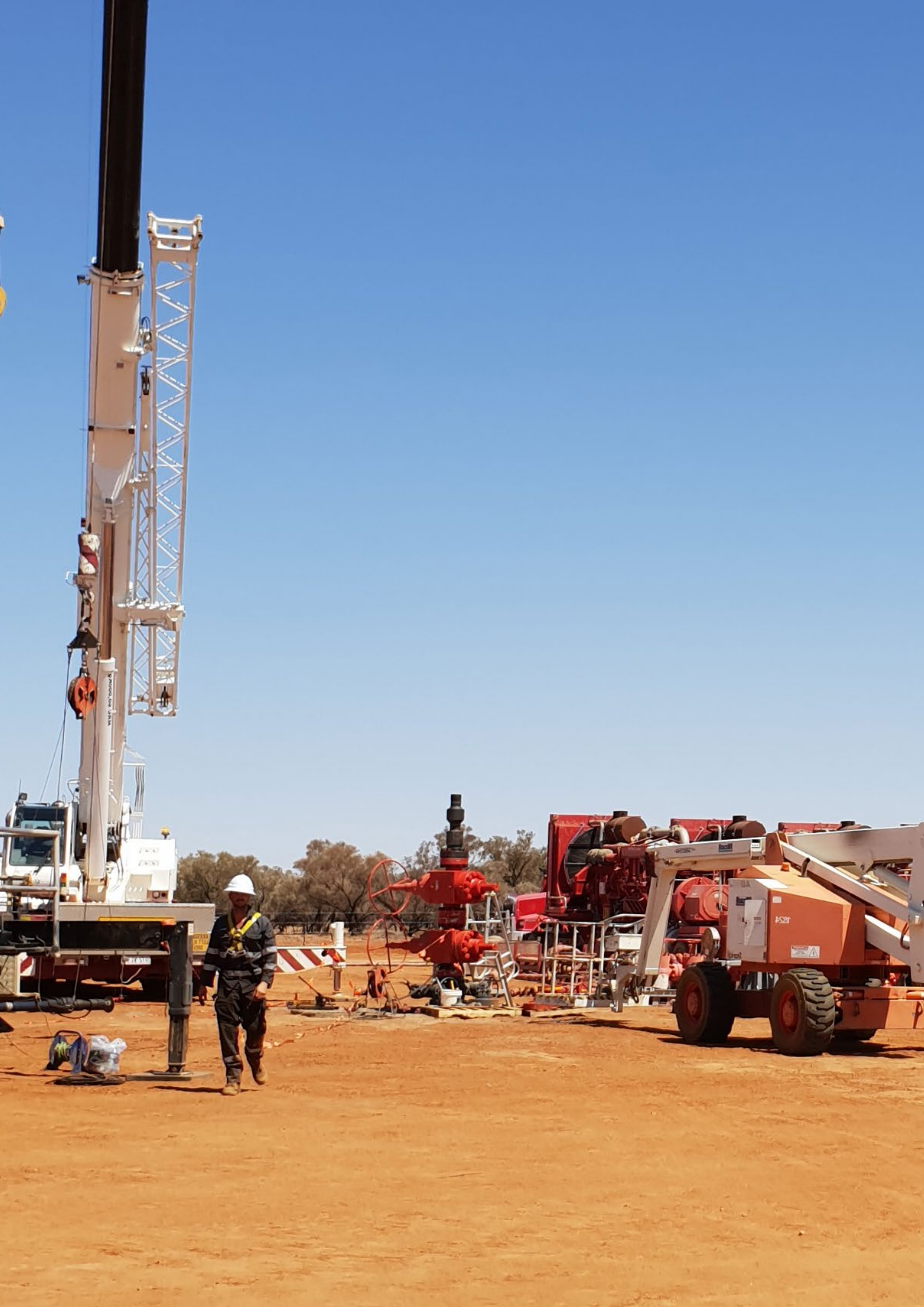
ANNUAL REPORT **2018**

Real Energy Corporation Limited
ABN 92 139 792 420
ACN 139 792 420

REAL ENERGY



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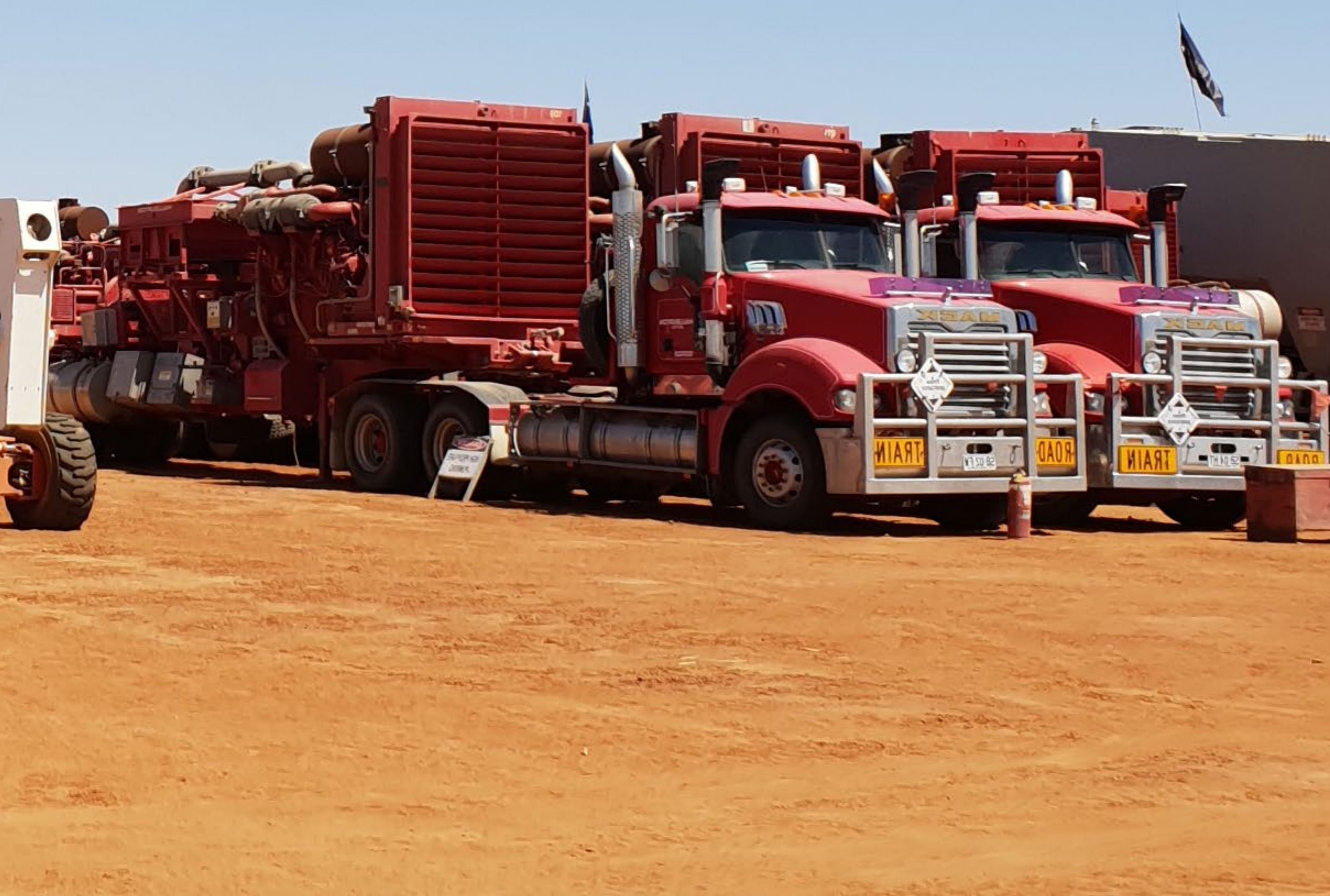


Managing Director's Report

Dear shareholders,

It is my pleasure to present this Annual Report for Financial Year 2018, a year of consolidation for Real Energy in which we substantively strengthened the technical knowledge and advanced the commercial viability of our assets in Australia's prolific Cooper-Eromanga Basin onshore oil and gas province.

Real Energy was founded because of the simple fact that the Directors could foresee a major gas shortage emerging in Australia. This shortage is now a stark reality with record high gas prices having huge ramifications for Australian industry and its competitiveness.

There is a simple solution – get more domestic supply. Recently on October 7, 2018, Australian Competition and Consumer Commission chair Rod Sims said while prices continue to double and triple, "the only way they'll come down to any extent is to get more gas into the market."

Therein lies the highly lucrative market opportunity that reinforces Real Energy's strategy and frames our intent on capturing this opportunity. Financial Year 2018 was underpinned by key advancements towards this goal.

Operations

Against this backdrop, Real Energy achieved a number of critical developments this past year, which broadened our technical knowledge of the Windorah Gas Project but also confirmed the significant unlocked value of the asset, validating its potential as part of the solution as an energy market circuit breaker.

The Company controls 100% of 2,761 km² (682,257 acres) of leases in the Cooper Basin. The acreage is ideally situated near infrastructure, including access to gas pipelines and gas processing facilities.

The developments of the 2017 Financial Year established a strong platform both operationally and commercially. But in 2018 that platform was largely built on the consolidation of technical knowledge over our assets and strengthening key commercial partnerships to move closer towards our gas-to-market strategy.

Significant strides were made towards commercialising the Windorah Project with a number of high-level commercial partnerships secured throughout the year.

- The Memorandum of Understanding signed with Santos Limited in May 2017, predating this financial report, continues to provide a clear and financially prudent pathway to sell our gas into the domestic market, without the need to build costly gas processing and transportation infrastructure.
- Building on this, Real Energy executed a MOU with Weston Energy Pty Limited in mid-July 2017, which covered the purchasing by Weston Energy of 3 petajoules ("PJ") gas per year for a period of five years. The agreement included Weston Energy making a prepayment of $6 million, providing Real Energy with additional financial flexibility to execute near-term operational objectives.
- Subsequent to the year's end, Real Energy secured key gas processing and tie-in agreements with Santos Limited and Beach Energy Limited. These agreements represented a significant step in Real Energy's efforts to commercialise the Windorah Gas Project without constructing costly infrastructure. As Santos and Beach Energy have gas processing facilities at Moomba in South Australia, these agreements will allow for the relatively fast commercialisation of Real Energy's Windorah Gas Project. Capitalising on this milestone is a critical element of the Company's near-term strategy, as it potentially adds considerable value to Real Energy, but also represents major de-risking event for the project.

Key operational objectives this year revolved around proving up the Tamarama-1, 2 and 3 wells, which progressed positively. In late 2017, the Tamarama-1 well returned strong gas flow rates which heightened the potential for it to become a future gas producer. Operations at Tamarama-1 significantly advanced the technical knowledge of the wider field, and not only provided the impetus for commencing the successful drilling campaigns at Tamarama-2 and 3 in early 2018 but shaped the entire exploration program.

The two-well appraisal drilling programs at the Tamarama-2 and 3 wells was designed to drill a deviated wellbore with optimal stress orientation for more efficient fracture stimulation. Drilling these two wells was a priority in order to prove up the deliverability of the wider Windorah project, and capitalise on the strong results returned from Tamarama-1.

Prior to the commencement of drilling, the Company remained optimistic about the fortunes of the Tamarama-2 and 3 wells, and the completion of the appraisal drilling validated our confidence in the Windorah gas project. The success of this program, witnessed in the current year, demonstrates strong gas shows encountered at Tamarama-2 and 3, which firms our belief that we have a large, untapped natural gas resource at our disposal that will make a meaningful contribution to Australia's domestic energy needs.

Another step towards the commercialisation of Windorah was completed post balance date in October 2018, with the completion of fracture stimulation at Tamarama-2 and 3. Commercial flow rates at these could possibly shape the development of a much broader field program.

At Board level, we recently bid farewell to Director Norm Zillman, who retired in August 2018. A Company director since Real Energy listed in December 2013, Norm carved out a distinguished 50-year career in the global oil and gas industry, culminated with his final ASX directorship with Real Energy. We wish Norm all the best in retirement and thank him for his valuable input on the Board.

Following Norm's retirement, the Company appointed Ron Hollands to the Board as Non-Executive Director to fill the vacancy while the Company was searching for Norm Zillman's replacement. In September 2018, the Company appointed John Wardman to the Board as Non-Executive Director and Ron Hollands resigned from the Board but continues in his role as the Company Secretary. John is a highly regarded and respected in the Australian stockbroking and wealth management sector and has over 35 years' experience working in the small resources and energy sectors.

We welcome John to the Board and look forward to utilising his considerable experience.

Outlook

With a solidified cash balance and strong near-term operational catalysts on the horizon, the future is bright for Real Energy. We remain supremely confident of the potential upside of the Windorah Gas Project, and as we have outlined previously, the Company has accelerated its development since its listing in comparison to previous counterparts.

We are continuing to take significant steps forward in the further development and commercialisation of the Windorah Gas Project, and the next 12 months have the potential to be transformational. Once the full extent of commercial flow rates from Tamarama-2 and 3 is ascertained, we will then push forward with a broader field program to test the potential and size of the wider Windorah Gas Project.

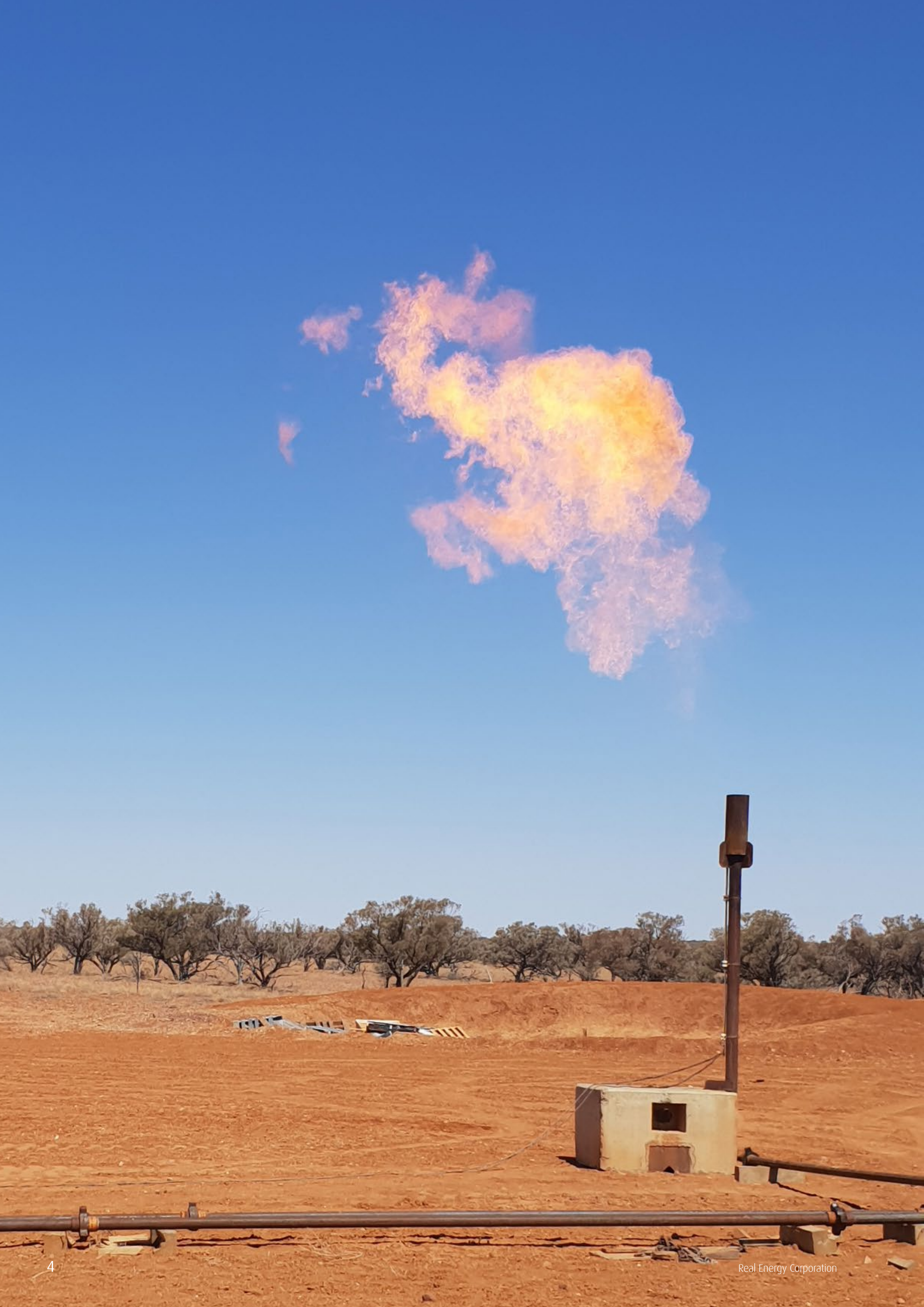
Concurrently, the commercial agreements signed over the past 18 months will enable the saleable gas flows to enter the east coast gas market, thereby signifying the Company's first step towards becoming a key player and circuit breaker of the broader Australian gas supply solution.

I would like to take this opportunity to thank my fellow Board members for their commitment this year, and with them I also thank our staff and contractors for their hard work and dedication.

Finally, I would like to thank our shareholders for your ongoing loyalty and support, and I hope to repay that faith in due course.

Real Energy is on the cusp of becoming part of the solution for Australia's east coast gas crisis. With a large and prospective portfolio in Australia's largest proven oil and gas province, Real Energy has never been better placed to capitalise on the market opportunities that lay ahead.

Scott Brown | Managing Director



Directors' Report

DIRECTORS' REPORT FOR YEAR ENDED 30 JUNE 2018

Yourdirectors present their report together with the consolidated financial statements of Real Energy Corporation Limited ('the Company') for the financial year ended 30 June 2018.

Operating activities

Real Energy continues to focus on the exploration and development of oil and gas acreage in the Cooper-Eromanga Basin in South-West Queensland, Australia's premier onshore province. The Company controls over 2,761 km² of 100%-owned acreage in the Cooper-Eromanga Basin.

The Company continues its focus on developing the Windorah Gas Project (ATP927P) in the Cooper Basin which has 3C contingent gas resource of 672 Bcf (Billion Cubic Feet).

The Company drilled two wells – Tamarama 2 & 3 – in last quarter of 2018 and both wells encountered good gas shows with log-interpreted gas pays. These two wells are now cased and suspended for fracture stimulation and flow testing starting in late September 2018.

The east coast of Australia is expected to have a gas shortage or tightness of supply in the next few years. This has resulted in increasing gas price and there is strong interest from potential gas buyers in obtaining gas from the Company's Windorah Gas Project. The Company is very encouraged by the results to date and remains confident in the project's commercial viability.

During the year, the Company has signed an MOU with Weston Energy for gas sales. An MOU with Santos for gas processing was signed in May 2017 as part of the Company's development strategies.

Operating results and financial position

The Company recorded a consolidated loss of $1,399,547 for the year ended 30 June 2018 (FY2017: $794,347 loss), with $4 million cash at bank as at 30 June 2018. In 2018, Real Energy successfully raised $2.35 million through a private placement, issuing 26,072,003 ordinary shares, and these funds have been used to further exploration and development activities.

Principal activity

The principal activity of the Company during the financial year ended 30 June 2018 was the exploration and evaluation of oil and gas projects. The principal activity did not change during the financial year.

Dividend

Thedirectors do not recommend the payment of a dividend and no dividends have been paid or declared or paid by the Company concerning the financial year ended 30 June 2018 (FY2017: $nil).

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial period under review, not otherwise disclosed in this report or the consolidated accounts.

Events subsequent to balance date

On 9 August 2018, Mr Norm Zillman (Non-Executive Director), aged 75, decided to retire as a director of the Company. Mr John Wardman, a senior investment advisor who has 35 years' experience in small resources and energy sectors, has been appointed as a Non-Executive Director on 6 September 2018.

The Company had completed a fund raising in early August 2018. $3.7 million have been raised through a Placement of 46,250,000 fully paid ordinary shares. This fund together with the existing cash reserves will be used to fund the upcoming fracture stimulation program and well testing at Tamarama 2 & 3 and for working capital purposes.

Besides the above, no matters or circumstances have arisen since the end of the financial year that significantly affected or could significantly affect the operation of the consolidated company in future financial years.

Directors

The names and particulars of the qualifications and experience of the directors in office during and since the end of the financial year, unless otherwise stated, are as follows:

Mr Scott Brown (Managing Director)

B. Bus (University of Technology, Sydney, Australia)
M. Com (University of New South Wales, Australia)
Member of the Institute of Chartered Accountants and the Petroleum Exploration Society of Australia

Scott is the co-founder and Managing Director of Real Energy Corporation Limited and has an extensive background in finance and management of public companies. Scott is currently a non-executive director of Kairki Energy Limited (ASX: KIK) and Oriental Technologies Investment Limited (ASX: OTI).

Scott was previously Chief Financial Officer of Mosaic Oil NL (Mosaic, ASX: MOS), a listed oil and gas production company with interests in Queensland, New Zealand and offshore WA. During his time at Mosaic, Scott was involved in the acquisition of production properties and the growth of business and profitability with the companies and was instrumental in putting together a Scheme of Arrangement with AGL Energy Ltd to acquire Mosaic for consideration of $142 million.

Scott was also formerly the CFO, Company Secretary and chairman of a number of public companies including Objective Corporation Limited, Turnbull & Partners Limited, Allegiance Mining NL, FTR Holdings Limited, Garratt's Limited and IOT Group Limited (ASX: IOT) (formerly Ardent Resources Limited). Scott also worked at accounting firms, Ernst Young and KPMG.

Mr Dang Lan Nguyen (Non-Executive Chairman)

B.Sc. (Baku, Azerbaijan)
M.Sc. Geology (University of New England, Australia)
Member of the Petroleum Exploration Society of Australia; the American Association of Petroleum Geologists and the Society of Petroleum Engineers

Lan is a professional petroleum geologist and engineer with over 25 years' experience in petroleum exploration, development and production in Australia and internationally including 15 years at Mosaic Oil NL, transforming Mosaic to a successful company as Managing Director with growing production revenues, petroleum reserves/resources and profitability. Lan is credited with the discovery and development of many oil and gas fields in the Surat-Bowen Basins through his innovative introduction of various exploration, drilling and completion technologies to Australia.

Lan is the co-founder of Real Energy Corporation Limited and is currently a principal/director of Tanvinh Resources Pty Limited and Latradanick Holdings Pty Limited, which provide services to energy and resources companies in Australia and Asia-Pacific region.

Mr Norm Zillman (Non-Executive Director) – resigned 9 August 2018

B. Sc. Geology (University of Queensland, Brisbane, Australia)
B. Sc. Hons. Botany (University of Queensland, Brisbane, Australia)
Member of Australasian Institute of Mining & Metallurgy; Petroleum Exploration Society of Australia

Norm has over 55 years' experience in minerals, petroleum, coal, coalbed methane and geothermal exploration and production in Australia and internationally. His initial experience was as a petroleum geologist with international companies Aquitaine Petroleum in Australia and Papua New Guinea and Union Oil Company of California in Australia and Indonesia.

Norm has occupied the positions of Deputy CEO of Crusader Limited, General Manager Exploration and Production with Beach Petroleum NL and Claremont Petroleum Limited and Manager of the Petroleum Branch of the Queensland Department of Mines and Energy and State Mining Engineer for Petroleum and non-executive co-Chairman of Chinalco Copper Resources Limited (CYU), Non-executive Chairman of Burleson Energy Limited (BUR) and Non-executive Director of Earth Heat Resources Limited (HER).

He was the inaugural Managing Director and a co-founder of Coalbed methane (CBM) company Queensland Gas Company Limited (QGC) being responsible for the initial acquisition of all of its areas, the successful floating on the ASX and the discovery of QGC's first CBM gas field, Argyle. He was also the inaugural Chairman and Founder of conventional oil and gas company Great Artesian Oil and Gas Limited. He was also a founder of a number of other ASX listed companies including Blue Energy Limited (BUL), Hot Rock Limited (HRL), Planet Gas Limited (PGS), Bandanna Energy Limited (BND) and Red Gum Resources Limited (RGX).

Mr John Wardman (Non-Executive Director) – appointed 6 September 2018

B. Ec. (Macquarie University Sydney)
Company Directors Course Diploma (University of Sydney Graduate Business School)
Fellow of the Australian Institute of Company Directors (FAICD)

John is highly regarded and respected in Australia's stockbroking and wealth management sector and has 35 years' experience working in the small resources and energy sectors.

He currently is a Senior Investment Advisor in the wealth management industry and previously spent 13 years with Macquarie Private Wealth, and prior to this Hartleys Limited. John also is the Chairman of the ASX listed but currently suspended Shine Metals Limited. His contacts and network are extensive.

Company Secretary (and Non-Executive Director from 9 August 2018 to 6 September 2018)

Mr Ron Hollands

B. Bus (University of Technology, Sydney, Australia)
MBA (MGSM, Australia)
Grad. Dip Corporate Governance (CSA)
Member of the Institute of Chartered Accountants

Ron is currently the Company Secretary of Ashley Services Group Limited (ASH) and formely the CFO and Company Secretary of Wentworth Holding Limited (WWM), a listed investment company. He is a Chartered Accountant with over 25 years' experience in accounting, corporate finance and company secretarial matters. His career includes working in professional accounting firms and acting as CFO and/or Company Secretary for a number of companies in a range of industries. He also holds a Certificate of Public Practice and is a registered tax agent.

Indemnifying of Officers

During the financial year the Company paid premiums to insure all directors and officers of the Company against possible claims brought against the individual while performing services for the Company and against expenses relating thereto, other than conduct involving a wilful breach of duty in relation to the Company.

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any of those proceedings. The Company was not a party to any such proceedings during the year.

Remuneration Report

Remuneration policy

The board's policy for determining the nature and amount of remuneration for Key Management Personnel (KMP) of the consolidated entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors was developed by the remuneration committee and approved by the board. All executives receive a base salary (which is based on factors such as length of service and experience) with reference to market conditions and comparisons and superannuation guarantee required by the government. The objective of this policy is to secure and retain the services of suitable individuals capable of contributing to the consolidated entities' strategic objectives and deliver sustainable total shareholder returns.

The board policy is to remunerate non-executive directors at the market rate for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

The remuneration for each KMP of the Company during the year was as follows:

	Cash remuneration		Non cash remuneration	
FY2018	Short term remuneration	Long term remuneration		
KMP	Salaries/fees *	Super contribution	Share based payment	Total
	$'000	$'000	$'000	$'000
Scott Brown	305	24	-	329
Lan Nguyen **	179	4	-	183
Norm Zillman ***	36	-	.	36
Ron Hollands	6	-	-	6
Total	**526**	**28**	**-**	**554**

* Fees payable inclusive of director fees and consultant fees

** Consultant services were provided based on normal commercial terms and conditions

*** Mr Norm Zillman resigned on 9 August 2018

	Cash remuneration		Non cash remuneration	
FY2017	Short term remuneration	Long term remuneration		
KMP	Salaries/fees *	Super contribution	Share based payment	Total
	$'000	$'000	$'000	$'000
Scott Brown	305	24	-	329
Lan Nguyen **	158	4	-	162
Norm Zillman	36	-	-	36
Ron Hollands	4	-	-	4
Total	**503**	**28**	**-**	**531**

* Fees payable inclusive of director fees and consultant fees

** Consultant services were provided based on normal commercial terms and conditions

Director Interest

Directors' beneficial interest in shares and options at the end of the reporting period is:

Directors	Balance at beginning of year		Movement during the year		Balance at end of year	
	Ordinary shares	Options	Ordinary shares	Options	Ordinary shares	Options
Scott Brown	25,968,789	-	400,000	-	26,368,789	-
Lan Nguyen	20,500,000	-	-	-	20,500,000	-
Norm Zillman *	3,800,000	-	-	-	3,800,000	-
Total	**50,268,789**	**-**	**400,000**	**-**	**50,668,789**	**-**

* Mr Norm Zillman resigned on 9 August 2018

Board committees

To facilitate achieving its objectives, the board has established two sub-committees comprising board members – the audit committee and remuneration committee. Each of these committees has formal terms of reference that outline the committee's roles and responsibilities, and the authorities delegated to it by the board.

Remuneration committee

The board has established a remuneration committee and its role is set out in a formal charter which is available in the Corporate Governance Statement.

The remuneration committee is responsible for the evaluation of the board, committee and individual directors' performance. The chairman of the remuneration committee is not Chairman of the Board and the committee consists of two members including one independent non-executive director and one non-executive director. At the end of the reporting period, they are Norm Zillman (Chairman) and Lan Nguyen. It is intended that the committee will meet as required.

Audit committee

The role of the audit committee is to assist the board in monitoring the processes and controls associated with the financial reporting function that ensures the integrity of the Company's financial statements. The responsibilities of the Committee are set out in a formal charter which is available in the Corporate Governance Statement.

The Audit Committee Charter sets out the policy for the selection, appointment and rotation of external audit engagement partners.

The committee makes recommendations to the board regarding the adequacy of the external audit and compliance procedures. The committee evaluates the effectiveness of the financial statements prepared for board meetings. The committee has the necessary power and resources to meet its responsibilities under its charter, including rights of access to management and auditors (internal and external) and to seek explanations and additional information. The Chairman of the Audit Committee is not Chairman of the Board and the committee consists of two members including one independent non-executive director and one non-executive director. At the end of the reporting period, they are Norman Zillman (Chairman) and Lan Nguyen. It is intended that the committee will meet at least two times per year or as frequently as required.

Meetings of directors and committees

The number of directors' and committees' meetings of the Company held during the year ended 30 June 2018 and the number of meetings attended by each director are as follows:

Directors	Board Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Scott Brown	6	6	2	2	-	-
Lan Nguyen	6	6	2	2	-	-
Norm Zillman	6	6	2	2	-	-

Employees

The Company had three (3) employees at 30 June 2018 (FY2017: three).

Environmental Regulations and Performance

The Company has a statutory obligation to protect the environment in the areas in which it was and is exploring. During the reporting period the Company did not fail to meet its obligations pursuant to any environmental legislation.

Likely Developments and Expected Results

The Company will continue to undertake its activities described in this report with major emphasis on expanding the Company's business through organic growth.

Further information as to likely developments in the operations of the Company and the expected results of those operations in future years have not been included in this report because, in the opinion of the directors, it would prejudice the interests of the Company.

Dividends

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

Shares and Options

During the year, the Company successfully completed a Placement of 26,072,003 fully paid ordinary shares at $0.09 per share each, which raised $2.35 million. The Company's cash position on 30 June 2018 was $4 million and total number of ordinary fully paid shares on issue was 255,360,036.

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.

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporation Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principle relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standard Board.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 11 of the financial report.

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

Scott Brown | Managing Director

Sydney, 25 September 2018

Auditor's Independence Declaration

A D Danieli Audit Pty Ltd
Authorised Audit Company
ASIC Registered Number 339233
Audit & Assurance Services

Level 1, 261 George Street
Sydney NSW 2000
PO Box H88
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099
Fax: (02) 9262 2502

Email: add3@addca.com.au
Website: www.addca.com.au

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF REAL ENERGY CORPORATION LIMITED
ABN 92 139 792 420
AND CONTROLLED ENTITIES

I declare that, to the best of our knowledge and belief, during the year ended 30 June 2018, there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

A D DANIELI AUDIT PTY LTD

Afacey

Allan Facey
Director

Sydney, 25 September 2018

Liability limited by a scheme approved under Professional Standards Legislation

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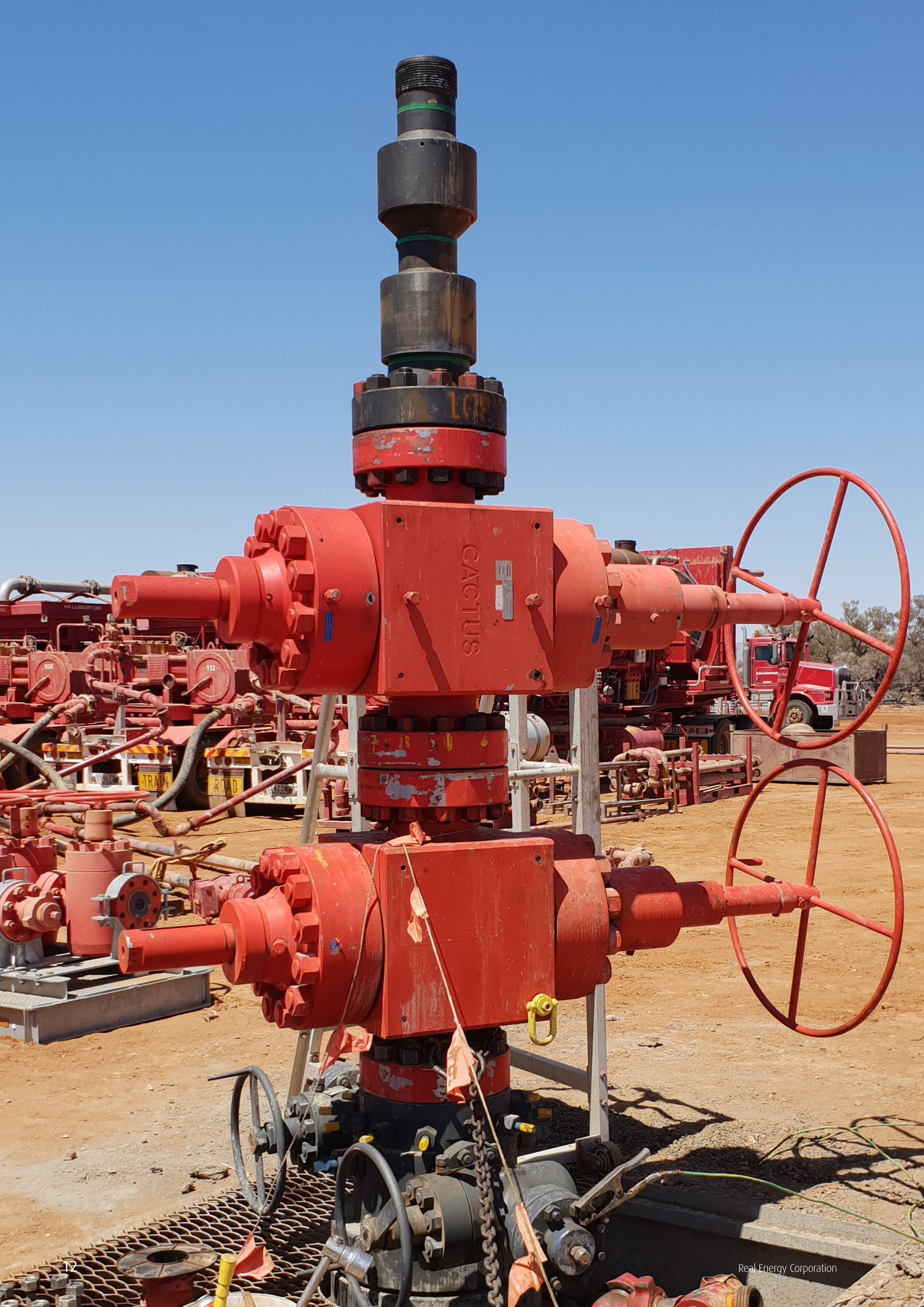
CACTUS
TRAIN
ROAD

REAL ENERGY CORPORATION LIMITED
Consolidated Statement of Comprehensive Income as at 30 June 2018

	Notes	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Continuing operations			
Revenue	2	162	1,009
Depreciation & amortisation expenses		(4)	(5)
Impairment of exploration & development assets	10	(52)	(389)
Employee benefits & expenses		(536)	(542)
Other operating expenses	3	(970)	(866)
Total Expenses		(1,562)	(1,802)
Profit/(Loss) from continuing activities before income tax		(1,400)	(793)
Income tax expense	4	-	-
Profit/(Loss) from continuing activities after income tax	15	(1,400)	(793)
Total changes in equity other than those resulting from transactions with owners as owners		(1,400)	(793)
Earnings per share		Cents	Cents
Basic earnings per share	17	(0.56)	(0.39)
Diluted earnings per share	17	(0.56)	(0.39)

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

REAL ENERGY CORPORATION LIMITED
Consolidated Statement of Financial Position as at 30 June 2018

	Notes	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Assets			
Current Assets			
Cash & cash equivalents	5	3,969	7,508
Inventories	6	43	22
Other assets	7	13	55
Trade & other receivables	8	1,346	923
Total Current Assets		**5,371**	**8,508**
Non-Current Assets			
Property, plant & equipment	9	3	6
Exploration, evaluation and development assets	10	25,549	19,401
Total Non-Current Assets		**25,552**	**19,407**
Total Assets		**30,923**	**27,915**
Liabilities			
Current Liabilities			
Trade & other payables	11	2,556	571
Provisions	12	110	100
Total Current Liabilities		**2,666**	**671**
Non-Current Liabilities			
Provisions	12	446	232
Total Non-Current Liabilities		**446**	**232**
Total Liabilities		**3,112**	**902**
Net Assets		**27,811**	**27,013**
Equity			
Equity contribution	13	31,010	28,664
Accumulated costs of equity	13	(2,744)	(2,596)
Reserves	14	-	-
Accumulated profits/(losses)	15	(455)	945
Total Equity		**27,811**	**27,013**

The 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 year ended 30 June 2018

Consolidated Group	Contributed equity $'000	Fund raising costs $'000	Accumulated losses $'000	Reserves $'000	Total $'000
Opening balance 1 July 2016	26,664	(2,454)	1,393	345	25,948
Loss for the financial period	-	-	(793)	-	(793)
Transactions with shareholders issue of shares	2,000	(142)	-	-	1,858
Option written off	-	-	345	(345)	-
Balance at 30 June 2017	**28,664**	**(2,596)**	**945**	**-**	**27,013**
Loss for the financial period	-	-	(1,400)	-	(1,400)
Transactions with shareholders Issue of shares	2,346	(148)	-	-	2,198
Option written off	-	-	-	-	-
Balance at 30 June 2018	**31,010**	**(2,744)**	**(455)**	**-**	**27,811**

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 year ended 30 June 2018

	Notes	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Cash flow from operating activities			
R&D Tax Incentive received		-	1,487
Interest received		184	173
Payments to suppliers & employees		(1,651)	(1,124)
Net cash provided by operating activities	24	**(1,467)**	**536**
Cash flow from investing activities			
Purchases of property, plant & equipment		(1)	(3)
Payments for exploration & evaluation assets		(4,269)	(3,586)
Net cash provided by/(used in) investing activities		**(4,270)**	**(3,589)**
Cash flow from financing activities			
Proceeds from the issue of shares	13	2,346	2,000
Fund raising expenses		(148)	(141)
Net cash provided by/(used in) financing activities		**2,198**	**1,859**
Net increase/(decrease) in cash held		(3,539)	(1,194)
Cash & cash equivalents at the beginning of the year		7,508	8,702
Cash & cash equivalents at the end of 30 June 2018	5	**3,969**	**7,508**

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 year ended 30 June 2018

NOTE 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

A. Basis of preparation

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Standards Board and the *Corporations Act 2001.*

The financial information has been prepared on an accruals basis under the historical cost convention and, except where stated, does not take into account current valuations of non-current assets.

Non-Current assets are re-valued from time to time as considered appropriate by the directors and are not stated at amounts in excess of their recoverable amounts. Except where stated, recoverable amounts have been determined using undiscounted cash flows.

(i) Compliance with IFRS

The consolidated financial statements of Real Energy Corporation Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Comparison figures

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation of items in the financial statements is amended, the comparative amounts have been reclassified where practical.

(iii) Adoption of new and amended accounting standards

In the current year, the Company has reviewed all the new and revised standards and interpretations issued by the AASB that are relevant to the group operations and effective for annual reporting periods on or after 1 July 2017. The Company adopted all mandatory new and amended standards and interpretations.

It has been determined by the Company that there is no impact, material or otherwise of the new and revised standards and interpretations on the group and, therefore, no changes are 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 held year ended 30 June 2018. As a result of this review the directors 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 accounting policies.

(iv) Critical accounting estimates and judgments

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.

B. Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by Real Energy Corporation Limited (''Parent Entity'') as at 30 June 2018. A controlled entity is an entity over which the Parent Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Entity controls another entity.

C. Going concern

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near-term anticipated activities.

NOTE 1. Summary of significant accounting policies (continued)

D. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liability (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

E. Plant & equipment

Each class of property, plant and equipment is carried at cost or fair value, less any accumulated depreciation.

Plant and equipment is measured on a cost basis. The carrying value of property, plant and equipment is reviewed annually to ensure that it is not in excess of the net recoverable amount.

Depreciation

Plant and equipment are depreciated over their estimated useful life using the straight line method. The principal depreciation rates used are:

- Furniture & Fittings 15%
- Office equipment 25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

F. Trade receivables and payables

(i) Trade debtors

Trade debtors are carried at amounts due, less any allowance for doubtful debts. An allowance is raised for any doubtful debts based on a review of all outstanding amounts at the reporting date. Bad debts are written off during the period in which they are identified.

(ii) Payables

These are unpaid amounts for goods and services provided to the Company prior to the end of the financial year. Payables are unsecured and are settled within the time agreed with suppliers.

G. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

(i) where the amount of GST incurred is not recoverable from the relevant taxation authority; and/or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities is classified as operating cash flows.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 1. Summary of significant accounting policies (continued)

H. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes:

(i) cash on hand and cash on deposit with banks or financial institutions, net of bank overdrafts; and
(ii) investments in money market instruments with less than 180 days to maturity.

All intercompany transactions and balances are eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Parent Entity.

I. Employee benefits

Liabilities for wages and salaries, and annual leave are recognised, and are measured as the amount unpaid at the reporting date at the remuneration rate expected to apply at the time of settlement, including allowances for on costs if applicable, in respect of employees' services up to that date.

A liability for long service leave is recognised, and measured as the present value of future payments to be made in respect of services provided by employees up to the reporting date. Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred. The Company does not operate any defined benefit superannuation plan.

J. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

K. Capital risk management

The consolidated entity and Real Energy's objective is to safeguard its ability to continue as a going concern and to maintain a conservative capital structure so that management can focus on running its core business together with being an attractive company for shareholders and potential investors.

The Company will consider the most appropriate use of debt and equity to maximise its returns while maintaining a low-risk capital structure.

L. Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Once an area of interest enters a development phase, historical capitalised exploration expenditure is transferred to capitalised development expenditure.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 1. Summary of significant accounting policies (continued)

M. Share based payments

When goods or services received are acquired in a share based payment transaction, they are recognised as expenses or assets, as determined by the nature of the goods or services received, over the vesting period attached to the equity instrument acquired in the transaction. A corresponding increase is recognised in equity.

The goods or services are measured by reference to the fair value of goods or services received, or where this is not possible, indirectly, by reference to the equity instrument acquired. The fair value of the equity instrument is measured at grant date.

N. Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the Income Statement is matched with the profit from ordinary activities after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be used, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be applied.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only where a legally enforceable right of set-off exists and the deferred tax assets and liabilities relate to the same taxable entity.

Deferred tax assets are not brought to account unless it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 1. Summary of significant accounting policies (continued)

O. Contributed equity
Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

P. Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Interest revenue is recognised using the effective interest rate method taking into account rates applicable to the financial assets.

Q. Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

R. Impairment of assets
At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

S. Options issued
There are no options issued during the year of 2018.

T. Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sells the assets (i.e. Trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, expect where the instrument is classified "at fair value through profit or loss", in which cash transaction costs are recognised as expenses in profit or loss immediately.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 1. Summary of significant accounting policies (continued)

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial assets at fair value through profit or loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Financial liabilities
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment
At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 1. Summary of significant accounting policies (continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as financial liabilities at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using the probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: *Revenue*. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

U. Critical accounting estimates and judgments

Key estimates

(i) Impairment
The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgments

(i) Exploration and evaluation expenditure
The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

NOTE 1. Summary of significant accounting policies (continued)

V. New accounting standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

(i) AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will have no impact on the Company's financial instruments in the year or period of initial application.

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective date of AASB15*).

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The directors have assessed the impact of AASB 15. Based on a preliminary assessment performed, the effects of AASB 15 are not expected to have material effect on the Company.

(iii) AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases and related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

a) Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
b) Depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
c) Inclusion of variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
d) Application of practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
e) Inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 1. Summary of significant accounting policies (continued)

The directors have assessed the impact of AASB 16. Based on a preliminary assessment performed, the effects of AASB 16 are not expected to have material effect on the Company.

(iv) AASB 2015-8: *Amendments to Australian Accounting Standards – Effective date of AASB 15*

This Standard amends the mandatory effective date (application date) of AASB 15: *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Therefore, this Standard also defers the consequential amendments that were originally set out in AASB 2014-5: *Amendments to Australian Accounting Standards arising from AASB 2014-5*. This deferral is achieved in a variety of ways because some of the Standards amended by AASB 2014-5 have been superseded by new principal versions issued in 2015 that apply to annual reporting periods beginning on or after 1 January 2017 or 2018. This Standard amends Interpretation 1052.45 and is appropriate for annual reporting periods beginning on or after 1 January 2018. AASB 15 is also reformatted to follow the structure for the new principal versions of other Standards by deleting or moving the Aus-numbered "Application" paragraphs.

AASB 2016-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2018, with earlier application permitted. When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods or services. To achieve this objective, AASB 15 provides the following five-step process:

a) Identify the contract(s) with a customer;
b) Identify the performance obligations in the contract(s);
c) Determine the transaction price;
d) Allocate the transaction price to the performance obligations in the contract(s); and
e) Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
NOTE 2. Revenue		
Interest revenue	162	159
Research & development tax offset receivable	-	850
	162	**1,009**

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
NOTE 3. Other operating expenses		
– Advertising and marketing fees	(306)	(215)
– Consultant fees	(117)	(120)
– Listing fees	(49)	(53)
– Rent expenses	(126)	(122)
– Travel and accommodation expenses	(39)	(21)
– Other expenses	(333)	(335)
Total	**(970)**	**(866)**
NOTE 4. Income tax		
Reconciliation of income tax expense/(benefit) for the year as follows:		
Net profit/(loss) from continuing operations before income tax expense	(1,400)	(793)
Prima facie income tax expense on the profit/(loss) from ordinary activities	(385)	(226)
Net effect of R&D offset claim and related expenditures	-	(234)
Timing differences in deferred tax	(112)	(199)
	(491)	(659)
Current year tax losses not brought to account	491	659
Income tax expense/(benefit)	**-**	**-**
Current year tax loss	(491)	(659)
Adjustment for change in tax rate	-	75
Add previous year's loss	(2,697)	(2,113)
Total tax losses not brought to account	**(3,188)**	**(2,697)**
NOTE 5. Cash & cash equivalents		
Cash at bank	**3,969**	**7,508**
NOTE 6. Inventories		
Materials and supplies	43	22
	43	**22**
NOTE 7. Other assets		
Prepayment – Insurance & others	13	55
	13	**55**
NOTE 8. Trade & other receivables		
GST refund & other receivables	496	73
Interest & other receivables	850	850
	1,346	**923**

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
NOTE 9. Plant and equipment		
Furniture & fittings	3	3
Less accumulated depreciation	(3)	(2)
Total furniture and fittings	**-**	**1**
Office equipment	66	65
Less accumulated depreciation	(63)	(60)
Total office equipment	**3**	**5**
Closing balance at 30 June 2018	**3**	**6**
NOTE 10. Exploration, evaluation and development assets		
Opening balance	19,401	17,668
Expenditure incurred during the year	6,200	2,122
Impairment provision	(52)	(389)
Closing balance at 30 June 2018	**25,549**	**19,401**

During the year, the Company continued to work on Windorah Gas Project (ATP927P) in the Cooper Basin which included drilling of two additional wells – Tamarama 2 & 3.

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
NOTE 11. Trade & other payables		
Trade creditors	2,234	369
Sundry creditors	322	202
	2,556	**571**
NOTE 12. Provisions		
Current provisions		
Current leave provision	110	100
Sub total	**110**	**100**
Non-current provisions		
Non-current leave provision	39	26
Rehabilitation provision	400	200
Other provision – makegood provision	7	6
Sub total	**446**	**232**
Total provisions	**556**	**332**

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service.

The estimate rehabilitation provision is the expected rehabilitation costs for the four drilled wells, Tamarama-1, 2, 3 & Queenscliff-1.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 13. Issued capital

(a) Shares

FY2018	No. of shares	Contributed Equity $'000
Existing shares at beginning of the year	229,288,033	28,664
Share placement at 9 cents	26,072,003	2,346
Balance at end of 30 June 2018	255,360,036	31,010
Accumulated share raising costs		(2,744)
Balance at end of 30 June 2018		**28,266**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

FY2017	No. of shares	Contributed Equity $'000
Existing shares at beginning of the year	204,288,033	26,664
Share placement at 8 cents	25,000,000	2,000
Balance at end of 30 June 2017	229,288,033	28,664
Accumulated share raising costs		(2,596)
Balance at end of 30 June 2017		26,068

(b) Options

There are no options listed as at 30 June 2018.

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
NOTE 14. Reserves		
Movement in share based payment reserve		
Opening balance	-	345
Amount expensed during the year	-	-
Options written off	-	(345)
Closing balance	**-**	**-**
NOTE 15. Accumulated losses		
Accumulated profit/(loss) at beginning of the year	945	1,393
Net profit/(loss) for the year	(1,400)	(793)
Options written off	-	345
Accumulated profit/(loss) at end of 30 June 2018	**(455)**	**945**

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
NOTE 16. Auditor's remuneration		
Remuneration of the auditor of the consolidated entities for:		
Annual audit	17	16
Half year review	12	11
	29	**27**

NOTE 17. Earnings per shares

	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	248,002,731	206,000,362

Net profit after income tax attributable to shareholders	**(1,400)**	**(793)**

	Cents	Cents
Basic earnings per share	(0.56)	(0.39)
Diluted earnings per share	(0.56)	(0.39)

NOTE 18. Key management personnel compensation

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's KMP for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the Company during the year are as follows:

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Short term employee benefits	526	503
Other long term benefits	28	28
Total KMP compensation	**554**	**531**

Short term employee benefits
These amounts include fees and benefits paid to the non-executive Chairman and non-executive directors as well as salary and paid leave benefits to executive directors and other KMP.

Other long term benefits
These amounts represent superannuation paid during the year.

Share based payments
These amounts represent the expense related to the participation of KMP in equity settled benefit schemes as measured by the fair value of the options granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' Report.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 19. Related party transactions

Disclosures relating to key management personnel compensation are set out in the Remuneration Report. During the year, Mrs Vanessa Brown, the wife of Mr Scott Brown, director of the Company provided a short term loan of $250,000 at the normal commercial terms to the Company and the funds have been repaid in full before 30 June 2018. No other transactions have occurred during the period with key management personnel.

NOTE 20. Capital & leasing commitments

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Operating lease commitments – Office lease		
Not later than one year	113	108
Later than one year but not later than two years	239	113
Later than two years but not later than five years	-	239
Later than five years	-	-
	352	**460**
Petroleum lease commitments		
Not later than one year	11,000	4,000
Later than one year but not later than two years	100	11,000
Later than two years but not later than five years	-	100
Later than five years	-	-
	11,100	**15,100**

Notes: Permit term ends on 30 September 2019. A further six years of tenure is available subject to application to renew with the proposed new work commitment.

NOTE 21. Interest in subsidiaries

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

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

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 22. Financial risk management

The Company's activities expose it to a variety of financial risks, market risk (including interest rate risk, commodity price risk, equity price risk and currency risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital.

The Company at present does not use derivative financial instruments and did not have any derivative instruments during the year ended 30 June 2018 (2017: nil).

The Company uses different methods to measure different types of risk to which it is exposed. Risk management is carried out by the Company under policies approved by the Board of Directors. The board meets on a regular basis and analyses and discusses the current economic climate and forecasts and provides written principles for overall risk management. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the financial performance of the Company.

Financial risk exposures and management

(a) Market risks

(i) Foreign exchange risk
The Company has minimal exposure to foreign exchange risk.

(ii) Price risk
The Company did not have any exposure to investment or commodity price risk.

(iii) Interest rate risk – cash flow and fair value interest rate risk
The Company does not have any borrowings and therefore no significant exposure to interest rate risk other that interest it receives on surplus cash invested on deposit. The Company invests in short term deposits and the interest return will be affected by the market rates at the time.

All other assets and liabilities in the form of receivables and payables are non-interest-bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

Below is a table of impact of a 1% movement in the interest rate on the funds invested when all other variables are held constant.

Interest rate risk	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Impact on average cash and cash equivalent:		
Interest rate +1%	70	65
Interest rate -1%	(70)	(65)
Impact on equity:		
Interest rate +1%	70	65
Interest rate -1%	(70)	(65)

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial assets, is the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

(c) Net fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The net fair values of the financial assets and financial liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Notes to the Financial Statements for the year ended 30 June 2018

NOTE 22. Financial risk management (continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit facilities. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and liabilities.

(e) Capital management

The board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity.

The Company's board reviews the capital structure on an annual basis. As a part of this review the board considers the cost of capital and the risks associated with each class of capital. The Company may balance its overall capital structure through new share issues or borrowings.

The Company's overall strategy remains unchanged at 30 June 2018.

NOTE 23. Parent information

(i) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Assets		
Current assets	4,734	8,177
Non-current assets	27,140	23,325
Total assets	**31,874**	**31,502**
Liabilities		
Current liabilities	2,173	672
Non-current liabilities	49	35
Total liabilities	**2,222**	**707**
Equity		
Issued capital	28,266	26,068
Accumulated profit/(loss)	1,386	2,728
Total equity	**29,652**	**28,796**
Total profit/(loss)	(1,343)	(415)
Total comprehensive income/(loss)	**(1,343)**	**(415)**

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

NOTE 23. Parent information (continued)

(ii) Guarantees

The Parent Entity has held a bank guarantee for the office promise of $73,555 and entered a bank guarantee for its corporate credit card facilities of $20,000 during the year ended 30 June 2018.

Subsidiary Real Energy Queensland Pty Ltd has lodged bank guarantees for ATP927P with QLD Department of Environment and Heritage Protection in regards to its exploration activities.

(iii) Contingent liabilities

The Parent Entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

(iv) Contractual commitments

At 30 June 2018, the Parent Entity had no contractual commitments for the acquisition of property, plant or equipment (FY2017: nil).

NOTE 24. Reconciliation of cash flow from operations with loss after income tax

	Consolidated 30-Jun-2018 $'000	Consolidated 30-Jun-2017 $'000
Profit/(loss) of the year	(1,400)	(794)
Amortisation and depreciation	4	5
Impairment provision	52	389
R&D tax incentive received	-	1,487
Changes in assets and liabilities that involve recognition in the Income Statement		
Decrease/(increase) in receivables	(423)	785
Decrease/(increase) in prepayments	43	(13)
Decrease/(increase) in inventories	(21)	-
Increase/(decrease) in payables	54	(1,350)
Increase/(decrease) in provisions	224	27
Cash flow from operations	**(1,467)**	**536**

NOTE 25. Subsequent events note

On 9 August 2018, Mr Norm Zillman (Non-Executive Director), aged 75, decided to retire as a director of the Company. Mr John Wardman, a senior investment advisor who has 35 years' experience in small resources and energy sectors has been appointed as a Non-Executive Director on 6 September 2018.

The Company had completed a fund raising in early August 2018. $3.7 million has been raised through a Placement of 46,250,000 fully paid ordinary shares. These funds together with the existing cash reserves will be used to fund the upcoming fracture stimulation program and well testing at Tamarama 2 & 3 and for working capital purposes.

There has not arisen other than the above disclosures and announcements released to the market in the interval between the end of the financial year and the date of this report any items, transaction or event of material and unusual nature 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 year ended 30 June 2018

NOTE 26. Segments reporting

AASB Operating Segments require operating segments to be identified on the basis of internal reports about the components of the group that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The chief operating decision maker has been identified as the board of Real Energy Corporation Limited. 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.

Segment information:

	For oil & gas exploration, evaluation & developments	
	As at 30 June 2018 $'000	As at 30 June 2017 $'000
Revenue		
Interest income	162	159
R&D Tax incentive refund	-	850
Total revenue	**162**	**1,009**
Expenses	**(1,501)**	**(1,799)**
Depreciation & amortisation expenses	(4)	(5)
Segment results	**(1,505)**	**(1,804)**
Assets		
Current assets	5,371	8,508
Plant & equipment	3	6
Exploration and evaluation assets	25,549	19,401
Other non-current assets	-	-
Total assets	**30,923**	**27,915**
Liabilities		
Current liabilities	2,666	670
Non-current liabilities	446	232
Total liability	**3,112**	**902**
Net assets	**27,811**	**27,013**

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2018

Note 27. Fair value measurement

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, 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:

		As at 30 June 2018		As at 30 June 2017	
	Level	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash & cash equivalents	1	3,969	3,969	7,508	7,508
Other assets	1	12	12	55	55
Inventories	1	43	43	22	22
Trade & other receivables	1	1,346	1,346	923	923
Financial liabilities					
Trade & other payables	1	2,556	2,556	570	570

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

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

Note 28. Dividend

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

Note 29. Company details

The registered office and principal place of the Company is:

Level 3, 32 Walker Street, North Sydney NSW 2060

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 13 to 35, are in accordance with the *Corporations Act 2001* and:

    (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group;

    (c) the financial records of the Company for the financial year have been properly maintained in accordance with s286 of the *Corporation Act 2001*.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2018.

3. In the directors' 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.

Scott Brown
Director

Sydney, 25 September 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the consolidated financial report of Real Energy Corporation Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Impairment consideration of exploration for and evaluation of mineral costs The Group capitalised $6.15m in exploration, expenditure during the period increasing the exploration, evaluation and development assets to $25.55m (2017: $19.4m). Exploration, evaluation & development costs have been impaired in full where costs were incurred in respect to exploration activities not currently being pursued by management. Detailed in Note 10 to the financial reports work is continuing with the group focusing on the Windorah Gas Project (ATP927P). Management has determined that there are no facts or circumstances that suggest that the carrying amount of the remaining exploration asset exceeds its recoverable amount.	We have evaluated the appropriateness of management's judgements that there are no facts or circumstances that suggest the carrying amount of exploration asset may exceed its recoverable amount. Therefore, determined there is no requirement to test for impairment in respect to Windorah Gas Project exploration, evaluation and development costs. Our procedures included challenging management on the suitability and reasonableness of these assumptions, through performing the following: • Review of independent evaluations of geological data; • Review of geological data in respect to independent reports and ASX announcements; • Assessing the budgeted expenditure on further exploration and evaluation of the tenement; and • Assessing the various agreements entered into on future production and sales. Based on our procedures, we noted that the exploration, evaluation and development asset is fairly stated.
Capitalisation of current year exploration, evaluation and development costs The group capitalised $6.15M in exploration expenditure during the year. The management assess costs incurred during the year and capitalise based on their judgements. Costs incurred include direct costs only. Management has determined to exclude indirect costs included by the Group such as general and administrative costs. Where management has determined incurred costs do not meet the requirements for capitalisation, they have been expensed in full.	We have evaluated the appropriateness of capitalisation policies, performed tests of details on costs capitalised and assessed the timeliness of the transfer of assets in the course of development. There were no exceptions noted from our testing. In performing these procedures, we challenged the judgements made by management including: • The nature of underlying costs capitalised as part of the costs of the exploration, evaluation and development asset; and • The allocation of costs to each tenement. Based on our work, we noted no significant issues on the capitalisation of costs incurred.

Cash and cash equivalents	
At balance date the Group had cash and cash equivalents totaling $3.97m which represents a significant balance to the Group. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to significant level of judgement, However, due to the materiality in the context of the financial statements as a whole, they are considered to be an area of risk in our overall audit strategy.	We have evaluated disclosure and challenged management during our procedures to confirm existence of the asset including: • Documenting and assessing the processes and controls in place to record cash transactions; • Testing and sampling payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and • Agreeing 100% of cash holdings to independent third-party confirmations. Based on our work, we noted no significant issues in respect to cash and cash equivalents.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2018, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor’s report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 9 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Real Energy Corporation Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A D Danieli Audit Pty Ltd

Allan Facey
Director

Sydney, 25 September 2018

Liability limited by a scheme approved under Professional Standards Legislation

Additional Information

OTHER INFORMATION FOR SHAREHOLDERS

Additional information required pursuant to the ASX listing rules and not shown elsewhere in this report as follows:

1. Fully paid ordinary shares of Real Energy Corporation Limited (ASX: RLE)

(a) Distribution of shareholdings at 24 October 2018

Category of holding	Holders	No. of shares	% of capital
1 – 1,000	83	7,218	0.01
1,001 – 5,000	107	429,270	0.14
5,001 – 10,000	328	2,657,806	0.88
10,001 – 100,000	991	39,669,197	13.15
100,001 – and over	381	258,846,545	85.82
Total	**1,890**	**301,610,036**	**100.00**

The closing price for Real Energy Corporation Ltd ordinary shares on the ASX on that date was $0.087. There were 219 holders holding less than a marketable parcel ($500) based on the market price as at 24 October 2018. The total number of shares held by these 219 holders was 593,586.

(b) The twenty largest quoted shareholders at 24 October 2018

Shareholder	Holding	%
Mr Scott Brown	22,388,000	7.42
Mr Dang Lan Nguyen	17,900,000	5.93
BNP Paribas Nominees Pty Ltd	16,898,051	5.60
Sino Portfolio International Limited	13,320,000	4.42
Ms Yueqiao Cheng	6,000,000	1.99
Citicorp Nominees Pty Limited	5,402,396	1.79
Skill Tact Limited	5,400,000	1.79
Aim Resources Investments Limited	5,400,000	1.79
J P Morgan Nominees Australia Limited	5,309,384	1.76
Sino Portfolio International Limited	4,000,000	1.33
HSBC Custody Nominees (Australia) Limited – A/C2	3,750,000	1.24
Equity Trustees Limited	3,581,250	1.19
HSBC Custody Nominees (Australia) Limited	3,481,418	1.15
Mr Hoai Nam Pham	3,000,000	0.99
Neweconomy Com Au Nominees Pty Limited	2,790,523	0.93
Mr You Ping Chieng	2,663,086	0.88
Mr Alexander James Brown	2,482,800	0.82
John Wardman & Associates Pty Limited	2,300,000	0.76
Mr Colman Cohan & Ms Elissa Cohan	1,927,166	0.64
Sophie Louise Clark	1,900,000	0.63
Total	**133,494,074**	**44.26**

(c) Substantial holders

As at 24 October 2018, the Company has the following substantial shareholders (including related parties):

1) Mr Scott Brown holds 26,368,789 fully paid ordinary shares

2) Mr Dang Lan Nguyen holds 20,500,000 fully paid ordinary shares

3) Sino Portfolio International Limited holds 17,320,000 fully paid ordinary shares

4) BNP Paribas Nominees Pty Ltd holds 16,898,051 fully paid ordinary shares

(d) Voting rights

All ordinary shares carry one vote per share without restriction. One a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

2. Placement Options of Real Energy Corporation Limited (ASX: RLEOB)

(e) Distribution of Placement Option holdings at 24 October 2018

Category of holding	Holders	No. of options	%
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	1	6,250	0.03
10,001 – 100,000	44	2,525,375	11.09
100,001 – and over	61	20,243,380	88.88
Total	**106**	**22,775,005**	**100.00**

(f) The twenty largest quoted Placement Option holders at 24 October 2018

Option holder	Holding	%
Mr Timothy Francis Clive McDonnell	1,947,529	8.55
Budworth Capital Pty Limited	1,062,500	4.67
Bruce Renowden Pty Limited	950,000	4.17
HSBC Custody Nominees (Australia) Limited	775,000	3.40
Mr Shae Dylan Owen	750,000	3.29
Mr Bin Liu	609,060	2.67
Ms Chunyan Niu	609,060	2.67
Khe Sanh Pty Limited	500,000	2.20
Trinity Direct Pty Limited	487,248	2.14
Culloden Investments Pty Limited	475,000	2.09
Westgate Capital Pty Limited	462,500	2.03
Linton Investments Pty Limited	450,000	1.98
CS Third Nominees Pty Limited	443,750	1.95
Mr Tully Jacob Matthews	432,476	1.90
Ms Samantha Smith	359,104	1.58
Serlett Pty Limited	350,000	1.54
AET CT Pty Limited	343,750	1.51
Mr Mark John Smith	326,233	1.43
J P Morgan Nominees Australia Limited	325,000	1.43
Kalcon Investments Pty Limited	312,500	1.37
Total	**11,970,710**	**52.56**

(g) Terms and condition of the Placement Options:

Placement Options with an exercise price of 14 cents per share and an expiry date of 30 September 2020. There are no voting rights attaching to the Placement Options.

3. Bonus Options of Real Energy Corporation Limited (ASX: RLEOA)

(h) Distribution of Bonus Option holdings at 24 October 2018

Category of holding	Holders	No. of options	%
1 – 1,000	292	156,536	0.39
1,001 – 5,000	737	1,877,337	4.73
5,001 – 10,000	273	2,003,267	5.05
10,001 – 100,000	428	12,131,691	30.56
100,001 – and over	65	23,523,878	59.26
Total	**1,795**	**39,692,709**	**100.00**

(i) The twenty largest quoted Bonus Option holders at 24 October 2018

Option holder	Holding	%
Mr Scott Brown	2,238,800	5.64
Sino Portfolio International Limited	1,998,000	5.03
Mr Dang Lan Nguyen	1,790,000	4.51
BNP Paribas Nominees Pty Ltd	1,525,055	3.84
Ms Yueqiao Cheng	900,000	2.27
Skill Tact Limited	810,000	2.04
Aim Resources Investments Limited	810,000	2.04
J P Morgan Nominees Australia Limited	781,408	1.97
Sino Portfolio International Limited	600,000	1.51
Citicorp Nominees Pty Limited	542,627	1.37
JBM Trading Limited	540,000	1.36
Equity Trustees Limited	537,188	1.35
HSBC Custody Nominees (Australia) Limited	485,895	1.22
Mr Hoai Nam Pham	450,000	1.13
Mr Norman Zillman	432,000	1.09
Mrs Elizabeth Phyllis Kebbell	427,685	1.08
HSBC Custody Nominees (Australia) Limited – A/C2	375,000	0.94
Dr Howard Brady & Mrs Geraldine Brady	310,000	0.78
Quito SF Pty Ltd	301,721	0.76
Mr Colman Cohan & Ms Elissa Cohan	289,076	0.73
Total	**16,424,455**	**41.38**

(j) Terms and condition of the Bonus Options:

Bonus Options with an exercise price of 12 cents per share and an expiry date of 15 April 2019. There are no voting rights attaching to the Bonus Options.

4. Broker Options of Real Energy Corporation Limited (ASX: RLEUOPT)

There is one holder as of 24 October 2018, holding 7,500,000 unquoted Broker Options with an exercise price of 12 cents per share and an expiry date of 26 September 2021. There are no voting rights attaching to the Broker Options.

5. Schedule of petroleum tenements

Permits	Area (sq km)	Expiry Date	% Interest FY2018	% Interest FY2017
ATP 927P *	1,718	30/06/2019	100	100
ATP 1194PA	1,043	Under application	100	100

* A further six years of tenure is available subject to application to renew with proposed new work commitment.

6. Estimates of Resources

(a) Contingent Resources – The estimates of contingent resources are based on the area surrounding the two successful gas wells, Queencliff-1 & Tamarama-1, located within the exploration permit ATP 927P. Discovery status is based on definition under the SPE/WPC Petroleum Resource Management System (PRMS) 2007. A summary of the gross estimates of contingent gas resources for ATP 927P is provided below:

Resources Category	Bcf (Billion Cubic Feet)
1C	77
2C	276
3C	672

(b) Prospective Resources – In addition to the Contingent Resources, the mean gross prospective natural gas resources for ATP 927P are:

Resources Category	Bcf (Billion Cubic Feet)
Prospective OGIP Resources	13,761
Prospective Recoverable Gas Resources	5,483

7. Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 26 September 2018 and can be viewed at: http://www.realenergy.com.au/about-real-energy/corporate-governance.html

Corporate Directory

Real Energy Corporation Limited

Directors

Scott Brown, B. Bus, M. Com
(Managing Director and Chief Executive Officer)

Lan Nguyen, B.Sc., M.Sc.
(Non-executive Chairman and Director)

John Wordman, B.Ec.
(Non-executive Director)

Company Secretary

Ron Hollands, B. Bus, M.B.A

Registered Office

Level 3, 32 Walker Street NORTH SYDNEY NSW 2060
Australia

ASX Code

RLE

Auditor

A D Danieli Audit Pty Ltd
Level 1, 261 George Street
SYDNEY NSW 2000

Taxation Advisers

BDO
Level 10
1 Margaret Street
SYDNEY NSW 2000

Share Registry

C/O Real Energy Corporation Ltd Link Market Services Ltd
Level 12, 680 George Street
SYDNEY NSW 2000

Corporate Office

Level 3, 32 Walker Street
NORTH SYDNEY NSW 2060
Australia
Tel: +61 (02) 9955 4008

Internet

www.realenergy.com.au

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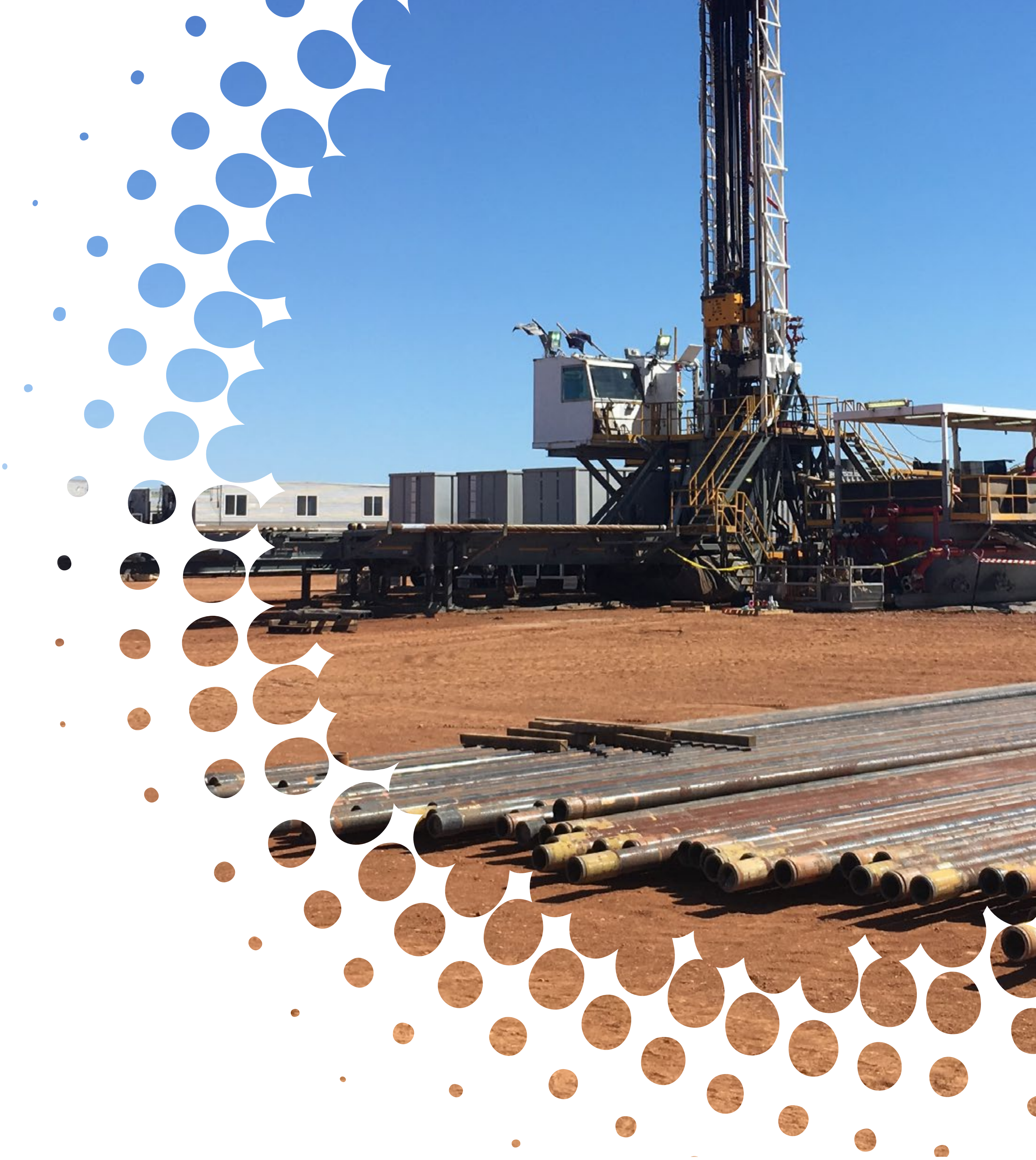
admin@realenergy.com.au



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