, this has declined to \$207,313 (2009: \$214,980). Net tangible assets per share has declined, largely due to the issue of shares.

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**realm** resources

**REALM RESOURCES LIMITED  
(FORMERLY MORNING STAR  
HOLDINGS (AUSTRALIA) LIMITED)**

ABN 98 008 124 025

**INTERIM REPORT  
FOR THE HALF YEAR ENDED  
30 June 2010**

**REALM RESOURCES LIMITED**  
ABN 98 008 124 025

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# REALM RESOURCES LIMITED

ABN 98 008 124 025

## Corporate information

**ABN 98 008 124 025**

### Directors

Grant Button – Chair and Non-executive Director

Richard Rossiter – Managing Director

Theo Renard – Executive Director

Dr Neale Fong – Non-executive Director

### Company Secretary

Theo Renard

### Registered and Principal Office

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Sydney NSW 2000 AUSTRALIA

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Website [www.realmresources.com.au](http://www.realmresources.com.au)

Email [info@realmresources.com.au](mailto:info@realmresources.com.au)

### Share Registry

Computershare Investor Services Pty Limited

Level 2, 45 St Georges Terrace

Perth WA 6000 AUSTRALIA

### Auditors

HLB Mann Judd

Chartered Accountants

Level 19

207 Kent Street

Sydney, NSW 2000

### Solicitors

Clayton Utz

QV1

250 St George's Terrace

Perth, Western Australia 6000

### Stock Exchange Listing

Realm Resources Limited (previously: Morning Star Holdings (Australia) Limited) shares are listed on the Australian Stock Exchange (ASX code: RRP).

### Country and Date of Incorporation

Australia, 30 January 1987

# REALM RESOURCES LIMITED

## Directors' report

Your directors present their report on Realm Resources Limited ("Realm" or "the Company") for the half year ended 30 June 2010. During the period, the company changed its name from Morning Star Holdings (Australia) Limited to Realm Resources Limited.

### DIRECTORS AND COMPANY SECRETARY

The following persons were directors of the Company during the whole of the half year and up to the date of this report:

Grant Button  
Richard Rossiter  
Theo Renard  
Dr. Neale Fong

### COMPLETION OF LIMITED SCALE DRILLING PROGRAM

A limited scale drilling program to better define the near surface resource potential at the Kliprivier platinum project on the Eastern Limb of the Bushveld Igneous Complex has been completed. Seven holes, which were drilled along the 6 km outcrop of the UG2 chromite horizon, were aimed to intersect mineralisation at approximately 100 metres below surface.

The drilling was aimed at defining the location of UG2 horizon and assessing the potential for additional platinum group metal (PGM) mineralisation in the UG2 chromitite band and any other mineralisation that could possibly be associated with the contact with the floor rocks.

The MSA Group, which has been appointed to manage the program, is receiving and analysing the sampling and geological information.

In addition to the above, the MSA Group is compiling a database consisting of all the previous geological and sampling information to assist with the design of a more detailed follow up drilling program to upgrade the near surface resource potential and to conduct preliminary studies for the potential development of an open pit operation along strike of the UG2 horizon.

### COMPLETION OF THE ACQUISITION OF MASEDI PLATINUM (PROPRIETARY) LIMITED AND NKWE PLATINUM (SCARLET) (PROPRIETARY) LIMITED

Stage 1 of the transaction was completed in November 2009. The Company now owns 47.5% of Masedi Platinum (Proprietary) Limited ("Masedi") and 49.9% of Nkwe Platinum (Scarlet) (Proprietary) Limited ("NPS"). Stage 2, which would result in the acquisition of the remaining shares in Masedi and NPS, is dependent upon Ministerial consent for the transfer of the assets (Section 11 application) to Realm. South African regulations require Ministerial approval for a Section 11 transfer. If Ministerial approval is received, Realm will achieve 74% ownership of Masedi and NPS, the balance being held by a local Black Economic Empowerment ("BEE") partner. Management expects completion to occur in Q3 2010 with the issue of a further 50.1 million shares to both Masedi and NPS bringing the total shares on issue to 211 million. The processing of the section 11 application is taking longer than anticipated. The Government of South Africa recently announced an initiative to clear the applications backlog.

# REALM RESOURCES LIMITED

## Directors' report (continued)

### REVIEW OF RESULTS AND OPERATIONS

The Group has recorded revenue from continuing operations of \$2,494,921 (2009: \$3,250,095) and a net loss for the half year ended 30 June 2010 of \$659,047 versus a loss of \$170,350 for the half year ended 30 June 2009.

#### *Alumicor SA Pty Ltd*

Alumicor SA ("**Alumicor**"), a 74% owned subsidiary, treats aluminium dross for Hulamin Limited ("**Hulamin**") and returns aluminium to Hulamin on a toll conversion fee basis.

#### **Health and Safety**

The disabling injury frequency rate (DIFR) at the end of the period was 1.0%. Efforts are continuing, to reduce injury occurrence and training is continually implemented and revised.

#### **Smelting and recovery performance comparison**

Alumicor	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	% change on Q1 2010
Tons smelted	4,280	3,639	3,977	3,823	4,070	6%
Average recovery	64%	67%	62%	61%	61%	0%

#### **Operations**

Plant operations continue to be stable with the plant running near to authorised capacity (an application to increase the authorised throughput limits is in process). Aluminium recovery has also stabilised at a satisfactory level. Scheduled furnace shutdowns have and will occur, mainly for refractory re-lining and also for general maintenance.

Management and control systems at Alumicor continue to be reviewed and enhanced to ensure that operational efficiency is maximised and safety, health and environmental standards are met and exceeded.

#### **Financial – Alumicor SA Holdings Proprietary Limited ("**Alumicor**")**

Revenue for the period reduced due to a lower tolling fee paid by Hulamin in return for Hulamin taking over certain input costs. Net income is positive but remains below target, however, negotiations continue with Hulamin to increase the tolling fee.

# REALM RESOURCES LIMITED

## Directors' report (continued)

### BUSINESS DEVELOPMENT

The Company is focussing on growing the PGM business and continues to seek complimentary value-adding opportunities in the resource sector.

### CORPORATE

During the period under review 2,500,000 options over ordinary shares were issued under the option plan.

### EVENTS SUBSEQUENT TO BALANCE DATE

Phase 2 of the Masedi and Nkwe Scarlet transaction is underway and is expected to be completed in the latter half of 2010, subject to Ministerial approval.

No matter or circumstance has arisen since 30 June 2010 that has significantly affected or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the directors.



**Richard Rossiter**  
**Managing Director**

**Sydney**  
**31 August 2010**

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Realm Resources Limited:**

As lead auditor for the review of Realm Resources Limited for the half-year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Realm Resources Limited and the entities it controlled during the period.



**A G Smith**  
**Partner**

**Sydney**  
**31 August 2010**

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# REALM RESOURCES LIMITED

## Condensed Statement of Comprehensive Income For the half year ended 30 June 2010

	Note	Consolidated	
		Half year ended 30 June 2010 \$	Half year ended 30 June 2009 \$
<b>Continuing Operations</b>			
Sale of goods		2,261,399	3,015,618
Interest Income	3	207,313	214,980
Other revenue		26,209	19,497
<b>Revenue</b>		<b>2,494,921</b>	<b>3,250,095</b>
Cost of sales		(1,456,702)	(2,082,240)
<b>Gross profit</b>		<b>1,038,219</b>	<b>1,167,855</b>
Other income		5,181	37,969
Technical expenses		(286,921)	-
Share maintenance expenses		(8,868)	(9,596)
Occupancy expenses		(34,752)	(28,394)
Consultancy fees		(365,175)	(342,155)
Audit fees		(59,000)	(71,929)
Directors fees		(81,462)	(77,798)
Share based compensation expense		(81,710)	(302,046)
Administrative expenses		(682,730)	(467,716)
Other expenses		(78,964)	(143,148)
Finance costs		(5,745)	(6,944)
<b>Loss from continuing operations before income tax</b>		<b>(641,927)</b>	<b>(243,902)</b>
Income tax benefit/(expense)		(17,120)	73,552
<b>Net loss for the period</b>		<b>(659,047)</b>	<b>(170,350)</b>
<b>Total profit (loss) for the period attributable to:</b>			
<b>Minority interest</b>		34,969	98,941
<b>Members of the parent</b>		(694,016)	(269,291)
		<b>(659,047)</b>	<b>(170,350)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		21,513	39,200
<b>Total comprehensive income/(loss) for the period</b>		<b>(637,534)</b>	<b>(131,150)</b>
Total comprehensive income/(loss) for the period is attributable to:			
Minority interest		34,969	98,941
Owners of the parent		(672,503)	(230,091)
		<b>(637,534)</b>	<b>(131,150)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic (loss)/earnings per share		(0.43)	(0.16)
Diluted (loss)/earnings per share		(0.43)	(0.16)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# REALM RESOURCES LIMITED

## Condensed Statement of Financial Position As at 30 June 2010

	Note	Consolidated	
		30 June 2010	31 December 2009
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,718,201	6,353,631
Trade and other receivables		452,339	513,324
Inventories		11,157	14,885
Other current assets		25,766	43,925
<b>Total current assets</b>		<b>6,207,463</b>	<b>6,925,765</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		2,206,080	2,206,080
Property, plant and equipment		1,450,106	1,473,107
Deferred tax assets		202,489	155,331
<b>Total non-current assets</b>		<b>3,858,675</b>	<b>3,834,518</b>
<b>TOTAL ASSETS</b>		<b>10,066,138</b>	<b>10,760,283</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		423,675	458,216
Current tax liabilities		16,739	108,405
Interest-bearing loans & borrowings		38,687	64,105
<b>Total current liabilities</b>		<b>479,101</b>	<b>630,726</b>
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings		9,675	14,761
Deferred tax liabilities		95,320	76,930
<b>Total non-current liabilities</b>		<b>104,995</b>	<b>91,691</b>
<b>TOTAL LIABILITIES</b>		<b>584,096</b>	<b>722,417</b>
<b>NET ASSETS</b>		<b>9,482,042</b>	<b>10,037,866</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	6	20,821,894	20,821,894
Retained earnings		(11,519,694)	(11,054,086)
Reserves		179,842	270,058
<b>Parent interests</b>		<b>9,482,042</b>	<b>10,037,866</b>
<b>Minority interests</b>		<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>9,482,042</b>	<b>10,037,866</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# REALM RESOURCES LIMITED

## Condensed Statement of Cash Flows For the half-year ended 30 June 2010

	Consolidated	
	Half – year ended 30 June 2010	Half – year ended 30 June 2009
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	2,335,272	3,234,906
Payments to suppliers and employees	(2,925,054)	(3,381,450)
Interest received	138,489	163,037
Finance charges	-	(6,944)
Income tax payments	(89,826)	-
<b>Net cash flows (used in)/from operating activities</b>	<b>(541,119)</b>	<b>9,549</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(66,494)	(74,673)
<b>Net cash flows used in investing activities</b>	<b>(66,494)</b>	<b>(74,673)</b>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(30,616)	(44,283)
<b>Net cash flows (used in)/from financing activities</b>	<b>(30,616)</b>	<b>(44,283)</b>
Net (decrease)/increase in cash and cash equivalents held	(638,229)	(109,407)
Net foreign exchange differences	2,800	(14,742)
Cash and cash equivalents at the beginning of period	6,353,630	6,583,171
<b>Cash and cash equivalents at end of period</b>	<b>5,718,201</b>	<b>6,459,022</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

# REALM RESOURCES LIMITED

## Condensed Statement of changes in Equity For the half year ended 30 June 2010

	Consolidated				Attributable to		
	Ordinary shares \$	Employee equity benefits reserve \$	Foreign currency translation reserve \$	Retained earnings \$	Total \$	Owners of the parent \$	Minority interest \$
<b>Balance as at 1 January 2009</b>	10,022,465	55,530	85,180	(2,093,255)	8,069,920	8,069,920	-
(Loss) for the period	-	-	-	(170,350)	(170,350)	(269,291)	98,941
Other comprehensive income	-	-	39,200	-	39,200	39,200	-
<b>Total comprehensive income for the period</b>	-	-	39,200	(170,350)	(131,150)	(230,091)	98,941
<b>Transactions with owners in their capacity as owners:</b>							
Minority interest share of profits allocated to the parent until minority interest's share of losses previously absorbed by parent has been recovered	-	-	-	-	-	98,941	(98,941)
Share-based payment	302,046	-	-	-	302,046	302,046	-
Cancellation of share-based payment	-	(55,530)	-	55,530	-	-	-
<b>Balance as at 30 June 2009</b>	10,324,511	-	124,380	(2,208,075)	8,240,816	8,240,816	-
<b>For the period ended 30 June 2010</b>							
	Ordinary shares \$	Employee equity benefits reserve \$	Foreign currency translation reserve \$	Retained earnings \$	Total \$	Owners of the parent \$	Minority interest \$
<b>Balance as at 1 January 2010</b>	20,821,894	193,439	76,619	(11,054,086)	10,037,866	10,037,866	-
(Loss) for the period	-	-	-	(659,047)	(659,047)	(694,016)	34,969
Other comprehensive income	-	-	21,513	-	21,513	21,513	-
<b>Total comprehensive income for the period</b>	-	-	21,513	(659,047)	(637,534)	(672,503)	34,969
<b>Transactions with owners in their capacity as owners:</b>							
Minority interest share of profits allocated to the parent until minority interest's share of losses previously absorbed by parent has been recovered	-	-	-	-	-	34,969	(34,969)
Employee Share Plan	-	81,710	-	-	81,710	81,710	-
Share based payment reserve transferred to retained income	-	(193,439)	-	193,439	-	-	-
<b>Balance as at 30 June 2010</b>	20,821,894	81,710	98,132	(11,519,694)	9,482,042	9,482,042	-

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

# REALM RESOURCES LIMITED

## Notes to the Financial Statements for the half year ended 30 June 2010

### Note 1: Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2009 and any public announcements made by Realm Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The half-year report has been prepared on a historical cost basis, as modified by the revaluation of assets and liabilities acquired as part of a business combination. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period.

### Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2009.

### Adoption of new and revised Accounting Standards

In the half-year ended 30 June 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore no change is necessary to Group accounting policies.

# REALM RESOURCES LIMITED

## Notes to the Financial Statements for the half year ended 30 June 2010

### Note 2: Segment Information

#### Description of Segments

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The executive directors consider the business from both a product and a geographic perspective and has identified two reportable segments. Alumicor, in South Africa, which toll treats aluminium dross (this segment was established in August 2008), and Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited, in South Africa, which hold platinum resource tenements.

#### Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the half year ended 30 June 2010 is as follows:

	Alumicor SA Holdings (Pty) Ltd \$	Head office \$	Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited \$	Eliminations \$	Total \$
<b>6 month period ended 30 June 2010</b>					
<b>Revenue</b>					
Sales to external customers	2,261,399	-	-	-	2,261,399
Other revenue	5,694	227,528	-	-	233,522
Total consolidated segment revenue	2,267,093	227,528	-	-	2,494,921
<b>Result</b>					
Segment results	139,823	(793,125)	-	-	(653,302)
Finance costs	(5,745)	-	-	-	(5,745)
Net profit/(loss) for period	134,078	(793,125)	-	-	(659,047)
<b>Assets and liabilities</b>					
Segment assets	2,769,864	11,653,693	2,206,080	(6,563,499)	10,066,138
Segment liabilities	2,838,401	2,596,512	-	(4,850,817)	584,096
Depreciation	(103,131)	(1,884)	-	-	(105,015)

#### Note 3: Profit/(Loss) for the half year

	30 June 2010 \$	30 June 2009 \$
The following revenue and expense items are relevant in explaining the financial performance for the half – year		
Interest received	207,313	214,980

# REALM RESOURCES LIMITED

## Notes to the Financial Statements for the half year ended 30 June 2010

### Note 4: Share-based payment plans

The share – based payment plans are described in note 22(b) to the financial statements for the year ended 31 December 2009. There have been no cancellations or modifications to any of the plans during the half year ended 30 June 2010.

#### (a) Summaries of options granted under OP and SP

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, share options during the half year:

	30 June 2010 No.	2010 WAEP \$	31 December 2009 No.	2009 WAEP \$
<b>OP</b>				
Outstanding at the beginning of the year <b>(DEOP)</b> (i)	2,500,000	0.15	1,650,000	0.20
Granted during the period	2,500,000	0.15	2,500,000	0.15
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(2,500,000)	0.15	(1,650,000)	0.20
Outstanding at the end of the period <b>(OP)</b> (ii)	2,500,000	0.15	2,500,000	0.15
Exercisable at the end of the period	-	-	-	-

- (i) Options outstanding at the beginning of the year were issued under the Directors and Employees Option Plan (DEOP) that was in place at that time.
- (ii) Options outstanding at the end of the period were issued under the Option Plan that was approved by shareholders on 18 July 2008.

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, shares during the half year:

	30 June 2010 No.	2010 WAEP \$	31 December 2009 No.	2009 WAEP \$
<b>SP</b>				
Outstanding at the beginning of the year	8,750,000	0.18	2,250,000	0.20
Granted during the period	-	-	6,500,000	0.18
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	8,750,000	0.18	8,750,000	0.18
Exercisable at the end of the period	-	-	-	-

Shares outstanding at the end of the period were issued under the Share Plan that was approved by shareholders on 18 July 2008.

The outstanding balance as at 30 June 2010:

- 8,750,000 shares

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# REALM RESOURCES LIMITED

## Notes to the Financial Statements for the half year ended 30 June 2010

### Note 4: Share-based payment plans (continued)

#### (b) Option pricing model: Option Plan

##### Equity – settled transactions

The fair value of the shares granted under OP is estimated as at the date of grant using a Black Scholes option pricing model. Expected volatility is based on the historical share price volatility.

The following table lists the inputs into the models used for the period ended 30 June 2010, and the year ended 31 December 2009.

	Grant date share price	Exercise price	Expected volatility	Option life (years)	Dividend yield	Risk-free interest rate	Weighted average share price at measurement date	Model used
	\$	\$	%		%	%	\$	
<b>OP 2010</b>								
2,500,000	0.10	0.15	90	2	-	4.591	0.11	Black - Scholes
<b>SP 2010</b>								
Nil	-	-	-	-	-	-	-	-
<b>OP 2009</b>								
2,500,000	0.19	0.15	132	0.5	-	4,829	0.15	Black - Scholes
<b>SP 2009</b>								
1,250,000	0.09	0.15	117	4	-	4.475	0.15	Black - Scholes
2,500,000	0.15	0.15	117	4	-	4.475	0.15	Black - Scholes
1,500,000	0.20	0.20	132	4	-	4.829	0.20	Black - Scholes
1,250,000	0.14	0.20	97	4	-	5.013	0.20	Black - Scholes

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical sector volatility is indicative of further trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

# REALM RESOURCES LIMITED

## Notes to the Financial Statements for the half year ended 30 June 2010

### Note 5: Non-current assets – investments in associates accounted for using the equity method

#### (a) Investment details

	Consolidated	
	30 June 2010	30 June 2009
	\$	\$
Unlisted		
Masedi Platinum (Proprietary) Limited	1,074,867	1,074,867
Nkwe Platinum (Scarlet) (Proprietary) Limited	1,131,213	1,131,213
Investments in associates	<u>2,206,080</u>	<u>2,206,080</u>

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost, less any allowance for impairment.

The Group owns 47.5% of Masedi Platinum (Proprietary) Limited (“Masedi”) and 49.99% of Nkwe Platinum (Scarlet) (Proprietary) Limited (“NPS”), acquired by issuing 15,214,348 shares in the Company, valued at date of acquisition at \$0.145 per share during the year ended 31 December 2009. Stage 2 of the acquisition transaction, which would result in acquisition of further shares in Masedi and NPS, is dependent upon Ministerial Consent from the South African Minister of Minerals and Energy for the acquisition of a controlling interest in terms of Section 11 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (“MPRDA”) (in South Africa) for the transfer of the assets to Realm. If Ministerial approval is received, Realm will achieve 74% ownership of Masedi and NPS, the balance being held by a local Black Economic Empowerment (“BEE”) partner. Management expects completion to occur in Q3 2010 with the issue of a further 15,220,435 shares.

#### (b) Fair values

The fair values of the Group’s investment in Masedi Platinum (Proprietary) Limited and Nkwe Platinum (Scarlet) (Proprietary) Limited is as set out in note 5(c) below.

#### (c) Summarised financial information

The following table illustrates summarised financial information relating to the Group’s associates:

#### Extract from the associates’ statement of financial position:

	30 June 2010
	\$
Current assets	35,905
Non-current assets – prospects, rights and exploration assets	<u>588,942</u>
	624,847
Current liabilities	(122,228)
Non-current liabilities	<u>(459,303)</u>
	(581,531)
Net assets	<u>43,316</u>
Share of associates’ net assets	21,657
Goodwill on acquisition of associate	<u>2,184,423</u>
	<u>2,206,080</u>

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# REALM RESOURCES LIMITED

## Notes to the Financial Statements for the half year ended 30 June 2010

### Note 5: Non-current assets – investments in associates accounted for using the equity method (continued)

#### (d) Impairment

For the purpose of impairment testing, the company obtained an independent valuation from Al Maynard & Associates Pty Ltd, Consulting Geologists, dated 31 March 2010, which indicates that the current cash value range for the associates' mineral properties is in excess of the carrying amount of the investment in associates as above. A limited scale drilling program to better define the rear surface resource potential at the mineral properties was performed during the half year ended 30 June 2010. The MSA Group, which has been appointed to manage the program, is recovering and analysing the sampling and geological information.

Subsequent to this, further exploration drilling will be performed to assess whether there has been any change in the current cash value range for the associates' mineral properties. Accordingly, at 30 June 2010, the directors believe that the independent valuation obtained from Al Maynard and Associates Pty Ltd, dated 31 March 2010, represents the latest information available to the directors, and therefore the directors believe that the current cash value range for the associate's mineral properties is in excess of the company's amount of the investment in associates as above.

#### (e) Contingent liabilities of associates

Nil

### Note 6: Contributed equity

	30 June 2010 \$	31 December 2009 \$
Ordinary shares (a)	20,821,894	20,821,894
	<u>20,821,894</u>	<u>20,821,894</u>

#### (a) Ordinary shares

	No.	No.
Issued and fully paid	161,197,809	161,197,809

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

	No.	\$
<i>Movement in ordinary shares on issue</i>		
At 1 January 2010	161,197,809	20,821,894
- Shares issued	-	-
At 30 June 2010	<u>161,197,809</u>	<u>20,821,894</u>

### Note 7: Contingent liabilities

There are no material contingent liabilities as at 30 June 2010.

# REALM RESOURCES LIMITED

## Notes to the Financial Statements for the half year ended 30 June 2010

### Note 8: Other commitments

As disclosed in note 5, if the Company receives Ministerial Consent from the South African Minister of Minerals and energy for the controlling interest in Masedi and NPS, the company will issue:

- (i) an additional 15,220,435 shares in the company to acquire the controlling interests of Masedi and NPS; and
- (ii) an addition 34,775,652 shares in the company to the vendors of Morning Star Holdings (Australia) Pty Limited (formerly known as Realm Resources Limited) (the vendors being the previous shareholders of Morning Star Holdings (Australia) Pty Limited).

### Note 9: Alumicor SA Holdings Proprietary Limited

The company's 74% owned subsidiary, Alumicor Maritzburg (Pty) Ltd ("Alumicor"), has an agreement where its major customer, Hulamin Ltd ("Hulamin"), has an option to purchase the business of Alumicor for approximately South African Rand 31,000,000 (approximately \$4.7m, based on exchange rates as at 30 June 2010). This option cannot be exercised prior to 31 January 2011.

Should Hulamin exercise its option to purchase the business of Alumicor, Realm Resources Limited would sell its aluminium dross treatment process to Hulamin for approximately \$4.7m. Results attributable to the Alumicor business, including total assets and liabilities, are disclosed in note 2.

### Note 10: Events after the balance sheet date

There has not arisen in the interval between the half year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect;

- (i) The Company's operations in future financial periods; or
- (ii) The results of those operations in future financial periods; or
- (iii) The Company's state of affairs in future financial periods.

# REALM RESOURCES LIMITED

## Directors' declaration

In the director's opinion:

- (a) The interim financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance as represented by its operations, changes in equity and its cash flows for the half year ended on that date; and
- (b) there are reasonable grounds to believe that Realm Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



**Richard Rossiter**  
**Managing Director**

**Sydney**  
**31 August 2010**

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## REALM RESOURCES LIMITED

### INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Realm Resources Limited:

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Realm Resources Limited, which comprises the condensed statement of financial position as at 30 June 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Realm Resources Group ("the consolidated entity") as set out in pages 7 to 18. The consolidated entity comprises Realm Resources Limited ("the company") and the entities it controlled during that half year.

#### *Directors' Responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Realm Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**REALM RESOURCES LIMITED**

**INDEPENDENT AUDITOR'S REVIEW REPORT (continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Realm Resources Limited on 31 August 2010, would be in the same terms if provided to the directors as at the time of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Realm Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim financial Reporting* and the *Corporations Regulations 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**A G Smith**  
**Partner**

**Sydney**  
**31 August 2010**