ANNUAL REPORT **2020**

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

REAL ENERGY

Contents

Managing Director's Report

Dear shareholders,

I am pleased to present this annual report for the Financial Year 2020 in what can be characterised as a period of significant growth and transformation for Real Energy.

We commenced the year with a single focus of developing our portfolio of assets in Australia's prolific Cooper-Eromanga Basin onshore oil and gas province, but as 2020 unfolded, Real Energy has emerged as a multi-faceted energy company with exposure to world class coal seam gas projects in Australia, further optionality from our portfolio in the Cooper-Eromanga, and some exciting prospects that we are pursuing in hydrogen.

Crystallising the value of Windorah

Since the Company's listing on the ASX, our focus has been on the growth and development of the Windorah gas field in Queensland's Cooper Basin and over the years we have invested considerably to prove up this large Basin Centred gas play. In August 2019, we were pleased to report a material upgrade of the field's 3C Contingent Gas Resources to approximately 770 Billion Cubic Feet (BCF) following the drilling, stimulation and testing of the Tamarama 2 and 3 wells. The Contingent Gas Resources of the Tamarama area have been independently certified by Aeon Petroleum Consultants, a respected United States-based petroleum engineering firm.

The upgraded estimates of Contingent Gas Resources are based on the area surrounding the four successful gas wells we have drilled, Queenscliff 1 and Tamarama 1, 2 & 3, located within our exploration permit ATP927P and it demonstrates categorically that our investment in the field has indeed created significant value.

ATP927P is located among well-established gas fields and it is relatively easy to tie into nearby pipelines and gas processing facilities. However, whilst many of our wells have produced solid flow rates, it is clear that further well stimulation is needed so these rates are sustainable. As such, our focus throughout the year has been to de-risk the asset by attracting potential farm-in partners that can fund a more aggressive drilling and field development program.

We have received considerable interest from potential partners but the impact of the global pandemic from March 2020 onwards has slowed down negotiations. Whilst much of our focus in 2020 has been on other growth initiatives, shareholders should have every confidence that Windorah remains an important part of our future and it retains huge unlocked value.

Broadening our exposure to Queensland's energy sector through Project Venus

Throughout the year we maintained our focus of actively reviewing complementary energy assets that would diversify Real Energy's portfolio without being overly dilutionary to shareholders. Queensland's coal seam gas (CSG) sector presented some exciting opportunities, and in October 2019 we announced that together with Strata X Energy Limited (ASX: SXA) and for nil consideration, we were awarded preferred bidder status for the Queensland Government's tender for acreage PLR2019-1-11 in a 50:50 Joint Venture (JV) called 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. The aim will be to bring Project Venus into production in the next few years. The JV's technical team has assessed re-entering a historical well but took the view that drilling a new well, the Venus 1, presented more potential upside. This first pilot program is now underway.

A merger of equals

As the Project Venus JV has evolved, both Strata-X Energy's and Real Energy's Boards recognised the potential benefits and synergies that could be realised by bringing the two companies together through a merger of equals and at no share price premium to either company. After ongoing negotiations and analysis throughout FY2020, early in the new financial year we reached agreement with Strata-X and announced a binding Scheme Implementation Agreement to pursue a nil premium merger whereby Real Energy shareholders will receive one new Strata-X Energy share for three Real Energy shares that they own. The new entity will be called Pure Energy Corporation Limited and will become a material gas business with significant holdings in the Surat and Cooper Basins in Queensland, as well as having compelling CSG assets in Botswana and exposure to the hydrogen sector.

Managing Director's Report

Pursuing further growth and diversification through Pure Hydrogen Corporation

In 2020 more than ever, there has been a growing chorus for the world to shift towards more renewable energy sources and this is not lost on Real Energy. As a result, we have used our industry knowledge and established infrastructure to assess new forms of energy and pursue potential projects that further complement our asset base. In May this year, this let us to establish a wholly owned subsidiary, Pure Hydrogen Corporation Pty Limited (Pure Hydrogen), to undertake a detailed scoping study to assess the commercial viability of building, owning and operating a hydrogen fuel plant in Queensland.

Pure Hydrogen is now actively assessing a number of potential sites in Queensland's Surat Basin and Gladstone to establish a large-scale hydrogen fuel plant with a minimum annual production capacity of 36 million kilograms. Scoping studies are underway and are being undertaken by an experienced engineering consulting firm and a dedicated internal team. Hydrogen is a high energy fuel that can be burned with no CO2 emissions and 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. We have every confidence that Pure Hydrogen will become a major growth initiative for Real Energy and a major value catalyst for shareholders.

A favourable outlook

Financial Year 2021 has commenced very well for the company and significant progress has already been made. We continue to advance the proposed merger with Strata-X and we are confident of concluding this transaction as soon as we can. Both companies are well capitalised after completing recent capital raisings and the JV is now well funded for the Venus-1 drill program. This relatively low-cost work program could indeed deliver significant upside value and demonstrate that our CSG acreage within the Walloon Coal Seam Gas Fairway is highly productive.

To this end, I would like to take the opportunity to acknowledge my soon-to-be fellow director Ron Prefontaine for his contribution to the JV and his commitment to this merger. Pure Energy is very fortunate to have Ron's continued guidance, wisdom and unrivalled technical expertise.

We also look forward to also advancing the Pure Hydrogen business and we anticipate that activity here will ramp up considerably as the year unfolds.

As always, I would like to thank my fellow Directors for their guidance and commitment in what has been a busy year, and our valued staff and contractors for their hard work.

To our shareholders, we are grateful for your continued investment and support especially shown through the strong applications in our recent Share Purchase Plan which was significantly oversubscribed. We are working hard to reward this commitment by building on the strong foundation we established in 2020 by realising our vision of creating a multi-faceted energy company in 2021.

Scott Brown | Managing Director

Company and Project Highlights

COMPANY HIGHLIGHTS

- **Real Energy and Strata-X Energy have agreed to merge and rename the merged company Pure Energy as announced on 15 July 2020 subject to terms and conditions**
- **Post merge, the Company will own 100% of Project Venus (ATP2051)**
- **Permit ATP2051 has been assessed with a Prospective Gas Resources of 694 PJ**
- **First Pilot well for Project Venus being Venus-1 will be drilled in October 2020**
- **Upgraded Resource Assessment for Windorah Gas Project – 3C Contingent Resource now 770 BCF, an increase of 15% from 672 BCF**
- **ATP927 permit extended to 30 September 2023 with main area of 1,050km² retained.**

Real Energy is an Eastern Australian gas focused company with permits in the Cooper Basin, Australia's most prolific onshore producing petroleum basin, and the Surat Basin in Queensland. Real Energy has 100% ownership in 2 large permits in Queensland – ATP 927 & ATP1194, and a 50:50 JV with Strata X Energy Limited (ASX: SXA) to develop the 154km² ATP2051 permit in the Surat Basin as another Coal Seam Gas project.

The proposed merge with Strata-X Energy, the new company Pure Energy will represents a compelling opportunity to create a material gas business with significant holding in the Surat and Cooper Basins with 100% of Project Venus.

Pure Energy also targets lower emissions & joining the hydrogen economy. The merger will reduce administration costs and combine technical and management expertise.

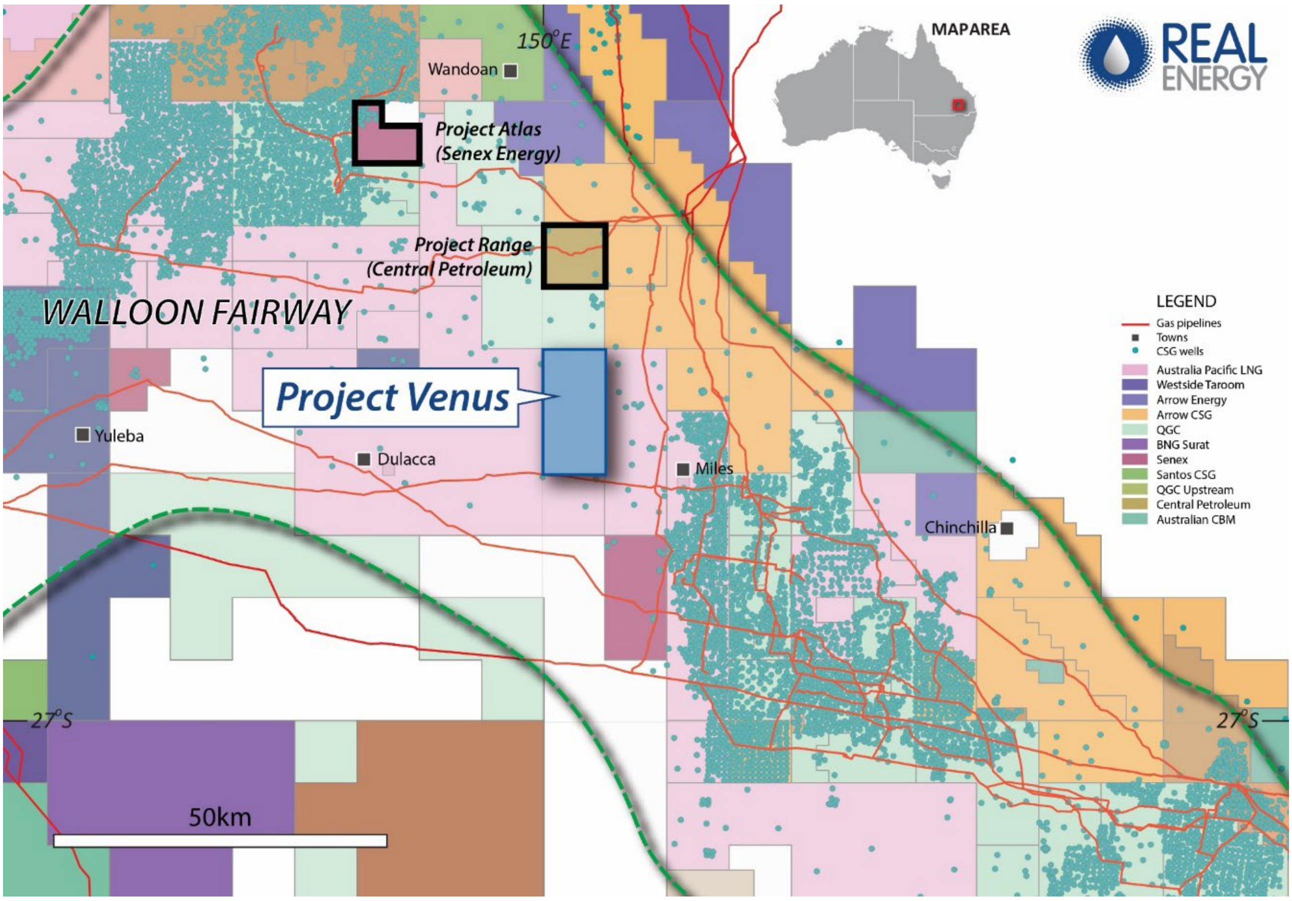
PROJECT VENUS HIGHLIGHTS

- **Real Energy and Strata-X Energy 50:50 JV on a highly prospective Surat Basin in QLD Coal Seam Gas (CSG) tenement targeting Walloon coals**
- **Venus-1 to be drilled as a new vertical well in October 2020 within ATP2051, an area surrounded by major CSG producing permits**
- **Post reservoir enhancement, Venus-1 will be set up as first CSG pilot well for long term testing targeting commercial gas flows which allow the commencement for predictable conversion of the prospective 694 PJ gas resources in ATP2051 into reserves – the potential for early cash inflows**
- **Project Venus covers 50 sub-block of 154km² approx. 9km west of Miles in QLD**
- **A gas pipeline connected to east coast gas markets is located within 6km of the tenement.**

Project Venus is located within the main Walloon CSG fairway in the Surat Basin, Queensland. It is immediately adjacent to gas infrastructure and is prospective for CSG over its entire area of 154km². There are several previously drilled CSG and conventional wells located within and around the acreage that confirm gas presence, including a fully cored well within the tenement the coal seams of which showed gas contents of up to 13 cubic metres per tonne.

Estimates Gross (100%) Prospective Gas Resource (PJ)			
	LOW	BEST	HIGH
PROJECT VENUS ATP 2051	555	694	833

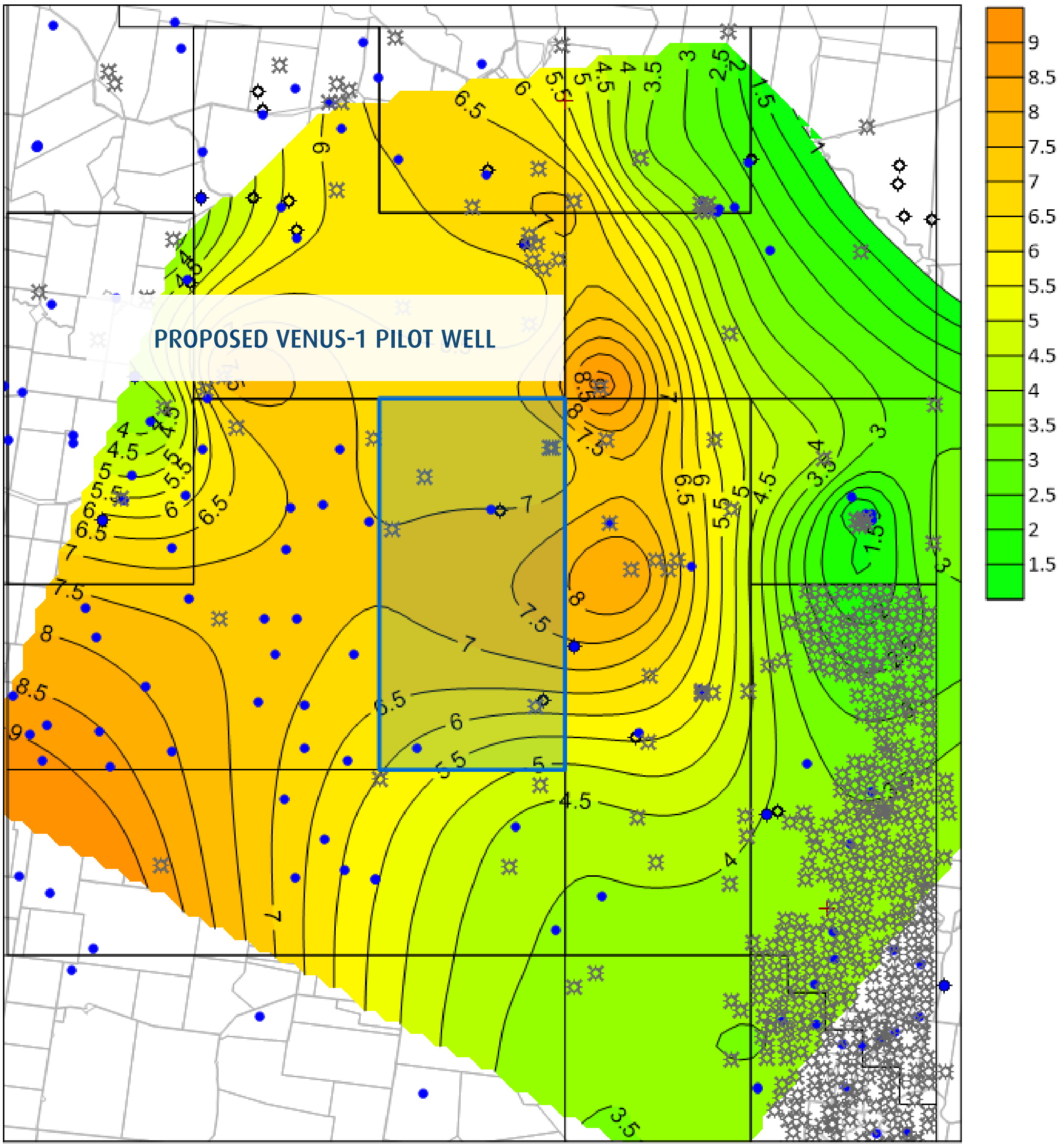
The independent review of the Prospective Gas Resources was completed by MHA Petroleum Consultants (further details were outlined in the announcement to the ASX 18 December 2019).



PROJECT VENUS – GAS CONTENT

- **Primary target: Walloon Subgroup Coal Measures**
- **Second target: Permo-Triassic pervasive gas play**
- **Previous wells – northern half of tender area: 4 Connor wells**
- **Scheduled drilling Venus-1 pilot well to commence in October 2020**
- **Adjoining wells APLNG wells – West: Carinya and Carinya South wells; East – Dalwogan wells; southern half of tender area Goonalah well**
- **> 1,200 PJ 2P reserves in nearby CSG fields*.**

* 2P reserve No. figures in adjacent Petroleum Leases are based on DNRME reported remaining reserves as at 31.12.2018.



PROJECT VENUS BCF/KM²

Map source: Avadale Energy Pty Ltd

Company and Project Highlights

WINDORAH GAS PROJECT HIGHLIGHTS

- **3C gas resources upgrade to 770 BCF from four discoveries wells drilled – Tamarama 1, 2, 3 and Queenscliff 1**

Permit	Resources Category* BCF** (billion cubic feet)	
ATP 927	2C	3C
	330	770

- **Designs of future wells likely to be horizontal (or near horizontal) wells with multi-staged fracs in the upper and middle Patchawarra sandstone units**
- **A pipeline licence has been granted between the Tamarama area and Mt Howitt**
- **Proposed coil tubing enhancements on current vertical wells.**

*Estimated are Mean Original Gas-In-Place excluding 2C/3C Resources
**Gas Volumes are expressed in billions of cubic feet (BCF) at standard temperature and pressure bases
Resource estimates independently certified by DeGolyer & MacNaughton (Queenscliff area) & Aeon Petroleum Consultants (Tamarama area).

CORPORATE INFORMATION

Financial Position

Cash position at the end of the reporting period was $1.6 million.

Financial Summary

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Revenue	38	(783)
Expenses	(1,072)	(1,466)
Impairment Provision	(2,212)	(39)
Net Loss	(3,246)	(2,288)
Basic and diluted EPS Cents Per Share	(0.92)	(0.73)
Cash Position	1,616	3,279
Total Assets	32,354	35,507
Total Liabilities	1,501	1,522
Net Assets	30,853	33,985

Issued Shares and Options

For the year ended 30 June 2020, Real Energy had 353,194,131 shares on issued and 55,879,617 RLEOB options.

Schedule of petroleum tenements

Permits	Area (sq km)	Expiry Date	% Interest FY2020	% Interest FY2019
ATP 927P	1,050	30/09/2023	100	100
ATP 1194PA	1,043	Under application	100	100
ATP 2051P	154	23 March 2024	50	-

DIRECTORS' REPORT FOR YEAR ENDED 30 JUNE 2020

Your Directors present their report together with the consolidated financial statements of Real Energy Corporation Limited ('the Company') for the financial year ended 30 June 2020.

Operating activities

Real Energy continued to be actively involved in gas exploration, evaluation and development in the Cooper-Eromanga Basin and Surat Basin being 100% ownership in ATP927, ATP1194PA and 50% in ATP2051P for the year ended 30 June 2020.

ATP2051 covering 154km² acreage was granted during the financial year, to the Joint Venture (JV) between Real Energy and Strata-X Energy to pursue Coal Seam Gas (CSG) – Project Venus where a highly prospective Walloon CSG area surrounded by major CSG-producing assets that allow the JV to expedite the progressive conversion of gas resources to gas reserves with the goal being to fast-track development for potential cash inflows. Independent review of Project Venus by MHA Petroleum Consultants provided best estimate for Prospective Gas Resources of 694 PJ. The JV has been undertaking initiative to commence operations on Project Venus and planning the drilling of Venus 1 well.

During the year, permit ATP927 was extended to 30 September 2023 which allows the Company to progress further exploration and development activities of the Windorah Gas Project. The estimates of Contingent Gas Resources for Windorah Gas Project in ATP927P have been significantly upgraded to 770 BCF by Aeon Petroleum Consultants, a well-respected petroleum engineering firm in USA based on the results of drilling, stimulation and testing of the Tamarama 2 & 3 wells.

Consistent with the Company's strategy of building a multi-faceted energy business centred on the Queensland market, the Company established a 100% owned subsidiary, Pure Hydrogen Corporation Pty Ltd to diversify its product range to include hydrogen, a high energy fuel that can be burned with no CO_2 emissions.

Operating results and financial position with COVID 19 effect on the operations

The Company recorded a consolidated loss of $3,246,000 for the year ended 30 June 2020 (FY2019: $2,288,020 loss).

As at 30 June 2020 the Company had current assets of $1.7 million including $1.6 million in cash. The Company's exploration, evaluation and development assets decreased from $32 million to $30.5 million as at 30 June 2020 which resulted from an impairment provision of $2.2 million. The Company's expenditure on exploration, evaluation and development for the year was $.0.7 Million (FY2019: $6.5 million).

The Company is implementing its response to the COVID 19 pandemic in line with focus on prioritising the safety and welfare of its staff, contractors and their families; and assessing, monitoring and managing risks to the continuity of the operation to ensure that the Company is well positioned now and into the future once markets and business conditions stabilise. Real Energy has closed its office and encouraged staff and contractors to work from home and imposed travel restrictions during this time and there may be some disruption to our work program due to States and Federal Governments Public Health Orders restrictions.

Principal activity

The principal activity of the Company during the financial year ended 30 June 2020 was the exploration, evaluation and development of oil and gas projects. The principal activity did not change during the financial year.

Dividend

The Directors 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 2020 (FY2019: $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 15 July 2020, the Company announced a Scheme Implementation Agreement (SIA) with Strata-X Energy to merge the companies to form Pure Energy subject to shareholder and Court approval. The merge will have combine interest of 100% in the Project Venus.

On 21 September 2020, the Company raised $800,000 before costs through a Share Placement to sophisticated and institutional investors in Australia and also launched a Share Purchase Plan (SPP) to raise $200,000. The funds raised will be using for the drilling and testing of Venus 1 together with working capital.

The impact of the COVID 19 pandemic is ongoing. It has changed certain aspects of the business and the way the business is conducted. For the year ended 30 June 2020 it has affected the Company's operations, however it has not materially impacted the Company. The Company will continue to monitor any future consequences due to the potential uncertainty in the future.

Apart from these matters raised, no matters or circumstances have arisen since the end of the financial year which has 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 with an extensive background in finance and management of public companies. Scott is currently a non-executive director of Shine Metals Limited (ASX: SHI).

Scott was previously Chief Financial Officer of Mosaic Oil NL (ASX: MOS), a listed oil and gas exploration and production company with interest 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 its 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/director with a number of public companies including Objective Corporation Limited, Turnbull & Partners Limited, Allegiance Mining NL, FTR Holdings Limited, Garratt's Limited, RPM Automotive Group Limited (ASX: RPM). Scott also worked at accounting firms, Ernst Young and KPMG.

Mr John Wardman (Non – Executive Chairman) – Non-Executive Director to 2 March 2020

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 the Australian 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 Shine Metals Limited (ASX: SHI). His contacts and network are extensive.

Mr Dang Lan Nguyen (Non – Executive Director) – Non-Executive Chairman to 2 March 2020

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 the Asia-Pacific region.

Mr Peter Mangano (Non-Executive Director) – appointed 15 August 2019

B. Com. (University of Tasmania)
B. Sc (University of Western Australia)
Citigroup Leadership Program (Harvard University) and Certified Practising Accountant

Peter is highly regarded and respected in the Investment and Fund Management sector and has worked as a Fund Manager, Resource Analyst and Corporate Advisor over the last 30 years in the resources and energy sectors.

He is currently a director of Contango Capital and previously spent 6 years at Colonial First State. Prior to CFS, Peter spent 12 years at Citigroup, including 6 years as a Managing Director and Deputy Head of US Equity Research in New York.

Mr Ron Hollands Company Secretary

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 also the Company Secretary of Ashley Services Group Limited (ASX: ASH). 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 Personal (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 the 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 entity's strategic objectives and deliver sustainable total shareholder returns.

The Board policy is to remunerate non-executive directors at market rate for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and review 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	
FY2020	Short term remuneration	Long term remuneration		
Name (KMP)	Salaries/fees *	Super contribution	Share based payment**	Total
	$'000	$'000	$'000	$'000
Scott Brown	250	24	55	329
Lan Nguyen ***	87	4	40	131
John Wardman	3	-	36	39
Peter Mangano ****	-	-	26	26
Ron Hollands	12	-	-	12
Total	**352**	**28**	**157**	**537**

* Fees payable inclusive of director fees and consultant fees

** Amounts including accrued remuneration for period of January to June 2020 to be paid in shares post 2020 GM

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

**** Mr Peter Mangano appointed on 15 August 2019

	Cash remuneration		Non cash remuneration	
FY2019	Short term remuneration	Long term remuneration		
Name (KMP)	Salaries/fees *	Super contribution	Share based payment	Total
	$'000	$'000	$'000	$'000
Scott Brown	305	24	-	329
Lan Nguyen **	154	4	-	158
John Wardman	27	-	-	27
Ron Hollands	17	-	-	17
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	27,371,408	500,000	6,647,628	-	34,019,036	500,000
Lan Nguyen	20,610,000	-	676,196	-	21,286,196	-
John Wardman	3,000,000	1,500,000	4,939,490	-	7,939,490	1,500,000
Peter Mangano *	-	-	405,718	-	405,718	-
Total	**50,981,408**	**2,000,000**	**12,669,032**	**-**	**63,650,440**	**2,000,000**

* Mr Peter Mangano appointed on 15 August 2019

Board committees

To facilitate achieving its objectives, the Board has established 2 sub-committees comprising board members – the audit committee and remuneration committee. Each of these committees have 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 the 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 John Wardman and Lan Nguyen (Chairman). It is intended that the Committee will meet when 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 ensure 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 the Chairman of the Board and the Committee consists of three members including one independent Non-executive director and two Non-executive directors. At the end of the reporting period, they are John Wardman, Lan Nguyen (Chairman) and Peter Mangano. It is intended that the Committee will meet at least two times per year or as frequently as required.

Employees

The company had Three (3) employees at 30 June 2020 (FY2019: Three).

Environmental Regulations and Performance

The Company has a statutory obligation to protect the environment 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 by the Company during the year since last annual report period.

Meetings of directors and committees

The number of directors' and committees' meetings of the Company held during the year ended 30 June 2019 and the number of meetings attended by each director are as follows:

Directors	Board Meetings		Audit Committee Meetings		Remuneration 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	-	-
John Wardman	6	6	2	2	-	-
Peter Mangano *	6	5	2	2		

* Mr Peter Mangano appointed on 15 August 2019

Shares and Options and Share Based Payment

At the AGM held in November 2019, shareholders approved the resolutions that allow directors and contractor to receive shares in lieu of cash for some or all of their remuneration and fees. Pursuant to this, 2,434,307 fully paid ordinary shares was issued to directors at deemed price of $0.0305 each for directors fees between August – December 2019 and 1,340,620 fully paid ordinary shares issued to contractor at deemed price of $0.0298 each (total deemed consideration of $114,250).

Total number of fully paid ordinary shares on issue was 353,194,131 and 55,879,617 RLEOB options at the end of reporting day.

Rounding

The consolidated entity has applied the relief available 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

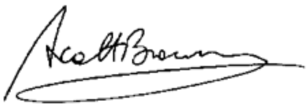
The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services 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 Standards Board.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 14 of the financial report.

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



Scott Brown | Managing Director

Sydney, 29 September 2020

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

AUDITOR'S INDEPENDENCE DECLARATION

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 2020, 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

Sam Danieli
Director

Sydney, 29 September 2020

REAL ENERGY CORPORATION LIMITED
Consolidated Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Continuing operations			
Revenue	2	27	67
Government Incentive/Reversed R&D Tax Incentive	2	11	(850)
Depreciation & amortisation expenses		(1)	(2)
Share based payments		(114)	-
Employee benefits & expenses		(454)	(514)
Other operating expenses	3	(503)	(950)
Total Expenses		**(1,072)**	**(1,466)**
Profit/(loss) from continuing activities before income tax		(1,034)	(2,249)
Income tax expense	4	-	-
Impairment provision	10	(2,212)	(39)
Profit/(Loss) from continuing activities after income tax	15	(3,246)	(2,288)
Total changes in equity other than those resulting from transactions with owners as owners		**(3,246)**	**(2,288)**
Earnings per share		**Cents**	**Cents**
Basic earnings per share	18	(0.92)	(0.73)
Diluted earnings per share	18	(0.92)	(0.73)

The Consolidated 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 2020

	Notes	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Assets			
Current Assets			
Cash & cash equivalents	5	1,616	3,279
Inventories	6	42	42
Other assets	7	7	26
Trade & other receivables	8	75	114
Total Current Assets		1,740	3,461
Non-Current Assets			
Property, plant & equipment	9	1	1
Exploration, evaluation and development assets	10	30,504	32,045
Right-of-use assets		109	-
Total Non-Current Assets		30,614	32,046
Total Assets		**32,354**	**35,507**
Liabilities			
Current Liabilities			
Trade & other payables	12	311	964
Short-term loan	13	500	-
Leave Provisions	11	117	102
Lease Provisions	11	25	-
Total Current Liabilities		953	1,066
Non-Current Liabilities			
Provisions	11	548	456
Total Non-Current Liabilities		548	456
Total Liabilities		1,501	1,522
Net Assets		**30,853**	**33,985**
Equity			
Equity contribution	14	40,168	40,054
Accumulated costs of equity	14	(3,326)	(3,326)
Accumulated profits/(losses)	15	(5,989)	(2,743)
Total Equity		**30,853**	**33,985**

The Consolidated 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 2020

Consolidated Group	Contributed equity $'000	Fund raising costs $'000	Accumulated losses $'000	Total $'000
Opening balance 1 July 2018	31,010	(2,744)	(455)	27,811
Loss for the financial period	-	-	(2,288)	(2,288)
Transactions with shareholders issue of shares	9,044	(582)	-	8,462
Balance as 30 June 2019	**40,054**	**(3,326)**	**(2,743)**	**33,985**
Loss for the financial period	-	-	(3,246)	(3,246)
Transactions with shareholders Issue of shares	114	-	-	114
Balance as 30 June 2020	**40,168**	**(3,326)**	**(5,989)**	**30,853**

The above Consolidated 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 2020

	Notes	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Cash flow from operating activities			
Interest received		28	67
Other income		11	-
Payments to suppliers & employees		(1,030)	(1,834)
Net cash provided by operating activities	24	(991)	(1,767)
Cash flow from investing activities			
Purchases of property, plant & equipment		-	-
Payments for exploration & evaluation assets		(1,172)	(7,385)
Net cash provided by/(used in) investing activities		(1,172)	(7,385)
Cash flow from financing activities			
Proceeds from the issue of shares		-	9,044
Short-term loan	13	500	-
Fund raising expenses		-	(582)
Net cash provided by/(used in) financing activities		500	8,462
Net increase/(decrease) in cash held		(1,663)	(690)
Cash & cash equivalents at the beginning of the year		3,279	3,969
Cash & cash equivalents at the end of 30 June	**5**	**1,616**	**3,279**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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).

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

(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 year ended 30 June 2020, the Directors have adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current financial report period. As a result of this review the Company has applied AASB 16 from 1 July 2019.

a. Standards and Interpretations issued but not yet adopted.
   The Directors have also reviewed all Standards & Interpretations issued but not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the new and revised Standard and Interpretations on the Company and, therefore, no change is necessary to the Company's accounting policies.

b. AASB 16: Leases
   AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

   As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability and also classifies cash repayments of the lease liability into a principal portion and interest portion and presents them in the statement of cash flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

(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 2020. 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.

To the end of the reporting period, the Company has raised $40 million in total by issuing fully paid ordinary shares. At the date of signing this report, the directors believe that the Company will be able to pay its debts as and when they fall due. The directors believe the company will be able to raise further funds when it is required and that it is appropriate to prepare the financial report on the going concern basis.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

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 business 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.
(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.

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.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1. Summary of significant accounting policies (continued

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

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability and also classifies cash repayments of the lease liability into a principal portion and interest portion and presents them in the statement of cash flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

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.

NOTE Summary of significant accounting policies (continued)

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. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

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.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1. Summary of significant accounting policies (continued)

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.

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 total of 55,879,617 RLEOB options listed at the end of reporting period.

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).

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1. Summary of significant accounting policies (continued)

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.

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).

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1. Summary of significant accounting policies (continued)

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.

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:

(i) the likelihood of the guaranteed party defaulting during the next reporting period;
(ii) the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
(iii) 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.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1. Summary of significant accounting policies (continued)

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.

(ii) COVID 19 pandemic

Judgement has been exercised in considering the impact that the COVID 19 pandemic has had, or may have, on the consolidated group based on known information. This consideration extends to supplier, staffing and geographic regions in which the consolidated group operates. Other than as addressed in specific notes, there was not any significant impact for the year ended 30 June 2020. It is uncertain if there is any significant impact with respect to events or conditions which may impact the consolidated group unfavourably as at the reporting date or subsequently as a result of the COVID 19 pandemic.

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
NOTE 2. Revenue		
Interest revenue	27	67
Government incentive payment/R&D tax incentive	11	(850)
Total	**38**	**(783)**

The Company received $11,294 cash flow boost payment as part of the COVID-19 incentive support.

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
NOTE 3. Other operating expenses		
– Advertising and marketing fees	(117)	(135)
– Legal	(52)	(30)
– Insurance	(51)	(55)
– Listing fees	(40)	(90)
– Rent expenses	(138)	(135)
– Software maintenance	(19)	(22)
– Other expenses	(86)	(483)
Total	**(503)**	**(950)**

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
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	(3,246)	(2,288)
Prima facie income tax expense on the profit/(losses) from ordinary activities	(893)	(629)
Timing differences in deferred tax	(663)	(119)
	(1,556)	(748)
Current year tax losses not brought to account	1,556	748
Income tax expense/(benefit)	**-**	**-**
Current year tax loss	(1,556)	(748)
Adjustment for change in tax rate	-	-
Add previous year's loss	(3,936)	(3,188)
Add tax loss results from tax amendments	(39,586)	-
Total tax losses not brought to account	**(45,078)**	**(3,936)**

The Company's tax losses have increased from additional tax losses relating to the Research and Development Tax Incentive being amended for years ended 30 June 2014, 2015 & 2016.

NOTE 5. Cash & cash equivalents

Cash at bank	**1,616**	**3,279**

NOTE 6. Inventories

Materials and supplies	42	42
Total	**42**	**42**

All inventory items held by the Company are in respect of spares and parts involved in drilling operations and are carried at costs in the current and previous financial years.

NOTE 7. Other assets

Prepayment – Insurance & others	7	26
Total	**7**	**26**

NOTE 8. Trade & other receivables

GST refund & other receivables	73	114
Interest & other receivables	2	-
Total	**75**	**114**

NOTE 9. Plant and equipment

Office equipment	67	66
Less accumulated depreciation	(66)	(65)
Total office equipment	**1**	**1**

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
NOTE 10. Exploration, evaluation and development assets		
Opening balance	32,045	25,549
Expenditure incurred during the year	671	6,535
Impairment provision	(2,212)	(39)
Closing balance	**30,504**	**32,045**

During the year, the Company successfully extended permit ATP927 to 30 September 2023 and has continued its evaluation of the Windorah Gas Project (ATP927P) in the Cooper Basin with focus in Tamarama area. The estimates of Contingent Gas Resources are 770 BCF for Windorah Gas Project. And a new permit ATP2051 has been granted to a JV formed by the Company and Strata-X Energy Limited (50:50) to develop Project Venus for Coal Seam Gas located at Surat Basin, Queensland.

At end of the reporting period, a review of the company's project was undertaken and management decided to write down the carrying value of its exploration, evaluation and development assets through an impairment of $2,211,633.

NOTE 11. Provisions

Current provisions		
Current leave provision	117	102
Current lease provision	25	-
Subtotal	142	102
Non-current provisions		
Non-current leave provision	56	48
Rehabilitation provision	400	400
Lease provision	83	-
Other provision – makegood provision	9	8
Subtotal	548	456
Total provisions	**690**	**558**

The current leave 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 drilling wells - Tamarama-1, 2, 3 & Queenscliff-1. Lease provision arose from adopting AASB 16 from 1 July 2019 in regards to its office lease ending on 30 June 2021.

NOTE 12. Trade & other payables

Trade creditors	127	874
Sundry creditors	184	90
Total	**311**	**964**

NOTE 13. Related party transactions – Short-term loan

Disclosures relating to key management personnel compensation are set out in the Remuneration Report. At the reporting date, Mr Scott Brown, Director of the Company provided a short term loan of $500,000 at the normal commercial terms to the Company and the funds have been repaid in full after the end of the reporting period. No other transactions have occurred during the period with key management personnel.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 14. Issued capital

(a) Shares

FY2020	No. of shares	Contributed Equity $'000
Existing shares at beginning of the year	349,419,204	40,054
Share issued in lieu of cash remuneration/fees	3,774,927	114
Balance at end of 30 June 2020	353,194,131	40,168
Accumulated share raising costs	-	(3,326)
Balance at end of 30 June 2020		**36,842**

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.

At the AGM held in November 2019, shareholders approved the resolutions that allow directors and contractor to receive shares in lieu of cash for some or all of their remuneration and fees. Pursuant to this, 2,434,307 fully paid ordinary shares was issued to directors at deemed a price of $0.0305 each for directors fees between August – December 2019 and 1,340,620 fully paid ordinary shares issued at a deemed price of $0.0298 each (total deemed consideration of $114,250).

FY2019	No. of shares	Contributed Equity $'000
Existing shares at beginning of the year	255,360,036	31,010
Share placement at 8 cents	46,250,000	3,700
Share placement at 10.5 cents	47,627,367	5,000
RLEOA option conversion at 12 cents per option & RLEOB option subscription at 1.9 cents per option	181,801	344
Balance at end of 30 June 2019	349,419,204	40,054
Accumulated share raising costs		(3,326)
Balance at end of 30 June 2019		**36,728**

(b) Options

There are total 55,879,617 RLEOB options listed on 30 June 2020.

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
NOTE 15. Accumulated losses		
Accumulated profit/(losses) at beginning of the year	(2,743)	(455)
Net profit/(loss) for the year	(3,246)	(2,288)
Accumulated profit/(losses) at end of 30 June	**(5,989)**	**(2,743)**

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000

NOTE 16. Auditor's remuneration

Remuneration of the auditor of the consolidated entities for:		
Annual audit	15	18
Half year review	11	12
Total	**26**	**30**

NOTE 17. Contingent assets and liabilities

The directors are of the opinion that the recognition of a provision is not required in respect of the matter below but disclosure as a possible future outcome that may impact the Company's financial position.

During the 2019 financial year the Company received an adverse finding for its R & D tax incentive claims for the years ended 30 June 2014, 2015 and 2016. The Company has appealed the findings to the Administrative Appeals Tribunal and seeks a determination for the more recent financial years. In a full federal court judgement of Moreton Resources Limited v Innovation and Science Australia [2019], it found in favour of the taxpayer and supported our understanding of the law concerning R & D tax incentives. This judgement certainly assists the Company's case.

Significantly, Innovation and Science Australia has subsequently to year end requested a stay on the AAT proceedings. The Company believes it has fully complied with the Industry Research and Development Act (IRDA) 1986 and is confident in the eligibility of the R & D activities of the Windorah Gas Project located in the Cooper Basin, Queensland.

The Company has been paid about $7.2 million for the R&D Tax Incentive claims for the 2014, 2015 and 2016 financial years and has potential unpaid R&D Tax Incentive claims of about $6.5 million in respect of years ended 30 June 2017, 2018 and 2019.

NOTE 18. Earnings per shares

	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	351,435,946	312,873,340

Net profit after income tax attributable to shareholders	**(3,246)**	**(2,288)**

	Cents	Cents
Basic earnings per share	(0.92)	(0.73)
Diluted earnings per share	(0.92)	(0.73)

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000

NOTE 19. 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 2020.

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

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Short term employee benefits	352	503
Other long term benefits	185	28
Total KMP compensation	**537**	**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.

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

NOTE 20. Capital & leasing commitments

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Operating lease commitments – Office lease		
Not later than one year	121	118
Later than one year but not later than two years	-	121
Later than two years but not later than five years	-	-
Later than five years	-	-
Total	**121**	**239**
Petroleum lease commitments		
Not later than one year	500	-
Later than one year but not later than two years	5,000	-
Later than two years but not later than five years	6,000	-
Later than five years	-	-
Total	**11,500**	**-**

Notes: Permit ATP927 has successfully extended for 4 years period to 30 September 2023 during the reporting period.

NOTE 21. Interest in subsidiary

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
Pure Energy Corporation Pty Ltd (Queensland Oil Pty Ltd)	Australia	Queensland	Oil & gas exploration
Pure Hydrogen Corporation 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
Pure Energy Corporation Pty Ltd	100%	2	2
Pure Hydrogen Corporation Pty Ltd	100%	-	-

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 2020 (2019: 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 than 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

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 22. Financial risk management (continued)

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

Interest rate risk	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Impact on average cash and cash equivalent:		
Interest rate +1%	18	32
Interest rate -1%	(18)	(32)
Impact on equity:		
Interest rate +1%	18	32
Interest rate -1%	(18)	(32)

(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.

(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 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 2020.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 23. Parent information

(i) Summary financial information

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

	30-Jun-2020 $'000	30-Jun-2019 $'000
Assets		
Current assets	1,058	3,317
Non-current assets	34,640	33,676
Total assets	**35,698**	**36,993**
Liabilities		
Current liabilities	427	1,066
Non-current liabilities	152	58
Total liabilities	**579**	**1,124**
Equity		
Issued capital	36,842	36,728
Accumulated profit/(loss)	(1,723)	(859)
Total equity	**35,119**	**35,869**
Total profit/(loss)	(864)	(2,245)
Total comprehensive income/(loss)	**(864)**	**(2,245)**

(ii) Guarantees

The parent entity has held a bank guarantee for the office premises of $73,555 and has entered a bank guarantee for its corporate credit card facilities of $20,000 during the year ended 30 June 2020.

Subsidiary Real Energy Queensland Pty Ltd has lodged bank guarantees assurance of $144,000 for ATP927P with QLD Department of Environment and Heritage Protection in regards to its exploration and development activities.

(iii) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019 other than these disclosed in note 17.

(iv) Contractual commitments

At 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (FY2019: nil).

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

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

	Consolidated 30-Jun-2020 $'000	Consolidated 30-Jun-2019 $'000
Profit/(loss) of the year	(3,246)	(2,288)
Amortisation and depreciation	1	2
Impairment provision	2,212	39
Share based payment	114	850
Changes in assets and liabilities that involve recognition in the Income Statement		
Decrease/(increase) in receivables	39	1,233
Decrease/(increase) in prepayments	19	(14)
Decrease/(increase) in lease provision	(109)	-
Increase/(decrease) in short-term loan	500	-
Increase/(decrease) in payables	(653)	(1,591)
Increase/(decrease) in provisions	132	2
Cash flow from operations	**(991)**	**(1,767)**

NOTE 25. Fair value measurement

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as below, 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 2020		As at 30 June 2019	
	Level	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash & cash equivalents	1	1,616	1,616	3,279	3,279
Other assets	1	7	7	26	26
Inventories	1	42	42	42	42
Trade & other receivables	1	75	75	114	114
Financial liabilities					
Trade & other payables	1	311	311	964	964

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.

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

NOTE 26. Subsequent events

On 15 July 2020, the Company announced a Scheme Implementation Agreement (SIA) with Strata-X Energy to merge the companies to form Pure Energy subject to shareholder and Court approval. The merge will have combine interest of 100% in the Project Venus.

On 21 September 2020, the Company raised $800,000 before costs through a Share Placement to sophisticated and institutional investors in Australia and also launched a Share Purchase Plan (SPP) to raise $200,000. The funds raised will be using for the drilling and testing of Venus 1 together with working capital.

The impact of the COVID 19 pandemic is ongoing. It has changed certain aspects of the business and the way the business is conducted. For the year ended 30 June 2020 it has affected the Company's operations, however it has not materially impacted the Company. The Company will continue to monitor any future consequences due to the potential uncertainty in the future.

Apart from these matters raised, no matters or circumstances have arisen since the end of the financial year which has significantly affected or could significantly affect the operation of the consolidated company in future financial years.

Note 27. Dividend

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

REAL ENERGY CORPORATION LIMITED
Notes to the Financial Statements for the year ended 30 June 2020

Note 28. 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 & development	
	As at 30 June 2020 $'000	As at 30 June 2019 $'000
Revenue		
Interest income	27	67
Government incentive payment / R&D Tax incentive refund	11	(850)
Total revenue	**38**	**(783)**
Expenses	(1,071)	(1,464)
Depreciation & amortisation expenses	(1)	(2)
Segment results	**(1,034)**	**(2,249)**
Assets		
Current assets	1,740	3,461
Plant & equipment	1	1
Exploration and evaluation assets	30,504	32,045
Right-of-use assets	109	-
Total assets	**32,354**	**35,507**
Liabilities		
Current liabilities	953	1,066
Non-current liabilities	548	456
Total liabilities	**1,501**	**1,522**
Net assets	**30,853**	**33,985**

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 17 to 39, 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 2020 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 section 286 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 2020.

3. In the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Scott Brown
Director

Sydney, 29 September 2020

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

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 2020, 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 2020 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 oil & gas asset costs	
The Group capitalized $670,210 in exploration, evaluation and development expenditure after accounting for an impairment expense of $2,211,663 during the year, the exploration, evaluation and development asset carrying amount is $30,503,914 (2019: $32,045,337). Exploration, evaluation & development costs have been impaired in full where cost were in-curred in respect to exploration activities not currently being pursued by management. As detailed in the financial reports, work is con-tinuing with the group focusing on the Windorah Gas Project (ATP927P). This permit has now ex-tended to 30 September 2023. Management has determined that there are no facts or circumstances that suggest that the carry-ing amount of the remaining exploration asset exceeds its recoverable amount.	We have evaluated the appropriateness of management's assessment that there is no facts or circumstances that suggest the carrying amount of exploration asset may exceed its recoverable amount. 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 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 $670,210 in exploration, evaluation and development 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.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Cash and cash equivalents	
At balance date the Group had Cash and cash equivalents totalling $1,616,492 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 2020, 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 11 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Real Energy Corporation Limited, for the year ended 30 June 2020, 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

Sam Danieli
Director

Sydney, 29 September 2020

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 21 October 2020

Category of holding	Holders	No. of shares	% of capital
1 – 1,000	88	9,705	0.00
1,001 – 5,000	91	365,286	0.09
5,001 – 10,000	209	1,666,927	0.39
10,001 – 100,000	879	38,375,420	9.01
100,001 and over	506	385,276,793	90.51
Total	**1,773**	**425,694,131**	**100.00**

The closing price for Real Energy Corporation Ltd ordinary shares on the ASX on that date was $0.024. There were 618 holders holding less than a marketable parcel ($500) based on the market price as at 21 October 2020. The total number of shares held by these 618 holders was 5,804,564.

(b) The twenty largest quoted shareholders at 21 October 2020

Shareholder	Holding	%
Mr Scott Brown	28,010,839	6.58
Mr Dang Lan Nguyen	17,900,000	4.20
BNP Paribas Nominees Pty Ltd	17,727,025	4.16
Sino Portfolio International Limited	13,320,000	3.13
National Nominees Limited	13,067,957	3.07
Equity Trustees Limited	7,081,250	1.66
J P Morgan Nominees Australia Limited	6,633,117	1.56
Hooks Enterprises Pty Limited	6,600,000	1.55
Leet Investments Pty Limited	6,050,000	1.42
Mr Raymond Anthony Singh	6,025,000	1.42
Ms Yueqiao Cheng	6,000,000	1.41
Leet Investments Pty Limited	5,350,000	1.26
John Wardman & Associates Pty Limited	4,239,490	1.00
Mr Andrew Bruce & Mrs Wendy Bruce	4,000,000	0.94
Sino Portfolio International Limited	4,000,000	0.94
Neweconomy Com AU Nominees Pty Limited	3,763,025	0.88
Mr John Wardman	3,249,202	0.76
Mr Hoai Nam Pham	3,000,000	0.70
Trutec Pty Limited	3,000,000	0.70
Aranim Pty Limited	2,970,000	0.70
Total	**161,986,905**	**38.05**

(c) Substantial holders

As at 21 October 2020, the Company has the following substantial shareholders:

1) Mr Scott Brown holds 35,463,036 fully paid ordinary shares

2) Mr Dang Lan Nguyen holds 21,286,196 fully paid ordinary shares

(d) Voting rights

All ordinary shares carry one vote per share without restriction. On 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. There are no voting rights attaching to options.

2. Real Energy Corporation Limited Options (ASX: RLEUPOT12)

(a) Distribution of option holdings at 21 October 2020

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	0	0	0.00
10,001 – 100,000	95	4,168,750	11.50
100,001 and over	68	32,081,250	88.50
Total	**163**	**36,250,000**	**100**

(b) The twenty largest option holders at 21 October 2020

Option holder	Holding	%
National Nominees Limited	3,750,000	10.34
Toronga Pty Limited	2,500,000	6.90
Leet Investments Pty Limited	1,250,000	3.45
Leet Investments Pty Limited	1,250,000	3.45
Ralt Investments (VIC) Pty Limited	1,000,000	2.76
Mr Perry Julian Rosenzweig	1,000,000	2.76
HGH Mccathie Pty Limited	875,000	2.41
Johnhluca Pty Limited	750,000	2.07
Hibiscus Tavern Pty Limited	750,000	2.07
Equity Trustees Limited	750,000	2.07
Uladak Pty Limited	625,000	1.72
Mr Peter Phillip Kalkandis	625,000	1.72
Mr Brett Charles Dixon	500,000	1.38
F C Investments Pty Limited	500,000	1.38
F C Investments Pty Limited	500,000	1.38
Doric Wealth Pty Limited	500,000	1.38
Mr Perry Rosenzweig & Mrs Dana Rosenzweig	500,000	1.38
Pethol (VIC) Pty Limited	500,000	1.38
924 Pty Limited	500,000	1.38
Mr Stephen Peruch & Mrs Sharon Peruch	500,000	1.38
Total	**19,125,000**	**52.76**

3. Schedule of petroleum tenements

Permits	Area (sq km)	Expiry Date	% Interest FY2020	% Interest FY2019
ATP 927P	1,050	30/09/2023	100	100
ATP 1194PA	1,043	Under application	100	100
ATP 2051P	154	23/03/2024	50	-

4. 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	118
2C	330
3C	770

(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

(c) Recoverable Prospective Gas Resources.

Estimates Gross (100%) Prospective Gas Resource (PJ)			
	LOW	BEST	HIGH
PROJECT VENUS ATP 2051	555	694	833

5. Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 24 September 2020 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 Director)

John Wardman, B.Ec.
(Non-executive Chairman)

Peter Mangano, B. Com, B. Sc
(Non-executive Director)

Company Secretary

Ron Hollands, B. Bus, MBA

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

KPMG,
International Towers Sydney 3,
300 Barangaroo Ave,
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

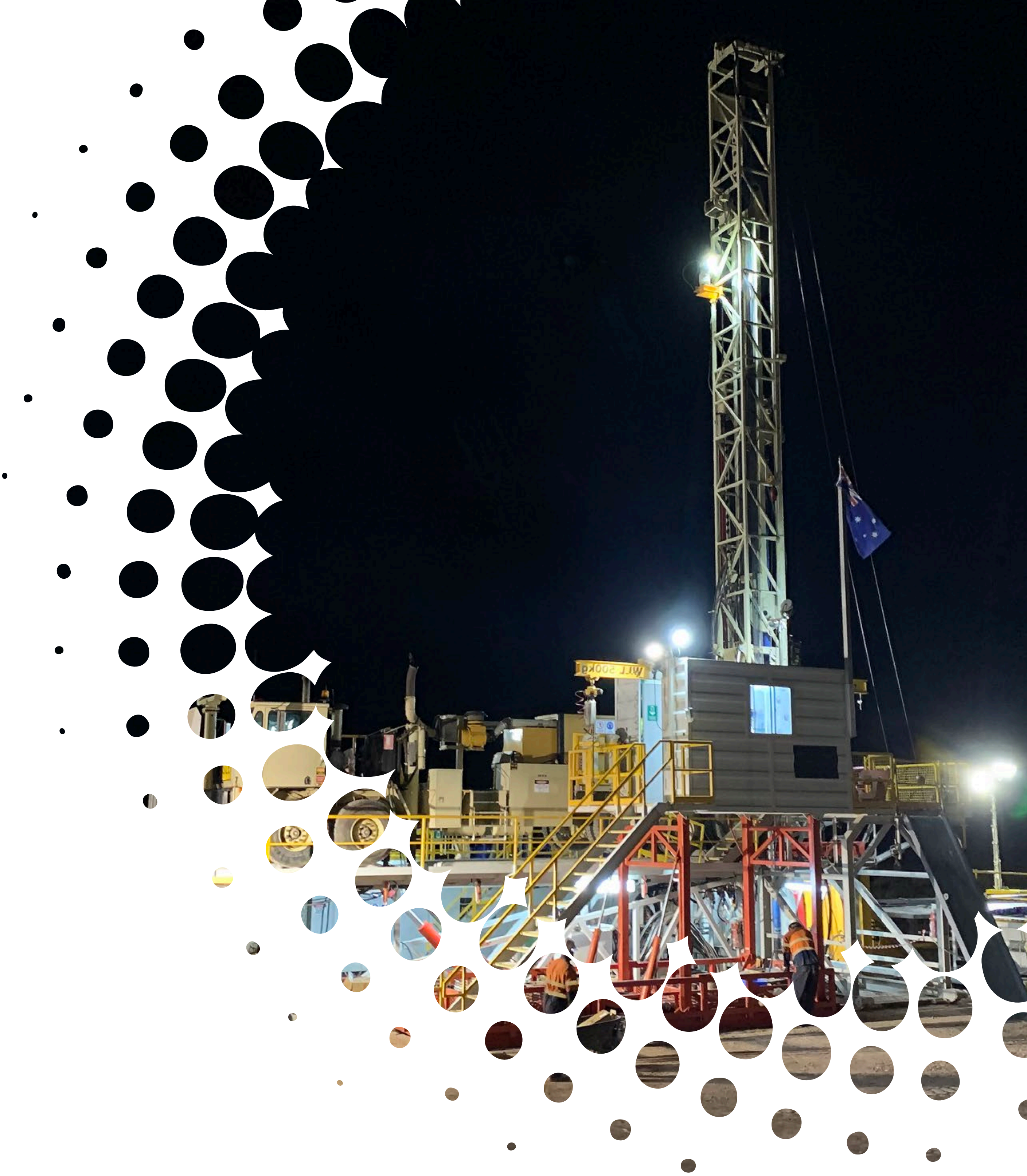
Internet

www.realenergy.com.au

Email

admin@realenergy.com.au


SILVERCITY



Real Energy Corporation Limited
ACN 139 792 420

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