Sept 2020 Quarterly Report

HIGHLIGHTS

- **Shareholder meeting to be held in December 2020 for shareholders to consider approval of the Merge with Strata–X Energy Limited to become Pure Energy**
- **Strata-X Energy to offer one (1) SXA share for three (3) Real Energy shares as part of the Scheme of Arrangement**
- **Venus 1 well to be drilled in the next few days**
- **Pure Hydrogen Corporation broadens operations**
- **Placement raised $800,000 and SPP after the end of the quarter raised a further $650,000**
- **Cash of $2.16 Million as at 30 September 2020 with a tight focus on cost control**

Real Energy Corporation Limited
ASX: RLE

Real Energy is a gas development company focused on the East Coast of Australia with assets in the Cooper Basin, Australia's most prolific conventional onshore petroleum producing basin and the Surat Basin. Real Energy has 100% ownership in permits in Queensland being ATP 927P and ATP1194PA and a 50:50 JV with Strata X to develop Project Venus ATP2051. The Company's Pure Hydrogen Corporation subsidiary is also pursuing opportunities to construct and operate large-scale hydrogen plants in Queensland with a number of sites earmarked.

Real Energy has an Independently Certified 3C Contingent Gas Resources of 770 BCF within ATP 927P and a Recoverable Prospective Gas Resources in Project Venus (100%) of 694PJ.

Directors
John Wardman– Non Executive Chairman
Scott Brown – Managing Director
Lan Nguyen – Non Executive Director
Peter Mangano – Non Executive Director

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Real Energy Corporation Limited (ASX: RLE and "Real Energy" or "The Company") is pleased to provide this report to shareholders for the quarter ended 30 September 2020 (Q1 FY2021). During the period, the Company focused primarily on Project Venus, Pure Hydrogen Corporation and the proposed merger with Strata- X Energy Limited (ASX: SXA).

Real Energy to merge with Strata-X Energy to become Pure Energy:

Real Energy and Strata-X Energy Limited entered into a binding Scheme Implementation Agreement ("**SIA**") to pursue a nil premium merger whereby Real Energy shareholders will receive one (1) new Strata-X Energy share for three (3) Real Energy shares that they own. The Company has prepared a Scheme Booklet (which includes Notice of Meeting and Information Memorandum) which it has submitted to the Court and ASIC. It is expected it will be available on the Company's website in about a week with a shareholder meeting scheduled for December 2020.

The combination of Strata-X Energy and Real Energy as Pure Energy Corporation Limited ("Pure Energy") represents a compelling opportunity to create a material gas business with significant holdings in the Surat and Cooper Basins, Queensland. Pure Energy will hold 100% of Project Venus and benefit from the significant upside that this exciting project offers. As well, the merged entity's broader asset portfolio in Australia and Botswana presents further growth opportunities. The removal of duplicate administrative functions and listing costs delivers significant cost savings to the merged entity.

The merger of Real Energy and Strata-X Energy into Pure Energy has the goal to create the next ASX energy growth stock. With the huge resources in the three gas projects and the keys to unlock those resources, this goal is very achievable.

Pure Energy's gas resource projects offer significant company growth potential:

Pure Energy's Project Venus is located within the proven Walloon CSG Fairway and immediately adjacent to gas pipeline infrastructure in the Surat Basin. It offers relatively low risk and a lot of value with its 694 PJ of Prospective Gas Resources.

In addition, the merged entity's 100%-owned broader asset portfolio in Australia and Botswana presents a lot of opportunity for shareholders. Pure Energy will have a total 11.8 TCF of Prospective Gas Resources, 770 BCF of 3C and 353 BCF of 2C Contingent Gas Resources[3].

Pure Energy's gas projects have several things in common:

1. There is significant gas resources including third party certifications.
2. The primary technical risk is finding completion methods to prove commercial gas flows.
3. Proving commercial gas flows is the precursor to predictable reserves increases and substantial company growth.
4. Over the next 12 months, Pure Energy plans to use innovative well completion and enhancement methods designed to prove commercial gas flows.
5. All three gas projects have ready gas markets.

The Board of Directors of Real Energy unanimously recommend that shareholders vote in favour of the proposal. The Company's Directors intend to vote in favour of the Proposal in respect of all shares they each own or control:

- in the absence of a superior proposal; and
- subject to the independent expert concluding that the Offer is reasonable.

Pure Hydrogen Corporation:
During the Quarter, the Company continued to progress its Hydrogen initiatives and has established a separate website for Pure Hydrogen. It is undertake a detailed scoping study assessing the commercial viability of building, owning and operating a hydrogen fuel plant in Queensland.

Management have been assessing the opportunities for hydrogen following the publishing of the Federal Government's road map for Australia's National Hydrogen Strategy in November 2019. The report is available at https://www.industry.gov.au/data-and-publications/australias-national-hydrogen-strategy. In May 2020 the Federal Government committed to invest $300 million in Australia's emerging hydrogen industry.

Pure Hydrogen Corporation has earmarked two potential sites in Queensland to establish a large-scale hydrogen fuel plant with a minimum annual production capacity of 36 million kilograms. A plant of this size has the ability to power 240,000 Hyundai Nexo's for a year[iii].

Potential project sites are being reviewed in the Surat Basin, adjacent to Real Energy's existing 50%-owned Project Venus CSG project, as well as another site near Gladstone. The scoping studies will be undertaken by an experienced engineering consulting firm and a dedicated team that Pure Hydrogen Corporation will establish. The Company also continues to assess eligibility for government funding.

Hydrogen is high energy fuel that can be burned with no CO^2 emissions. The market is expected to grow rapidly with hydrogen likely to be used in transport particularly buses, trucks and cars, as well as to power industry generally. Recently Toyota, Hyundai, Honda, and Audi have released models or are planning to release models that are powered by hydrogen fuel cells.

The two main ways of making hydrogen are either through processing natural gas or by converting water to hydrogen through a process known as electrolysis. Real Energy's existing gas resources could be utilised to provide gas feedstock for a natural gas to hydrogen plant. Additionally, the waste water from dewatering the coal seam gas field of Project Venus could be used to produce hydrogen.

Pure Energy's vision is to lower emissions initially through substitution of methane for coal and diesel. Pure Energy is also investigating the feasibility of building a methane to hydrogen plant in Gladstone. Looking ahead, one of Pure Energy's goals is converting methane to hydrogen and value add graphite products using a hybrid methane pyrolysis method.

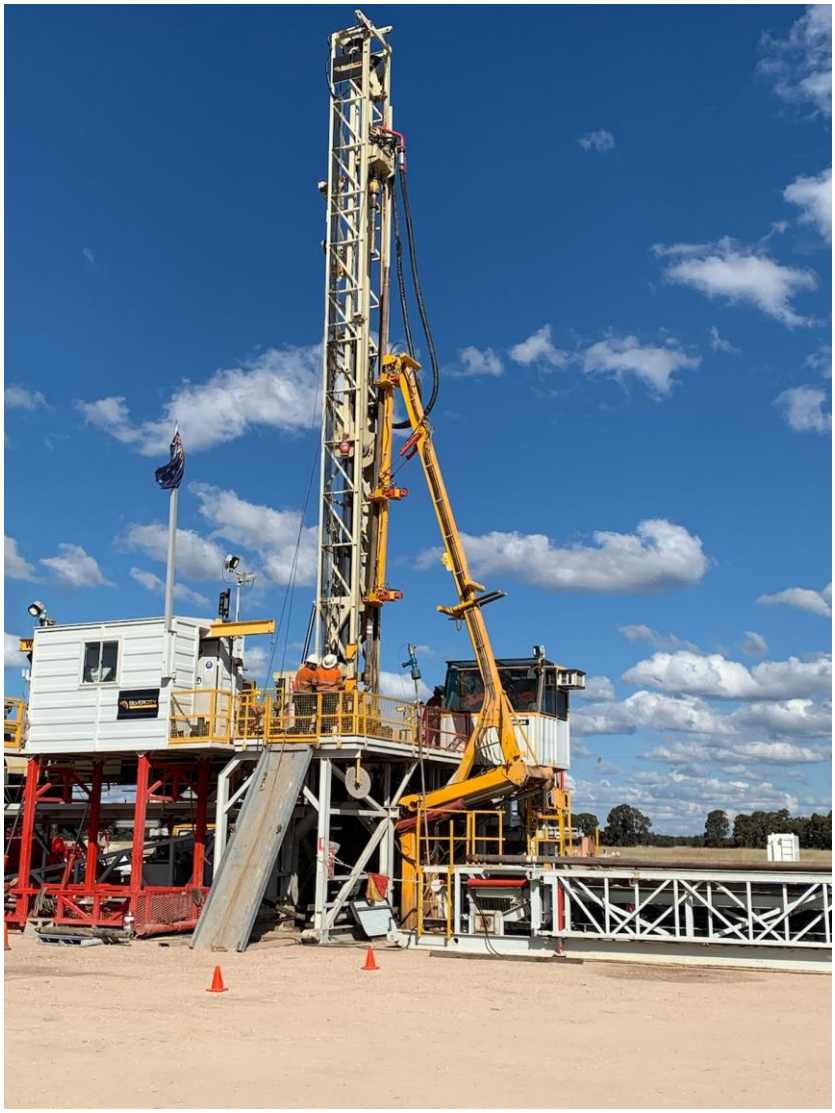
Exploration and Evaluation:
Exploration initiatives centred on the newly-secured Project Venus opportunity in the Surat Basin. The Company also progressed activities at the Windorah Gas Project in the Cooper Basin. In addition, Real Energy is continuously reviewing project opportunities that will be accretive and complementary to the Company's skillset and that build shareholder value.

Project Venus:

Project Venus permit ATP2051, which is a 50:50 joint venture (JV) between Real Energy and Strata-X Energy. Work progressed during the quarter on the design and preparation for drilling of Venus 1 – the first well to be drilled by the partners on Project Venus.

Project Venus contains high quality and very prospective acreage covering 154km^2 within the main Walloon Coal Seam Gas Fairway and close to gas infrastructure including gas pipelines. There is significant coal in this permit and the Company believes it can turn these into significant gas resources.

The Silver City rig has been mobilised to site and is expected to start drilling in the next day or so. After reaching total depth, the plan is to case and suspend the well then demobilise the rig. Shortly afterward, a coil tubing will be mobilised and utilised to run a reservoir enhancement program. After the enhancement, the well will be set up as the first pilot production well for a controlled drawdown production testing which will continue into early 2021. The production testing is designed to prove initial gas breakout and increasing gas flows over the controlled draw down period as required to model and predict future gas flow rates and potentially commercial gas flow rates.



Picture: Silver City Rig

The results of the production test will also be used to decide to either expand the pilot or, if commercial flow rates are achieved, commence an aggressive appraisal program designed to certify sufficient

reserves to for the Project Venus JV to secure gas sales agreements to allow for commercial field development.

Nearby 'small' operators include:

- ✓ The Ironbark Project was reported sold at $231M with reported reserves of 129PJ[1];
- ✓ Senex Energy[2] is developing Project Atlas – reported 2P reserves 234 PJ;
- ✓ Central Petroleum[2] is developing Project Range – reported 2C contingent resources of 270 PJ.

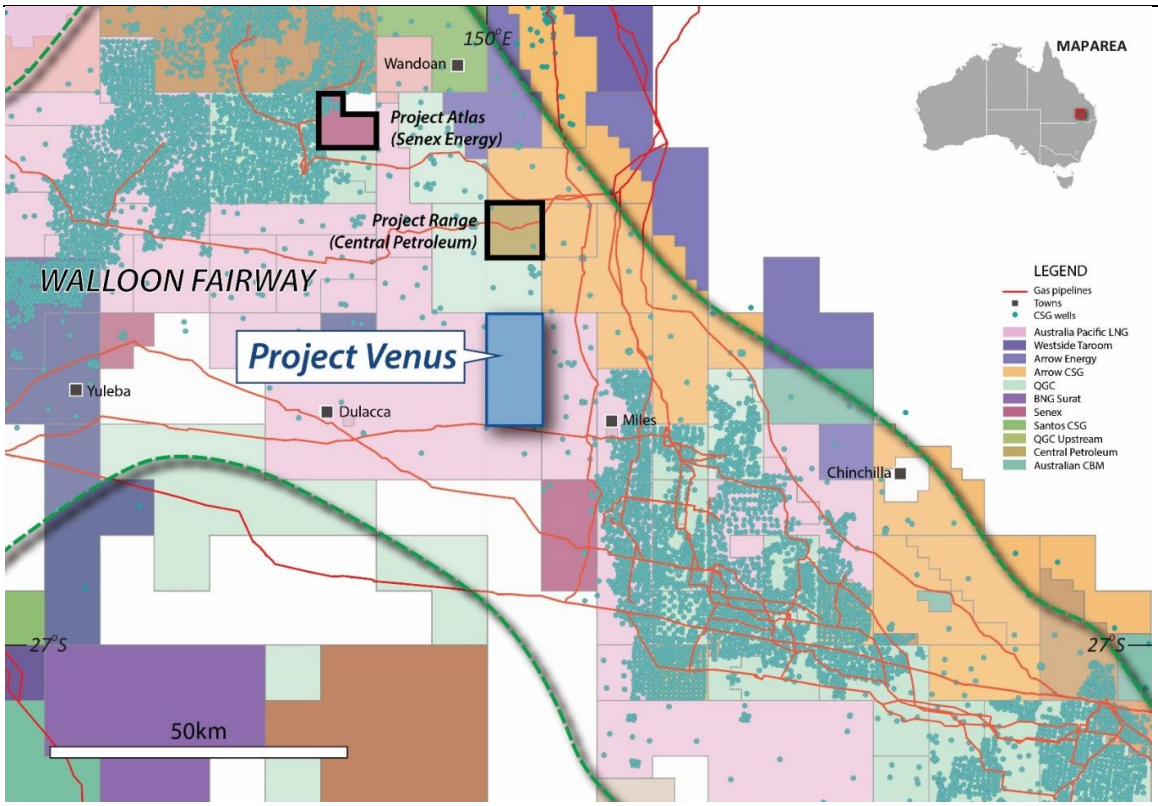
The independent review of the data for Project Venus (ATP2051) (RLE: 50% working interest) has the following Recoverable Prospective Gas Resources:

	Estimates Gross (100%) Prospective Gas Resource (PJ)		
Project Venus ATP2051	Low 555	Best 694	High 833

The independent review of the Prospective Gas Resources was completed by MHA Petroleum Consultants (refer ASX announcement: 12 December 2019) and confirmed that Project Venus contains high quality and very prospective acreage covering 154km2, which is within the main Walloon Coal Seam Gas Fairway and close to gas infrastructure.

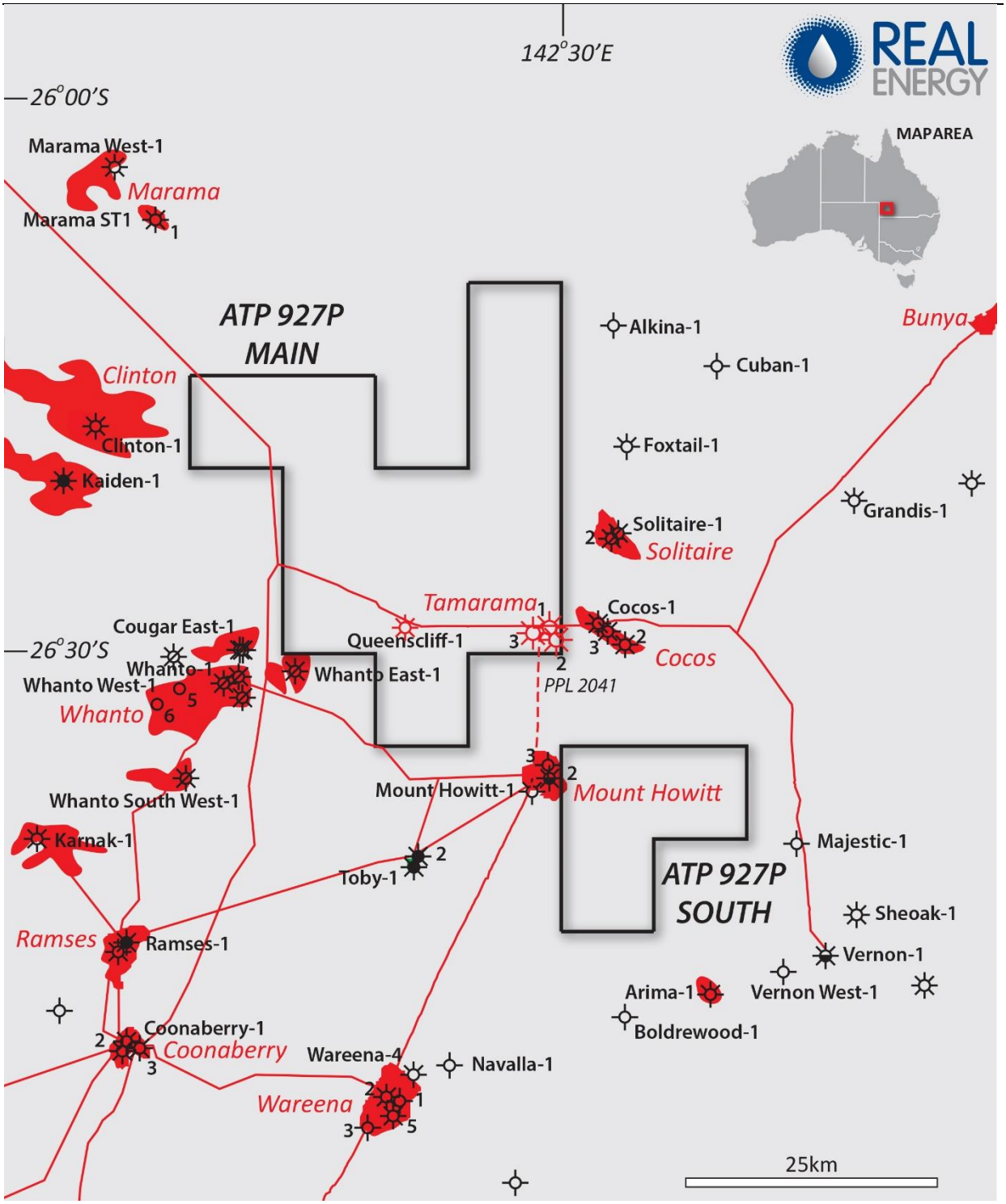
Given Project Venus is located immediately adjacent to gas infrastructure, work undertaken through the JV aims to expedite the progressive conversion of gas resources to gas reserves with the goal being to fast-track development of the project and therefore potentially deliver early cash flows.

- ✓ Walloon CSG Fairway is prolific gas producing region with over 10,000 wells drilled – see green dots on Map



Windorah Gas Project:

The Company continues to review development options for the Windorah Gas Project. We are considering an enhancement program for the existing wells that would take place 3next year. We are also likely to apply for a PCA or retention licence for large parts of the Project. We remain committed to securing funding for this project and are exploring all available options. The current map outline is shown on the next page:



Corporate:

As at 30 September 2020, Real Energy had $2.16 million cash at bank and is very well-funded to execute its current works program. During the Quarter the Company raised $800,000 in a placement of 40,000,000 shares at 2 cents and 20,000,000 options at 4 cent exercise price expiring 30 September 2022. After the end of the Quarter the Company's Share Purchase Plan was significantly oversubscribed and the Company issued 32,500,000 new shares raising $650,000 together with adjoining options.

The Company signed a term sheet during the quarter to sell ATP1194 for $225,000 together with a royalty of 1.5% of the gross sales from the permit. The Company has received $25,000 non-refundable

deposit for this proposed sale. Cash outflows for the development of the Windorah Gas Project and the Project Venus JV for the quarter were $70,000. At the end of the quarter the total number of ordinary fully paid shares on issue was 393,194,131.

Effects of COVID-19 on operations:

Real Energy has continued to implement its response to the COVID-19 pandemic to ensure that the Company is well positioned in the current environment and as any future complications arise from the spread of the virus. This response will leave Real Energy well place once markets and business conditions stabilise. The Company's first priority is to ensure the safety of its staff and contractors. Management is pleased to advise that at this time no employee or contractor has been diagnosed with COVID-19.

Tenement Schedule at End of Quarter:

Permit	RLE ownership %	Location
ATP927P	100	Cooper Basin, South West Queensland
ATP2051P	50	Surat Basin, Southern Queensland
ATP1194PA	100	Cooper Basin, South West Queensland

Contingent Resources:

The estimates of contingent resources are based gas wells located within the exploration permit ATP927P, Windorah Trough, Cooper Basin. Discovery status is based on definition under the SPE/WPC Petroleum Resource Management System (PRMS) 2007 and 2018. A summary of the gross estimates of contingent gas resources for ATP927P is provided below:

Resources Category	Bcf (Billion Cubic Feet)
1C	118
2C	330
3C	770

Contingent Resources is based on the summation of 2 reports for the Windorah Gas Project. One estimate prepared by DeGolyer and MacNaughton, a leading international petroleum industry consulting firm in June 2015 in respect of the Queenscliff Area and one estimate prepared by Aeon Petroleum Consultants in respect of the Tamarama area completed in August 2019.
Bcf (Billions Cubic Feet) is equal to 1,000 MMcf

The geological information in this report relating to geological information and resources is based on information compiled by Mr Lan Nguyen, who is a Member of Petroleum Exploration Society of Australia and the Society of the Petroleum Engineers and has sufficient experience to qualify as a Competent Person. Mr Nguyen consents to the inclusion of the matters based on his information in the form and context in which they appear. The information related to the results of drilled petroleum wells has been sourced from the publicly available well completion reports.

For further information, please contact:

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Or visit our website at www.realenergy.com.au
On our website you can register for email alerts.

Real Energy Corporation Limited *+Rule 5.5*

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Real Energy Corporation Limited

ABN	**Quarter ended ("current quarter")**
92 139 792 420	3o September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(44)	(44)
	(e) administration and corporate costs	(29)	(29)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (Government funds & GST Refunds)	28	28
1.9	**Net cash from / (used in) operating activities**	**(44)**	**(44)**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other exploration and development assets	(70)	(70)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(70)**	**(70)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	800	800
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(36)	(36)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(500)	(500)
3.7	Transaction costs related to loans and borrowings	(1)	(1)
3.8	Dividends paid	-	-
3.9	Other (deposit received for SPP)	392	392
3.10	**Net cash from / (used in) financing activities**	**655**	**655**

Consolidated statement of cash flows	**Current quarter $A'000**	**Year to date (3 months) $A'000**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,616	1,616
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(44)	(45)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70)	(70)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	655	655
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of the period**	**2,157**	**2,157**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,231	528
5.2	Call deposits	926	1,088
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,157**	**1,616**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	37
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payment of Director fees/Salaries and consultant fees

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	550	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	550	-

7.5	**Unused financing facilities available at quarter end**	550
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

Loan facilities for a provided by a related entity of the Managing Director with a term until 30 March 2021. Interest rate is 10%pa. The loan is secured against certain assets of the Company.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities	(44)
8.2	Capitalised exploration & evaluation	(70)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(114)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	2,157
8.5	Unused finance facilities available at quarter end (Item 7.5)	550
8.6	Total available funding (Item 8.4 + Item 8.5)	2,707
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	23.74

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

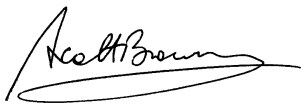
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30/10/2020

Director/~~Company secretary)~~

Print name: Scott Brown

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

[i] The calculation is based on the Australia's National Hydrogen Strategy, page xv and assuming each vehicle travelled 15,000 km on average per year.

[ii] The use of Hydrogen in this example would save 720 Million Kgs of CO_2 compared to driving a Hyundai Santa Fe powered by diesel driving the same km.