



Real Energy Corporation Limited
ABN 92 139 792 420

Half Yearly Report

For half year ended 31 December 2016

Directors Report for half year ended 31 December 2016

Your Directors present their report together with the consolidated financial statements of Real Energy Corporation Limited ('the Company') for the half year ended 31 December 2016.

Directors

The names of the directors and company secretary in office during and since the end of the half year are as follows:

Directors

Mr Scott Brown (*B. Bus, M.Com*) – Managing Director

Mr Dang Lan Nguyen (*B.Sc., M. Sc.*) – Non – Executive Chairman

Mr Norman Zillman (*B. Sc. Hons*) – Non – Executive Director

Company Secretary

Mr Ron Hollands (*B. Bus., M.B.A*)

Review and results of operations and financial position

Real Energy is focused on exploration and development of oil and gas acreage in the Cooper Eromanga Basins in South West Queensland. The area is the most successful onshore region for oil and gas production in Australia. The Company has a large acreage position which is 100% owed.

During the half year, the Company has successfully concluded recompletion operations at Tamarama-1 well. Tamarama-1 well has been free flow, producing gas and fluids to surface with rates fluctuating due to fluid interference. Notwithstanding this interference, the total estimated cumulated gas production to date after various periods of flow and pressure build-up is in excess of 67 MMcf (million cubic feet) together with about 11,000 Bbls of fluid.

Tamarama-1 was drilled as an exploration well and has proved up the concept of Basin Centred Gas for the Company. The results are a key step in Real Energy's efforts to commercialise the Windorah Gas Project.

The Company's cash position is at \$5.5 million at end of the reporting period, and a cash refund of \$1.49 million was received in January 2017 from the Research and Development (R&D) Tax incentive for the financial year ended 30 June 2016.

The Company recorded a consolidated loss of \$805,086 for the half year ended 31 December 2016 (2015: \$723,086 loss).

No dividends have been paid or declared or paid by the Company concerning the half year since last annual report period.

Rounding

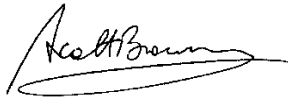
The consolidated result has applied to the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Auditor's Declaration

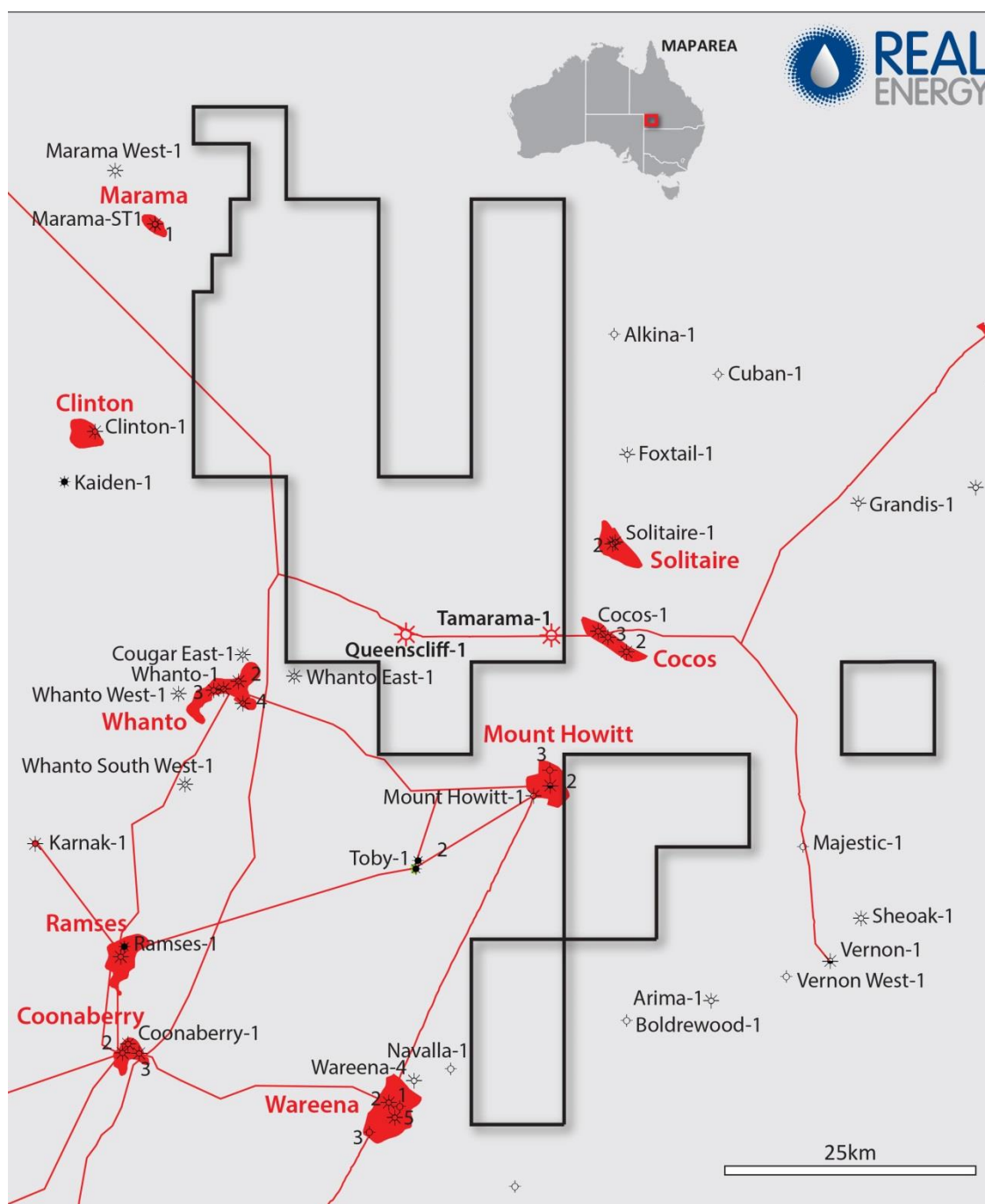
The auditor's independent declaration as required under section 307C of the Corporations Act 2001 is set out on page 15-16 for the half year ended 31 December 2016.

Signed in accordance with a resolution of the Board of Directors.

Sydney, 10th March 2017

A handwritten signature in black ink, appearing to read 'Scott Brown', with a horizontal line underneath it.

Scott Brown
Managing Director



Map of ATP927P – Windorah Trough

Schedule of petroleum tenements

Permits	Area (sq Km)	RLE Ownership %	Location
ATP 917P	2,171	100	Cooper Basin, South West QLD
ATP 927P	1,718	100	Cooper Basin, South West QLD
ATP 1194PA ¹	1,043	100	Cooper Basin, South West QLD

¹ Real Energy was advised in 2015 that it was the preferred tenderer for ATP 1194. The Company has accepted the Queensland Governments offer in respect of the ATP 1194. The grant of ATP 1194 is subject to native title and conditions imposed by the Queensland Government. The Company expects these conditions to be met in due course.



A D Danieli Audit Pty Ltd

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Audit & Assurance Services

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF REAL ENERGY CORPORATION LIMITED
A.B.N. 92 139 792 420
AND CONTROLLED ENTITIES**

I declare that, to the best of our knowledge and belief, during the half year ended 31 December 2016, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A D DANIELI AUDIT PTY LTD

Allan Facey
Director

Sydney, 10th March 2017

REAL ENERGY CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Notes	Consolidated Half Year ended 31-Dec-2016 \$'000	Consolidated Half Year ended 31-Dec-2015 \$'000
<i>Continuing operating</i>			
Revenue	2	84	92
<i>Expenses</i>			
Depreciation		(3)	(8)
Impairment of exploration & development assets		(342)	(121)
Employee benefits & expenses		(279)	(233)
Other operating expenses		(265)	(453)
Total expenses		(889)	(815)
Profit/(loss) from ordinary activities before income tax		(805)	(723)
Income tax expense		-	-
Profit/(Loss) from ordinary activities after income tax attributable to members of Real Energy Corporation Limited	6	(805)	(723)
Total changes in equity other than those resulting from transactions with owners as owners		(805)	(723)
Earnings per share		Cents	Cents
Basic loss per share	7	(0.39)	(0.38)
Diluted loss per share	7	(0.39)	(0.38)

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

REAL ENERGY CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	Consolidated As at 31-Dec-2016 \$'000	Consolidated As at 30-Jun-2016 \$'000
Current assets			
Cash and cash equivalents		5,524	8,702
Other assets		65	43
Trade & other receivables		1,599	1,709
Inventories		43	43
Total current assets		<u>7,231</u>	<u>10,497</u>
Non current assets			
Property, plant & equipment		9	8
Exploration oil & gas properties	3	19,040	17,668
Total non current assets		<u>19,049</u>	<u>17,676</u>
Total assets		<u>26,280</u>	<u>28,173</u>
Current liabilities			
Trade & other payables		829	1,919
Leave provisions		103	86
Total Current Liabilities		<u>932</u>	<u>2,005</u>
Non current liabilities			
Leave provisions		15	15
Rehabilitation provisions		200	200
Other provisions		5	5
Total Non current liabilities		<u>220</u>	<u>220</u>
Total liabilities		<u>1,152</u>	<u>2,225</u>
Net assets		<u>25,128</u>	<u>25,948</u>
Equity			
Issued capital	4(a)	26,664	26,664
Equity raising costs	4(a)	(2,469)	(2,454)
Reserves	5	-	345
Accumulated profit/(losses)	6	933	1,393
Total equity		<u>25,128</u>	<u>25,948</u>

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

REAL ENERGY CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Contributed equity	Equity raising costs	Accumulated losses	Reserves	Total
Consolidated group	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance 1 July 2015	24,064	(2,268)	1,383	387	23,565
Loss for the financial period	-	-	(723)	-	(723)
Transactions with shareholders Issue of shares	2,600	(186)	-	-	2,414
Share based payments	-	-	-	(41)	(41)
Balance as 31 December 2015	26,664	(2,454)	660	345	25,215
Opening balance 1 July 2016	26,664	(2,454)	1,393	345	25,948
Loss for the financial period	-	-	(805)	-	(805)
Transactions with shareholders Issue of securities	-	(15)	-	-	(15)
Options written off			345	(345)	
Share based payments	-	-	-	-	-
Balance as 31 December 2016	26,664	(2,469)	933	-	25,128

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

REAL ENERGY CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Notes	Consolidated Half Year ended 31-Dec-2016 \$'000	Consolidated Half Year ended 31-Dec-2015 \$'000
Cash flow from operating activities			
R&D tax incentive received		-	6,357
Interest & other income		104	60
Payments to suppliers		(445)	(1,287)
Net Cash provided from operating activities		341	5,130
Cash flow from investing activities			
Payments for plant & equipment		(3)	(1)
Payments for exploration & evaluation assets		(2,834)	(478)
		(2,837)	(479)
Cash flow from financing activities			
Proceeds from the issue of securities	4(a)	-	2,600
Fund raising costs		(15)	(186)
Net cash provided by financing activities		(15)	2,414
Net increase/(decrease) in cash held		(3,178)	7,065
Cash at the beginning of the period		8,702	3,688
Cash at the end of 31 December 2015		5,524	10,753

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

REAL ENERGY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2016

NOTE 1. Summary of significant accounting policies

Basis of preparation

The interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 "Interim Financial Reporting", and Accounting interpretations and other authorities pronouncements of Australian Accounting Standards Board ("AASB"). Compliance with AASB134 ensures compliance with IASB 34 "Interim Financial Reporting".

The interim financial report is intended to provide users with an update on the latest annual financial statement of the Company and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore, recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2016, together with any public announcements made during the following half year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, subject to the following changes:

Adoption of new and amended accounting standards

In the half year ended 31 December 2016, the directors have reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to the group's operations and effective for annual reporting periods on or after 1 July 2016.

It has been determined by the directors that there is no impact, material or otherwise of the new and revised standards and interpretations on the group and, therefore, no change is necessary to the group accounting policies.

The Company also reviewed all new standards and interpretations that have been issued but not yet effective for the year ended 31 December 2016. As a result of this review the Company determined that there is no impact, material or otherwise, of the new and revised standards and interpretations on the group and, therefore, no change is necessary to the group's accounting policies.

Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Actual results may differ from these estimates.

REAL ENERGY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2016

	Consolidated As at 31-Dec-2016 \$'000	Consolidated As at 31-Dec-2015 \$'000
NOTE 2. Revenue		
Interest revenue & other income	84	92

	As at 31-Dec-2016 \$'000	As at 30-Jun-2016 \$'000
NOTE 3. Exploration oil & gas properties		
Opening balance	17,668	14,541
Expenditure during the year	1,714	3,491
Impairment provision	(342)	(364)
Closing balance	19,040	17,668

During the half year period, the Company has concluded recompletion operations at Tamarama-1 well. The on-going flow back operations for this well are carrying over to current period which including sample analyses on the fluids obtained from the well.

	No. of shares	Capital \$'000
NOTE 4 (a). Issued capital/shares		
Existing shares at beginning of the year	204,288,033	26,664
Balance at end of 31 December 2016	204,288,033	26,664
Accumulated costs of equity		(2,469)
Balance at end of 31 December 2016		24,195

NOTE 4 (b). Options	Exercise price	No. of options	Expiry date
Unlisted options			
Broker options	50 cents	1,000,000	1 October 2017
Broker options	15 cents	2,000,000	9 September 2017
Broker options	20 cents	2,000,000	9 September 2017

	Consolidated As at 31-Dec-2016 \$'000	Consolidated As at 30-Jun-2016 \$'000
NOTE 5. Reserves		
Movements in share based payment reserve		
Opening balance	345	386
Amount expensed during the half year	-	-
Options forfeited without ever vesting	(345)	(41)
Closing balance	-	345

A carrying amount of \$7,000 has been adjusted in the current half year into the accumulated losses which were in relation to the employee options prior to 2013 issued but forfeited without ever vesting. In addition, carrying values of the Director Options of \$122,000 and Broker Options of \$216,000 have been adjusted in the current half year due to expiry of those options without ever vesting.

REAL ENERGY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2016

	Consolidated As at 31-Dec-2016 \$'000	Consolidated As at 30-Jun-2016 \$'000
NOTE 6. Accumulated losses		
Accumulated losses at beginning of the year	1,393	1,383
Net loss for the half year	(805)	(723)
Options forfeited without ever vesting	345	-
Accumulated losses at end of 31 December 2016	933	660

NOTE 7. Earnings per shares

	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	204,288,033	190,763,250
	Consolidated As at 31-Dec-2016 \$'000	Consolidated As at 31-Dec-2015 \$'000
Net profit after income tax attributable to shareholders	(805)	(723)
	Cents	Cents
Earnings per share	(0.39)	(0.38)
Diluted earnings per share	(0.39)	(0.38)

NOTE 8. Interest in subsidiary

The consolidated financial statements include the financial statements of Real Energy Corporation Limited and its controlled entity.

Company	Place of Incorporation	Region where business carried on	Principal Activities
Real Energy Queensland Pty Ltd	Australia	Queensland	Oil & gas exploration
Queensland Oil Pty Ltd	Australia	Queensland	Oil & gas exploration

Company	% of issued shares acquired	Consideration paid \$	Net tangible assets acquired \$
Real Energy Queensland Pty Ltd	100%	2	2
Queensland Oil Pty Ltd	100%	2	2

NOTE 9. Commitments

There have been no changes since the last annual reporting period.

NOTE 10. Events after the interim period

There has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of material and unusual nature other than disclosed elsewhere in this report, that are likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

REAL ENERGY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2016

NOTE 11. Segment reporting

The group operates in one segment, being oil and gas exploration, evaluation and development in Australia. Accordingly, under the management approach outlined only one operating segment has been identified and no further disclosure is required in the financial statements.

Note 12. Fair value measurement

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follow, and based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly observable).

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities:

	Level	As at 31 December 2016		As at 30 June 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash & cash equivalents	1	5,524	5,524	8,702	8,702
Other assets	1	65	65	43	43
Inventories	1	43	43	43	43
Trade & other receivables	1	1,599	1,599	1,709	1,709
Financial liabilities					
Trade & other payables	1	829	829	1,919	1,919

The financial assets and liabilities of the Company are recognized in the consolidated statements of financial position in accordance with the accounting policies set out in Note 1 of the Annual Report.

The Company considers that the carrying amount of financial assets and financial liabilities recognized in the consolidated financial statements approximate to their fair value.

Note 13. Dividend

No dividends have been paid or declared or paid by the Company concerning the half year since last annual report period.

Note 14. Company details

The registered office and principal place of the Company is:
Level 3, 32 Walker Street, North Sydney NSW 2060

REAL ENERGY CORPORATION LIMITED
ABN 92 139 792 420

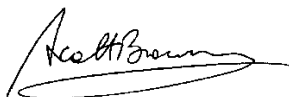
Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 13, are in accordance with the Corporations Act 2001 and are in compliance with Accounting Standard AASB134 Interim Financial Reporting.
2. In the Director's opinion there are reasonable grounds to believe that the Company 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 Board of Directors.

Sydney, 10th March 2017



Scott Brown
Director



A D Danieli Audit Pty Ltd

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF REAL ENERGY CORPORATION LIMITED A.B.N. 92 139 792 420 AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of Real Energy Corporation Limited and controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of Real Energy Corporation Limited (the company) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 half-year 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 31 December 2016 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 Real Energy Corporation Limited and controlled entities, 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 review procedures. 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the company for the half-year ended 31 December 2016 included on the website of Real Energy Corporation Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

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*, which has been given to the directors of Real Energy Corporation Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Conclusions

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 Real Energy Corporation Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A D DANIELI AUDIT PTY LTD



Allan Facey
Director

Sydney, 10th March 2017

