

Scheme Booklet

For a Proposal to merge Real Energy Corporation Limited and Strata-X Energy Limited via a Scheme of Arrangement whereby Strata-X Energy Limited will acquire all of Shares in Real Energy Corporation Limited.

This document is important and requires your attention. It should be read in its entirety. If you are in doubt as to what you should do or how to deal with this document you should consult your stockbroker, financial advisor, legal or other professional advisor.

The Real Energy Board unanimously recommends that you

VOTE IN FAVOUR

Of the Proposal, in the absence of a superior proposal.





Flow testing at Windorah Gas Project in the Cooper Basin

IMPORTANT NOTICES

a) **Nature of this Scheme Booklet**

This Scheme Booklet provides Real Energy Shareholders with information about the proposed merger of Real Energy and Strata X Energy by way of a scheme of arrangement between Real Energy and Strata X Energy whereby Strata X Energy will acquire all the shares of Real Energy. You are being asked to vote on the Scheme and should review all of the information in this Scheme Booklet carefully, including the Independent Expert's Report in Annexure D. Section 1 sets out the reasons why you should vote in favour of the Scheme and sets out the reasons why you may wish to vote against the Scheme.

This Scheme Booklet sets out the manner in which the Scheme will be considered and implemented (if all of the Conditions Precedent are satisfied or (if permitted) waived). It also includes information which the Real Energy Board believes is material to the decision of Real Energy Shareholders as to how to vote in relation to the Scheme and other information prescribed by law.

This Scheme Booklet is not a disclosure document under Chapter 6D of the Corporations Act.

If you no longer hold any Real Energy Shares, please disregard this Scheme Booklet as you will not be entitled to vote at the Scheme Meetings.

b) **Defined terms**

Terms used in this Scheme Booklet which are capitalised are defined in the Glossary or otherwise in the Sections in which they are used. The documents reproduced in the Annexures to this Scheme Booklet have their own defined terms the Glossary.

All diagrams, charts, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this document.

c) **No investment advice**

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own specific investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet in its entirety before making any decision as to whether or not to vote in favour of the Scheme. You should consider taking advice from financial, legal, taxation or other professional advisers.

d) **Not an offer**

This Scheme Booklet does not constitute or contain an offer to Real Energy Shareholders, or a solicitation of an offer from Real Energy Shareholders, in any jurisdiction.

e) **Foreign jurisdictions**

The release, publication or distribution of this Scheme Booklet in jurisdictions outside Australia may be restricted by law or regulation and persons outside Australia who come into possession of this Scheme Booklet should seek advice on, and observe, any applicable restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. Real Energy disclaims all liability to persons who fail to comply with those restrictions.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of another jurisdiction. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside Australia.

Real Energy Shareholders who are resident outside Australia and/or who are nominees, trustees or custodians for beneficial holders resident outside Australia are encouraged to seek independent advice as to how they should proceed, including specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Scheme.

f) **Regulatory information**

This Scheme Booklet is the explanatory statement for the scheme of arrangement between Real Energy and the Scheme Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act. It was then lodged with and registered by ASIC under section 412(6) of the Corporations Act before being sent to Real Energy Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Federal Court at the time of the Second Court Hearing to approve the Scheme. Neither ASIC nor any of its officers takes

any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

g) **Important notice associated with the Federal Court order under section 411(1) of the Corporations Act**

A copy of this Scheme Booklet has been lodged with the Court to obtain an order of the Court approving the convening of the Scheme Meetings. Orders made by the Court are made under section 411(1) of the Corporations Act.

The fact that the Court has ordered that the Scheme Meeting be convened and has directed that this Scheme Booklet accompany the Notices does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Real Energy Shareholders should vote (on this matter Real Energy Shareholders must reach their own conclusion);
- has prepared, or is responsible for, the content of this Scheme Booklet; or
- has approved or will approve the terms of the Scheme.
- The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

h) **Notices of Scheme Meeting**

The Notice of Scheme Meeting for Shareholders is set out in Annexure F,

A reference to “the Scheme Booklet” in the Notice of Scheme Meeting will be taken to include any supplementary scheme booklet released in relation to the Scheme.

i) **Real Energy Shareholders’ right to appear at the Second Court Hearing**

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Real Energy Shareholder may appear at the Second Court Hearing, expected to be held on 15 December 2020 at the Federal Court of Australia.

Any Real Energy Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Real Energy a notice of appearance in the prescribed form together with any affidavit that the Real Energy Shareholder proposes to rely on. The notice of appearance and affidavit must be served on

Real Energy at its address for service at least one day before the Second Court Hearing.

The address for service for Real Energy is Level 3, 32 Walker Street North Sydney NSW 2060

If you wish to oppose approval of the Scheme at the Second Court Hearing you should seek professional advice as to how to do this.

j) **Effect of rounding**

Certain figures in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

k) **Responsibility statement**

Real Energy has been solely responsible for preparing the Real Energy Information. The Real Energy Information concerning Real Energy and the intentions, views and opinions of Real Energy and the Real Energy Directors contained in this Scheme Booklet has been prepared by Real Energy and the Real Energy Directors and is the responsibility of Real Energy.

Strata X Energy and its directors and officers do not assume any responsibility for the accuracy or completeness of any Real Energy Information or the Independent Expert’s Report (or any information contained therein).

l) **External websites**

Unless expressly stated otherwise, the content of Real Energy’s and Strata X Energy’s website does not form part of this Scheme Booklet and Real Energy Shareholders should not rely on any such content for the purposes of the Scheme.

m) **Tax Implications of the Scheme**

If the Scheme becomes effective and is implemented, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain on disposal of Real Energy Shares. For further details about the general tax consequences of the Scheme, refer to Section 9.

The tax treatment may vary depending on the nature and characteristics of each Scheme Shareholder and their specific circumstances. Accordingly, Scheme Shareholders should seek professional tax advice in relation to their specific circumstances.

n) **Privacy and personal information**

Real Energy and its agents and representatives may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Real Energy Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meetings. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Real Energy to conduct the Scheme Meetings and to implement the Scheme. Personal information of the type described above may be disclosed to the Share Registry, print and mail service providers, authorised securities brokers, Strata X Energy, Real Energy and its Related Bodies Corporate, and Real Energy' and any other service provider to the extent necessary to effect the Scheme.

Real Energy Shareholders have certain rights to access personal information that has been collected. Real Energy Shareholders should contact the Share Registry in the first instance, if they wish to access their personal information. If the information outlined above is not collected, Real Energy may be hindered in, or prevented from, conducting the Scheme Meetings or implementing the Scheme. Real Energy Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

TABLE OF CONTENTS

IMPORTANT NOTICES	3
TABLE OF CONTENTS	6
REAL ENERGY CHAIRMAN’S LETTER	7
SECTION 1 - REASONS TO VOTE.....	9
SECTION 2 - KEY DATES.....	12
SECTION 3 - DETAILS OF THE PROPOSAL AND HOW TO VOTE	13
SECTION 4 - FREQUENTLY ASKED QUESTIONS.....	15
SECTION 5 - REAL ENERGY INFORMATION.....	20
SECTION 6 - STRATA-X ENERGY INFORMATION	33
SECTION 7 - PURE ENERGY – PROFILE OF MERGED ENTITY POST SCHEME	46
SECTION 8 – RISKS	56
SECTION 9 - TAXATION CONSIDERATIONS.....	60
SECTION 10 - IMPLEMENTATION OF THE SCHEME	62
SECTION 11- REAL ENERGY ADDITIONAL INFORMATION	68
SECTION 12 - GLOSSARY	71
Annexure A Scheme Implementation Agreement	
Annexure B Scheme of Arrangement	
Annexure C Deed Poll	
Annexure D Independent Expert’s Report	
Annexure E Notice of Meeting of Shareholders	

REAL ENERGY CHAIRMAN'S LETTER

Dear Real Energy Shareholder,

On behalf of the Real Energy Board, I am pleased to deliver this Scheme Booklet, which contains important information for you to consider about the proposed merger between Real Energy and Strata-X Energy to become Pure Energy.

On 15 July 2020 Real Energy and Strata-X Energy executed a Scheme Implementation Agreement to effect the acquisition of all the shares of Real Energy whereby each Real Energy Shareholder will receive one (1) share in Strata-X Energy (to be renamed Pure Energy) for every three (3) held.

The merger is to be conducted by Scheme of Arrangement and is subject to several conditions, including shareholder, court and regulatory approvals, together with other customary conditions.

The merging of Real Energy and Strata-X is a merger of equals that will create a very high potential and diversified gas portfolio that will have initially 100% of the following gas project:

- Project Venus – CSG Walloon Surat Basin – 694Bcf
- Serowe Gas Project – CSG Botswana -2.4Tcf
- Windorah Gas Project – Cooper Basin centres gas – 8.8 Tcf

The focus of Pure Energy will be growing its reserves and resources to add value to its Projects over the next 12 months. The Scheme will have the following advantages:

1. A more diversified 11.8 Tcf gas portfolio;
2. Larger market capitalisation growth story with green initiatives;
3. Streamlined cost and lower overall overheads;
4. Combined skill sets of Successful industry veterans;
5. Larger resource base to better fund future opportunities.

Real Energy Directors' recommendation

The Real Energy Board believes that the Proposal is in the best interest of Real Energy shareholders. In addition to the advantages of the merger raised above, the Board believes that the merger with Strata X Energy to become Pure Energy is likely to lead to a significant re-rating of the Company. The Board unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal. Furthermore, each Real Energy Directors intends to vote all the Real Energy Shares held or controlled by them in favour of the Scheme, subject to that same qualification.

Independent Expert

The Real Energy Board appointed RSM Corporate Australia Pty Limited as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is not fair but reasonable to Real Energy Shareholders and therefore in their best interests in the absence of a Superior Proposal.

A complete copy of the Independent Expert's Report is included in Annexure D.

Your vote

Real Energy shareholders will have the opportunity to vote on the Proposal at the meeting to be held on Friday 11 December 2020.

Your vote is important in determining whether or not the Proposal proceeds.

Please read the information in the Scheme Booklet carefully, as it set out the material for you to consider when you decide whether or not to vote in favour of the Proposal. If required please seek your own financial, accounting or legal advice.

Details of how to vote at the Scheme Meeting are set out in the Notice of Meeting. If you have any questions in relation to the Proposal, please either email to investor@realenergy.com.au or call 02 9955 4008.

Yours sincerely,

John Wardman
Chairman

SECTION 1 - REASONS TO VOTE in Favour of the Proposal:

- ✓ More diversified 11.8 Tcf potential gas portfolio;
- ✓ Larger market capitalisation growth story with green initiatives;
- ✓ Streamlined cost and lower overall overheads;
- ✓ Combined skill sets of Successful industry veterans;
- ✓ 100% of the exciting Project Venus will be owned by one ASX company – to become Pure Energy;
- ✓ Larger resource base to better fund future opportunities;
- ✓ The independent Expert has concluded that the Scheme is not fair but it is reasonable and in the best interest of Real Energy Shareholders;
- ✓ Since the announcement of the Scheme, no superior proposal has emerged;
- ✓ The price of Real Energy shares may fall if the Proposal is not implemented;
- ✓ No brokerage will payable on new shares you receive under the Proposal.

Possible Reasons to vote against the Proposal:

- ✖ You may disagree with the Real Energy Board and the Independent Expert and believe the Scheme is not in your best interest.
- ✖ If the Proposal proceeds you will no longer be a Real Energy Shareholder and may have preferred the asset exposure in Real Energy rather than the combined group to become Pure Energy.
- ✖ The tax consequences of the Proposal may not suit your financial position.
- ✖ You may wish to maintain your current Position.
- ✖ The Independent Expert believe the Scheme is not fair but it is reasonable and in the best interest of Shareholders.

The Real Energy Board unanimously recommends that you vote in favour of the Proposal in the absence of a superior proposal.

Each Real Energy Director intends to vote or procure the voting of all Real Energy Shares held or controlled by them, in favour of the Scheme in the absence of a superior proposal.

SECTION 2 - KEY DATES

Scheme Booklet available to Real Energy Shareholders	Monday, 9 November 2020
Latest date for return of completed proxy forms for Scheme Meeting	Wednesday, 9 December 2020
Eligibility for voting at Scheme Meeting determined	Thursday, 10 December 2020
Scheme Meeting	Friday, 11 December 2020
Second Court Date	Tuesday, 15 December 2020
Notify ASX of Court approval of the Scheme	Tuesday, 15 December 2020
Effective Date (lodge office copy of Court order approving the Scheme with ASIC)	Tuesday, 15 December 2020
Real Energy Shares suspended from trading on ASX	Tuesday, 15 December 2020
Commencement of trading of new Pure Energy shares on the ASX on a deferred basis	Tuesday, 15 December 2020
Scheme Record Date	Friday, 18 December 2020
Implementation Date	Tuesday, 29 December 2020
Last day of deferred trading of the new Pure Energy shares on the ASX	Tuesday, 29 December 2020
Commencement of normal trading of Pure Energy shares on the ASX	Wednesday, 30 December 2020

SECTION 3 - DETAILS OF THE PROPOSAL AND HOW TO VOTE

3.1 Acquisition of Shares by Scheme of Arrangement

On 15th July 2020, Real Energy and Strata- X Energy announced a proposal to merge whereby all of the issued share capital of Real Energy in accordance with Scheme Implementation Agreement (SIA) – a copy of the Agreement is set out in Annexure A. A summary of the Scheme can be found in Section 10.

The Scheme is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company.

Under the SIA Real Energy shareholders will receive 1 (One) new Strata- X Energy Share for every 3 (Three) Real Energy Shares.

3.2 What will happen under the Scheme?

If approved by Real Energy shareholders and the Court and subject to all the conditions described in Section 10 all the Real Energy shareholders who hold shares in Real Energy on the Record Date (Scheme Participants) will participate in the Scheme, whether or not they voted for the Scheme (and even if they voted against the Scheme). If approved and implemented the Scheme will result in:

- a) Each Scheme Participant receive 1 (one) Strata-X Energy share for every 3 (three) shares held;
- b) The transfer of all the shares of Real Energy to Strata- X Energy;
- c) Real Energy becoming a wholly owned subsidiary of Strata-X Energy and being delisted from the ASX;

Strata-X Energy has executed the Deed Poll in favour Scheme Participants, a copy of the Deed Poll appears in Annexure C.

3.3 Scheme Meeting

The Scheme Meeting will be held at 11am on 11 December 2020 at Level 3, 32 Walker Street North Sydney NSW 2060. The Scheme Booklet includes the Notice of Scheme Meeting as Annexure F and a proxy form is enclosed.

3.4 Approval of the Scheme

For the Scheme to take effect section 411(4) of the Corporation Act requires a meeting of Real Energy Shareholders to be held at which the Scheme must be agreed by resolution passed by:

- a) A majority of Real Energy Shareholders present and voting (either in person or by proxy) at the Scheme Meeting; and
- b) Representing in aggregate not less than 75% of the votes cast on the resolution at the Scheme Meeting.

The result of the Scheme Meeting must then be provided to the Court, which will consider whether or not to approve the Scheme.

3.5 Who is entitled to vote at the Scheme Meeting?

Voting at the Meeting will be way of a poll. On a poll holder of Real Energy Shares have one vote for each Share held. Shareholders can vote:

- a) In person;
- b) By proxy;
- c) By corporate representative (if the Shareholder is a Corporation);
- d) By attorney.

Your vote will count if you vote by any of those methods. However a shareholders vote will only be counted once.

3.6 Voting in person

If you wish to vote in person please attend the Scheme Meeting.

3.7 Voting by Proxy or Attorney

If you wish to vote by proxy you should complete and lodge the proxy form with Real Energy. The Proxy Form must be received by the Company at least 48 hours before the Scheme Meeting time in order to be counted as a valid vote. There are instructions on the proxy form concerning how to complete the form and where to sign the form. You may appoint more than one proxy to vote your Shares. If you do not nominate someone to be your proxy then you are taken to have appointed the chairman of the meeting. The chairman of the meeting intends to vote all undirected proxies in favour of the resolution.

A Shareholder may appoint an Attorney to act for them in relation to the Meeting. The power of attorney or a certified copy of the Power of attorney must be provided to the Company at least 48 hours before the Scheme Meeting time.

There are 2 ways to send the Proxy to the Company:

- | | |
|---|--|
| <p>1. Postal/Delivery
Real Energy Corporation Limited
Level 3, 32 Walker Street
North Sydney NSW 2060</p> | <p>2. Email
investor@realenergy.com.au</p> |
|---|--|

3.8 Corporate Shareholder

Corporate shareholders may appoint a proxy or alternatively may appoint a corporate representative. In order to appoint a corporate representative corporate shareholder will be required to complete a Certificate of Appointment of Representative form to enable a natural person to attend the Meeting on behalf the Corporate Shareholder.

3.9 Scheme Consideration

Holders of Real Energy Shares on the Record Date will receive 1 (one) new share in Strata- X Energy (which will change its name to Pure Energy Corporation Limited) for each 3 (three) shares they currently own.

3.10 Value of Scrip Consideration

As at 30 September 2020, the last practical date before finalisation of the Scheme Booklet the implied value of Real Energy Shares was \$0.0233 per Real Energy Share based on the closing price of Strata-X Energy Shares.

3.11 The Effects of Rounding

Where the calculation of the number of New Strata-X Energy shares issued to a specific Real Energy shareholder results in a fraction of a New Strata-X Share, then the fraction will be rounded to the nearest whole number holder for a specific Real Energy Shareholder being entitled.

SECTION 4 - FREQUENTLY ASKED QUESTIONS

Question	Answer	Reference
Why has this Scheme Booklet been prepared?	This Scheme Booklet has been prepared for Real Energy Shareholders who are being asked to vote on the Scheme, which, if approved, will result in Strata-X Energy acquiring all the Real Energy Shares. This Scheme Booklet is intended to help you to decide how to vote on the relevant Scheme Resolution which needs to be passed at the Scheme Meetings to allow the Scheme to proceed. If you have transferred all of your Real Energy Shares, please disregard this Scheme Booklet as you will not be entitled to vote at the Scheme Meetings.	See Cover Page and Important Notices.
What is the Scheme?	The Scheme is a scheme of arrangement, which is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company. The Scheme is between Real Energy and the Scheme Shareholders and will effect the acquisition of Real Energy by Strata-X Energy. If the Scheme is approved and implemented, the Scheme Shareholders will receive the Scheme Consideration for each Scheme Share held on the Scheme Record Date of Strata-X Energy and Real Energy will become a wholly-owned subsidiary A copy of the Scheme is contained in Annexure B.	See Section 5 and Annexure B.
How do I vote?	You can vote on the relevant Scheme Resolution by appointing a proxy, representative or attorney to attend the relevant Scheme Meeting and vote on your behalf or by attending the relevant Scheme Meeting in person.	See Notice of Meeting – Annexure E

How will voting at the Scheme Meetings be conducted?	Voting at the Scheme Meeting will be conducted by way of a poll. Every Real Energy Shareholder who is present in person or by proxy, representative or attorney at the relevant Scheme Meeting will have one vote for each Real Energy Share held by them.	See Annexure E.
When and where will the Scheme Meetings be held?	The Scheme Meeting will be held on Friday, 11 December 2020 at Level 3, 32 Walker Street North Sydney NSW 2060, commencing at 11.00am (Sydney time).	See Annexure E.
When will the result of the Scheme Meetings be known?	The result of each relevant Scheme Meeting will be available during or shortly after the conclusion of the Scheme Meeting and will be announced to ASX shortly after the conclusion of the Scheme Meeting. Even if the Scheme Resolution is passed at the Scheme Meeting, the Scheme is subject to approval of the Court and satisfaction or waiver (if permitted) of all Conditions Precedent.	N/A
Will I be bound by the Scheme if I do not vote?	If the Scheme Resolution is approved, the Conditions Precedent are satisfied or (if permitted, waived) and the Court approves the Scheme, you will be bound by the Scheme whether or not you voted and whether or not you voted in favour of it. If the Scheme Resolution is not approved, you will not be bound by the Scheme whether or not you voted and whether or not you voted in favour of it.	Annexure E.
What happens to my Real Energy Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?	If you do not vote, or vote against the Scheme, and the Scheme nonetheless becomes Effective, any Real Energy Shares held by you on the Scheme Record Date (currently expected to be 5.00pm (Sydney time) on Friday 18 December 2020) will be transferred to Strata-X Energy and you will receive the Scheme Consideration on the Implementation Date, notwithstanding that you may not have voted or voted against the Scheme.	See Section 12 the definition of "Record Date"
What can I do if I wish to oppose the Scheme?	If you, as a Real Energy Shareholder, oppose the Scheme, you may: • call Real Energy on 02 9955 4008; • if Real Energy Shareholders pass the Scheme Resolution at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing, you must lodge a notice of intention to appear at the Second Court Hearing and indicate opposition to the Scheme. You should seek professional advice as to how to do this.	See Important Notices, Section 3.3, Annexure D and Annexure E.

Can the Scheme Implementation Deed be terminated?	The Scheme Implementation Agreement may be terminated in certain circumstances. These are summarised in Section 10. If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.	See Section 10, Annexure A.
What happens if the Scheme does not proceed?	If the Scheme is not approved at the Scheme Meeting, or a Condition Precedent to the Scheme is not satisfied or (if permitted) waived, the Scheme will not be implemented. If the Scheme is not implemented, Real Energy Shareholders will not receive the Scheme Consideration but will retain their Real Energy Shares. In these circumstances, Real Energy will, in the absence of another proposal, continue to operate as a company listed on ASX and you will continue to hold your Real Energy Shares and continue to be exposed to risks and opportunities associated with your investment in Real Energy.	See Section 10
Is there a break fee payable?	Under the Scheme Implementation Agreement, Real Energy may be obliged to pay the Break Fee of \$100,000 to Strata-X Energy, if certain events occur. The failure to pass the Scheme Resolution by the Requisite Majority will not trigger the payment of the Break Fee by Real Energy. The circumstances in which the Break Fee is payable by Real Energy are summarised in Section 10.	See Section 10
When will the Scheme become Effective?	Subject to the satisfaction or (if permitted) waiver of the Conditions Precedent, the Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC (this is the Effective Date). This is expected to occur on Tuesday, 15 December 2020.	See Section 10

What happens on the Implementation Date?	On the Implementation Date: • Strata-X Energy will issue the Scrip Consideration to the Real Energy Shareholders (or their nominated related bodies corporate); and • the Scheme Shares will be transferred to Strata-X Energy without Scheme Shareholders needing to take any further action. Pursuant to the Scheme Implementation Deed, the Implementation Date is the fifth Business Day (or such other Business Day as the parties agree) following the Scheme Record Date for the Scheme, and is expected to be Tuesday, 29 December 2020. No transfer of Real Energy Shares will occur to Strata-X until the Scrip Consideration is issued.	See Section 10, the definition of “Implementation Date” and Annexure A.
When will I receive the Scheme Consideration?	Payment of the Scrip Consideration will occur in accordance with the Scheme on the Implementation Date. The Implementation Date is currently expected to be Tuesday, 29 December 2020.	See Section 2.
What obliges Strata- X Energy to provide the Scheme Consideration?	Strata- X Energy have executed the Deed Poll pursuant to which they have undertaken in favour of each Scheme Shareholder to procure that each Scheme Shareholder is provided the Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective. A copy of the Deed Poll is contained in Annexure C.	See Section 10. and Annexure C.
Can I keep my Real Energy Shares?	You cannot keep your Real Energy Shares if the Scheme is implemented. If the Scheme is implemented, each Scheme Shareholder will receive (on the Implementation Date) the Scheme Consideration and the Real Energy Shares will be transferred to Strata-X, even if they did not vote at all or if they voted against the Scheme Resolution. If the Scheme is not implemented they will keep their Real Energy Shares.	See the Scheme in Annexure B.

What are the taxation implications of the Scheme?	The taxation implications of the Scheme will depend on your personal circumstances. A general outline of the main Australian taxation implications of the Scheme for certain Real Energy Shareholders is set out in Section 9 of this Scheme Booklet. As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for participating in the Scheme in light of the particular circumstances which apply to you before making a decision as to how to vote on the Scheme.	See Section 9.
Will I need to pay brokerage or stamp duty?	Scheme Shareholders will not incur any brokerage or stamp duty on the transfer of their Scheme Shares under the Scheme.	
Where can I get further information?	For further information, you can call the Real Energy on 02 9955 4008 or email your questions to investor@realenergy.com.au.	See Chairman's Letter.

SECTION 5 - REAL ENERGY INFORMATION

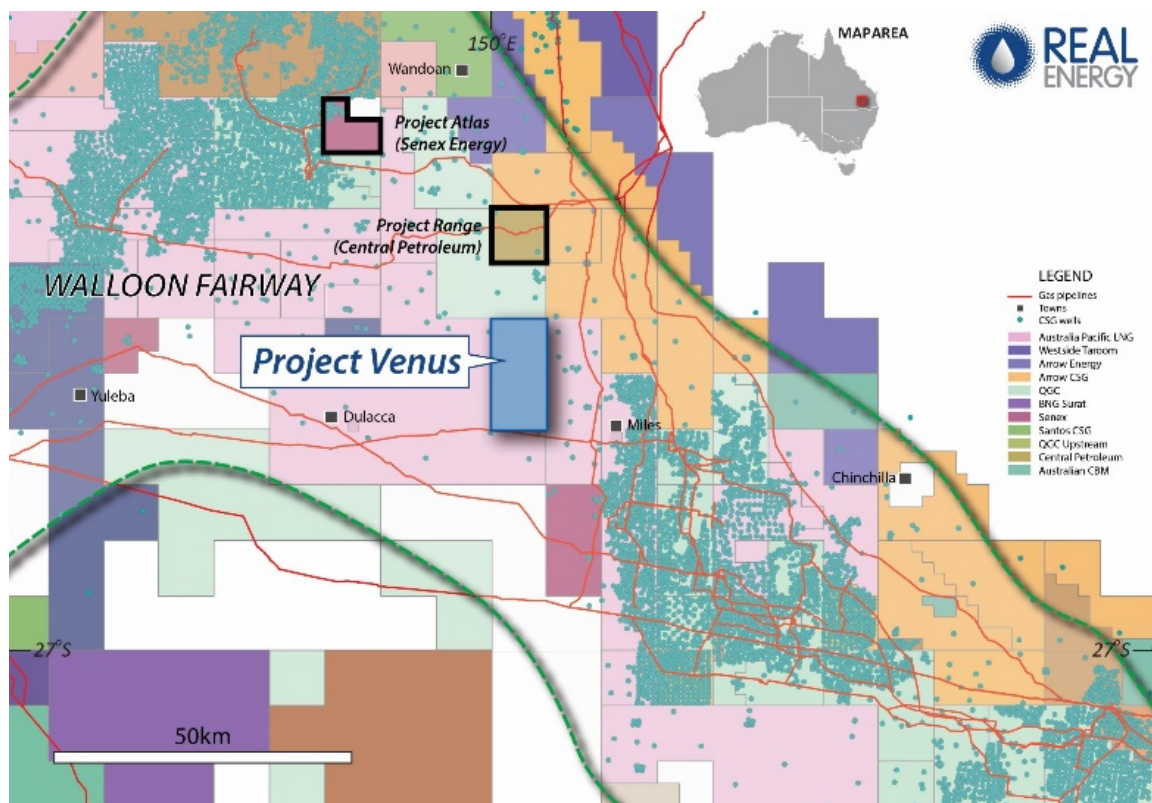
5.1 Overview of Real Energy

Real Energy Corporation Limited, together with its wholly-owned subsidiaries, Real Energy Queensland Pty Limited, Pure Energy Corporation Pty Limited and Pure Hydrogen Corporation Pty Limited, is a gas development company listed on the ASX (ASX: RLE) since December 2013. The Company is focused on the East Coast of Australia with Assets in the Cooper Basin, Australia's most prolific conventional onshore petroleum producing basin and the Surat Basin. Real Energy has 100% ownership in permits in Queensland being ATP927 & ATP1194 and a 50% ownership and the operatorship in the Joint Venture (JV) with Strata-X Energy to develop Project Venus ATP2051P. The Company's Pure Hydrogen Corporation subsidiary is also pursuing opportunities to construct and operate large-scale hydrogen plants in Queensland with two sites earmarked.

5.2 Projects

Project Venus (ATP2051) – ATP2051 was awarded to 50:50 JV between Real Energy & Strata-X Energy in October 2019 to develop coal seam gas in Surat Basin where the acreage area has been intensively developed for CSG projects such as Australia Pacific LNG project and Gladstone LNG etc. Prospective Recoverable Gas Resources estimates have been independently assessed by MHA Petroleum Consultants at 658 BCF (Best Estimate Case) on 100% basis.

Project Venus is a 154 km² permit which is well located on the Walloon CSG Fairway where over 10,000 CSG wells have been developed on this fairway and the permit is surrounded by major companies QGC, Arrow Energy and APLNG.

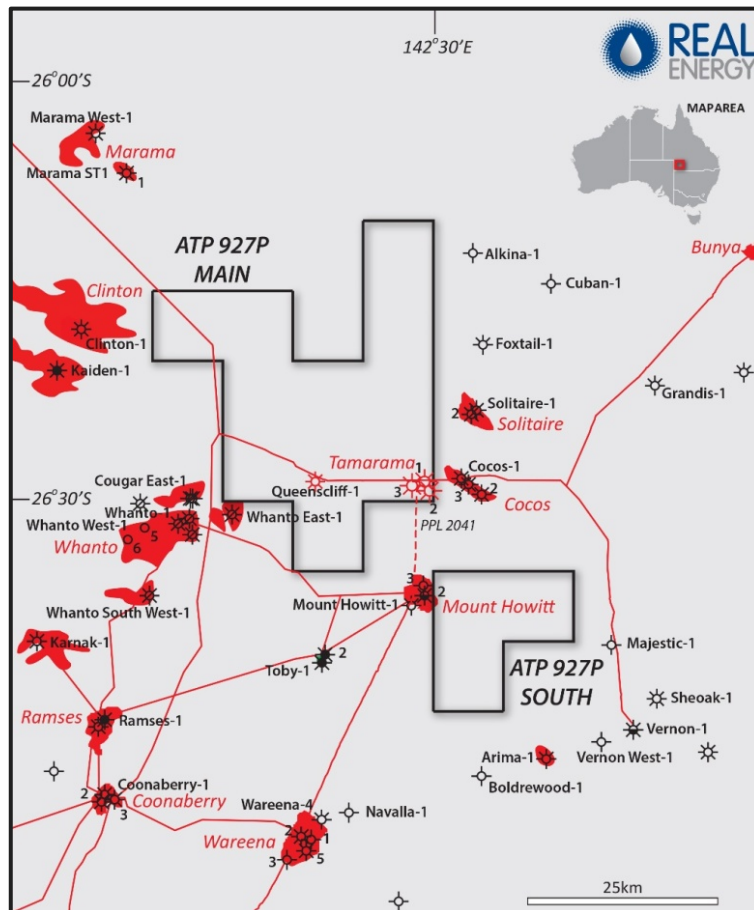


Location of Project Venus

Real Energy proposed a new well Venus 1 to be drilled and flow test and prove water flow rates and induce gas breakout. Venus 1 drilling activities is expected to October 2020.

The Coals in the Walloon Coal Measures have high gas saturations and the focus will be on determining the optimum completion methods to achieve commercial gas flow rates. Once commercial gas flows achieved the JV can systematically convert resources into reserves.

Windorah Gas Project (ATP927P) – The Windorah gas project acreage ATP927P is located in Western Queensland and forms part of the regionally extensive Cooper Basin. ATP927P covers 1,050 km².



Map of ATP927P

PROPOSED COIL TUBING ENHANCEMENTS ON CURRENT VERTICAL WELLS **Four gas wells drilled:**

- Tamarama-1, 2 & 3 + Queenscliff-1 were all gas discoveries,
- Certified 2C/3C Contingent Gas Resources of 330/770 BCF,
- Tamarama-2 had initial flow rates of 2 mmcf/d
- Tamarama-3 had initial flow rates of 2.5 mmcf/d

Prospective OGIP 8,800 BCF

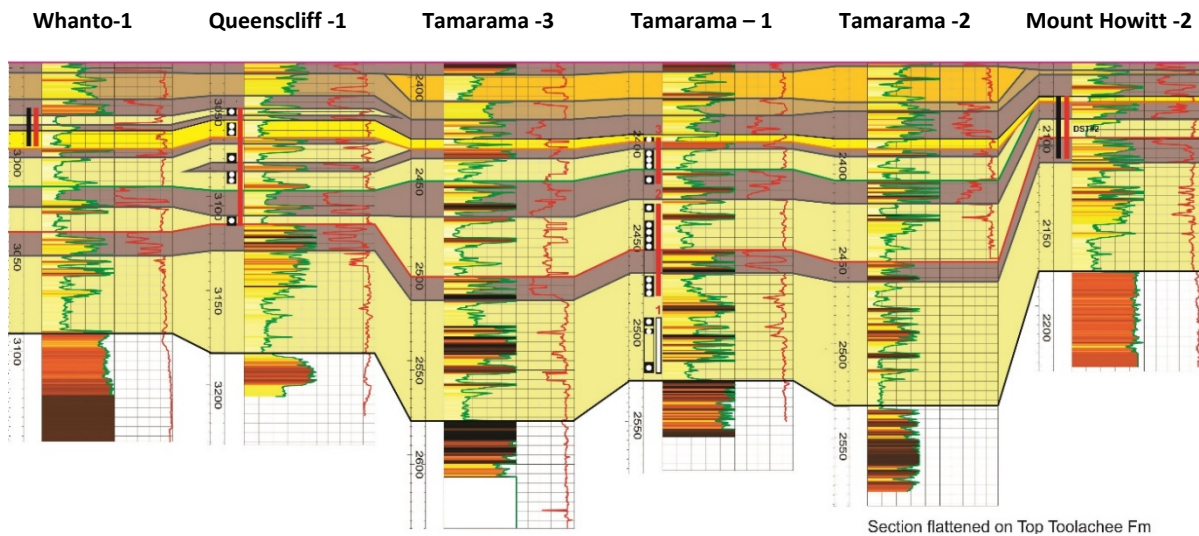
2C Resources 330 BCF

3C Resources 770 BCF

- Estimated Prospective OGIP are Mean Original Gas-In-Place adjusted for renewal and 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)



It is surrounded by gas fields and gas processing and transportation infrastructure. The company has a significant gas field within ATP927 and has drilled 4 wells within the permit – currently the estimated Prospective OGIP is 8.8 Tcf together with 2C Contingent Resources of 330Bcf and 3C Contingent Resource of 770 Bcf. The Company is looking at development options for the field and intends to apply for PCA Licence over a significant proportion of the permit. The Company has executed a gas transportation and processing agreement with Santos and Beach Energy to allow gas processing at Moomba.

A Pipeline licence has been granted to allow the construction of a pipeline between the Tamarama area to tie-in to Mount Howitt raw gas line whereby the gas could be transported to Moomba for processing and then to east coast sales gas transmission pipelines.



Tamarama 2 – flow test

Pure Hydrogen Corporation

The Company established Pure Hydrogen Corporation Pty Limited a wholly owned subsidiary to undertake a detailed scoping study to assess the commercial viability of building, owning and operating a hydrogen fuel plant in Queensland.

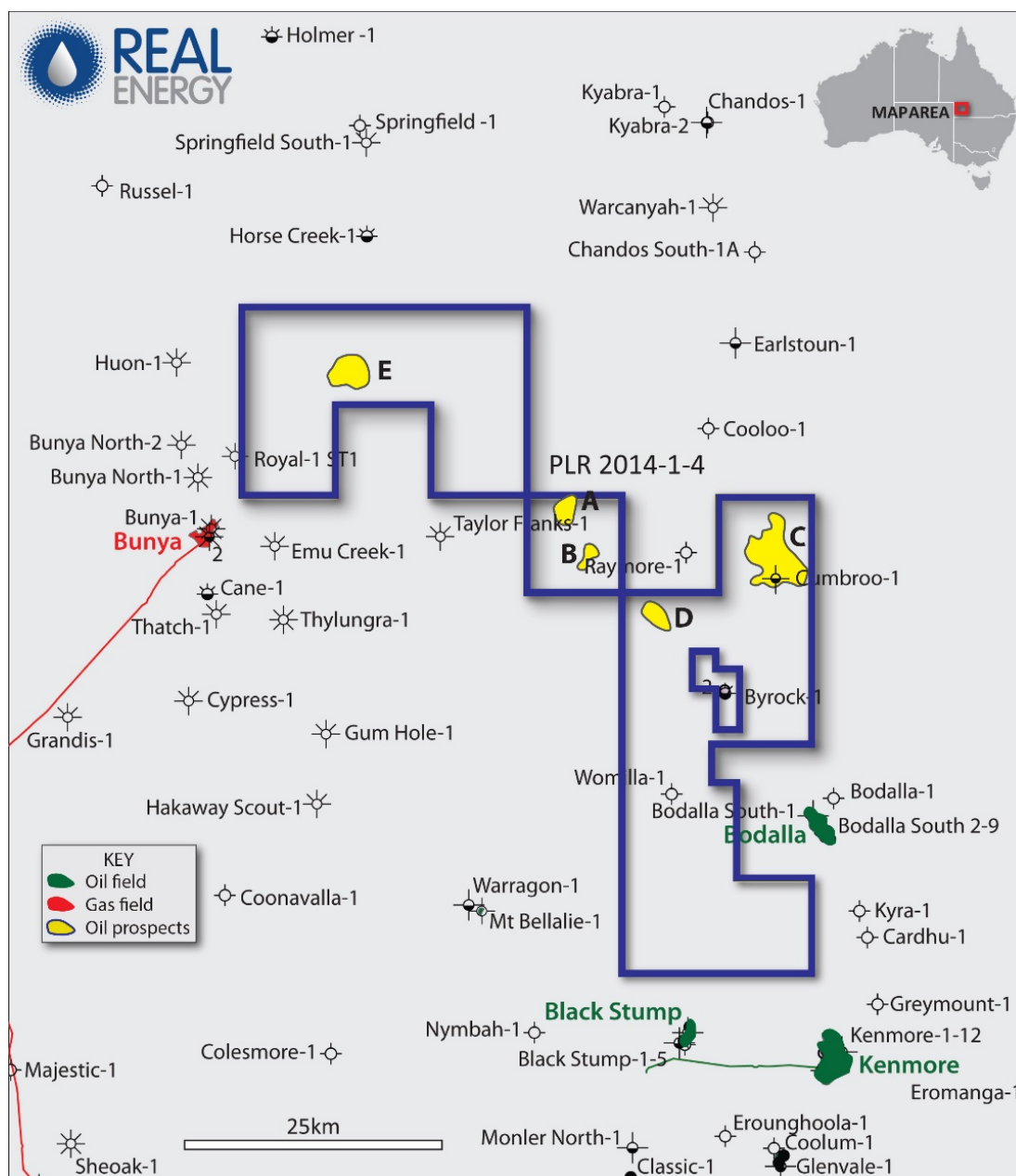
Real Energy's Board has been assessing the opportunities for hydrogen following the publishing of the Federal Government's road map for Australia's National Hydrogen Strategy in November 2019. The report is available at <https://www.industry.gov.au/data-and-publications/australias-national-hydrogen-strategy>.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

Real Energy's Pure Hydrogen Corporation has already made progress earmarking two potential sites in Queensland at which to establish a large-scale hydrogen fuel plant with a minimum annual production capacity of 36 million kilograms. A plant of this size has the ability to power 240,000 Hyundai Nexo's for a year. Potential project sites are being reviewed in the Surat Basin, adjacent to Real Energy's

existing 50%-owned Project Venus CSG project, as well as another site near Gladstone. The scoping studies will be undertaken by an experienced engineering consulting firm and a dedicated team that Pure Hydrogen Corporation will establish. The Company will also assess eligibility for government funding.

Hydrogen is high energy fuel that can be burned with no CO² emissions, The market is expected to grow rapidly with hydrogen likely to be used in transport particularly buses, trucks and cars, as well as to power industry generally. Recently Toyota, Hyundai, Honda, Audi, have either released models or are planning to release models that are powered by hydrogen fuel cells.

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



Map ATP 1194PA - with leads shown in Yellow

East Flank Oil Project - Cooper Basin

ATP1194PA Located in Cooper-Eromanga Basin of SW Queensland, approximately 100 km WNW of Quilpie. The permit covers an area of approximately 1,043 km². The permit is Prospective for conventional oil in the Jurassic-Cretaceous Eromanga Basin sequence and Permian Toolachee formation with further upside gas and oil potential in Permian Toolachee-Patchawarra section. The Permit is adjacent to Kenmore (>12.5 mmbo produced) and Bodalla South (>6 mmbo produced) oil fields and preliminary mapping at Cadna-owie level identified 5 leads considered prospective for oil.

5.3 Schedule of Petroleum Permits

Permits	Area (sq km)	RLE Ownership %	Location
ATP 927P	1,050	100	Cooper Basin
ATP 1194PA	1,043	100	Cooper Basin
ATP 2051P	154	50	Surat Basin

5.4 Real Energy's Board and Management

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)

M. Com (University of New South Wales)

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 Chief Financial Officer, Company Secretary and Chairman or director with a number of public companies including Objective Corporation Limited, Turnbull & Partners Limited, Allegiance Mining NL, FTR Holdings Limited, Garratt's Limited. Scott also worked at accounting firms, Ernst Young and KPMG.

Mr John Wardman (Non – Executive Chairman)

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)

B.Sc. (Baku, Azerbaijan)

M.Sc. - Geology (University of New England)

Member of the Petroleum Exploration Society of Australia and the Society of Petroleum Engineers

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

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

Mr Peter Mangano (Non – Executive Director)

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 working in the resources and energy sectors.

He currently is 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.

Company Secretary

Mr Ron Hollands

B. Bus (University of Technology, Sydney, Australia) & MBA (MGSM, Australia)

Grad. Dip Corporate Governance (CSA)

Member of the Institute of Chartered Accountants

Ron is currently 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.

5.5 Real Energy Securities on issue

As at 30 September 2020, there were:

- a. 393,194,131 fully paid Real Energy Shares on issue
- b. 55,879,622 Listed Placement Options on issue, expire on 30 September 2020 with exercise price A\$0.14

- c. 7,500,000 Listed Broker Option on issue, expire on 26 September 2021 with exercise price A\$0.12
- d. 2,000,000 Unlisted Broker Option on issue, expire on 31 March 2021 with exercise price A\$0.14
- e. 20,000,000 Unlisted Options on issue, expire 30 September 2022 with exercise price of A\$0.04
- f. The Company is expected to issue another 32,500,000 Shares under the Share Purchase Plan announced on 21 September 2020 at an issue price of 2 cents each together with half an unlisted option on the same terms as outlined in point e.

5.6 Financial Statements

a. Introduction

The following information is a summary of the financial information for Real Energy for the year ended 30 June 2020. Set out in the following sections are extracts of the preliminary consolidated unaudited financial statements of Real Energy for the year ended 30 June 2020 and audited financial statements of Real Energy financial statements for year ended 2019 & 2018 without the accompany notes to the consolidated audited financial statements including a summary of the significant accounting policies. The financial information is a summary only and does not represent the full financial statements. And the financial information for year ended 30 June 2020 is subject to reconciliation which may result changes from the final publish audited report.

The fully audited financial statements that include a summary of the significant accounting policies are contained in Real Energy's annual report for the year ended 30 June 2019 & 2018 which is available on Real Energy's website www.realenergy.com.au.

b. Consolidated statement of Comprehensive Income

	Audited 30-Jun-2020 \$'000	Audited 30-Jun-2019 \$'000	Audited 30-Jun-2018 \$'000
<i>Continuing operations</i>			
Revenue	27	67	162
Reversed R&D Tax Incentive	-	(850)	-
Cash flow boost payment	11		
Expenses			
Depreciation & amortisation expenses	(1)	(2)	(4)
Share based payments	(114)	-	-
Employee benefits & expenses	(454)	(514)	(536)
Other operating expenses	(503)	(950)	(970)
Total Expenses	(1,072)	(1,466)	(1,510)
Profit/(loss) from continuing activities before income tax	(1,034)	(2,249)	(1,348)
Income tax expense	-	-	-
Impairment of exploration & development assets	(2,212)	(39)	(52)
Profit/(Loss) from continuing activities after income tax	(3,246)	(2,249)	(1,400)
Total changes in equity other than those resulting from transactions with owners as owners	(3,246)	(2,288)	(1,400)

c. Consolidated statement of Financial position

	Audited 30-Jun-2020 \$'000	Audited 30-Jun-2019 \$'000	Audited 30-Jun-2018 \$'000
Assets			
Current Assets			
Cash & cash equivalents	1,616	3,279	3,969
Inventories	42	42	43
Other assets	7	26	13
Trade & other receivables	73	114	1,346
Total Current Assets	1,740	3,461	5,371
Non Current Assets			
Property, plant & equipment	1	1	3
Exploration, evaluation and development assets	30,504	32,045	25,549
Lease provision	109	-	-
Total Non Current Assets	30,614	32,046	25,552
Total Assets	32,354	35,507	30,923
Liabilities			
Current Liabilities			
Trade & other payables	311	964	2,556
Short term loan	500	-	-
Leave provision	117	102	110
Lease provision	25	-	-
Total Current Liabilities	953	1,066	2,666
Non Current Liabilities			
Leave provisions	56	48	39
Rehabilitation provision	400	400	400
Lease provision	83	-	-
Other provision	9	8	7
Total Non Current Liabilities	548	456	446
Total Liabilities	1,501	1,522	3,112
Net Assets	30,853	33,985	27,811
Equity			
Equity contribution	40,168	40,054	31,010
Accumulated costs of equity	(3,325)	(3,326)	(2,744)
Accumulated profits/(losses)	(5,990)	(2,743)	(455)
Total Equity	30,853	33,985	27,811

d. Consolidated statement of Cash Flows

	Audited 30-Jun-2020 \$'000	Audited 30-Jun-2019 \$'000	Audited 30-Jun-2018 \$'000
Cash flow from operating activities			
Interest & other receivable received	39	67	184
Payments to suppliers & employees	(1,030)	(1,834)	(1,651)
Net cash provided by operating activities	(991)	(1,767)	(1,467)
Cash flow from investing activities			
Purchases of property, plant & equipment	-	-	(1)
Payments for exploration & evaluation assets	(1,172)	(7,385)	(4,269)
Net cash provided by/(used in) investing activities	(1,172)	(7,385)	(4,270)
Cash flow from financing activities			
Proceeds from the issue of shares	-	9,044	2,346
Fund raising expenses	-	(582)	(148)
Short term loan	500	-	-
Net cash provided by /(used in) financing activities	500	8,462	2,198
Net increase/(decrease) in cash held	(1,662)	(690)	(3,539)
Cash & cash equivalents at the beginning of the year	3,279	3,969	7,508
Cash & cash equivalents at the end of 30 June	<u>1,616</u>	<u>3,279</u>	<u>3,969</u>

5.7 Review of financial and operating position

Real Energy continues to be actively involved in gas development and for the year ended 30 June 2020 spent about \$AUD 0.7M on its gas assets compared to \$7.4M in the year ended 30 June 2019. As at 30 June 2020 the Company had current assets of \$1.74M including \$1.616 Million in cash. The Company had \$30 Million in gas assets as at 30 June 2020.

The total expenses for the year ended 30 June 2020 was \$1.07M. The FY19 expenses were \$1.47M and the expense for FY18 were \$1.51M. The loss from continuing operations for the year ended 30 June 2020 \$1.034M effectively before impairment. The losses from continuing operations for FY19 was \$2.23M and the losses for FY18 was \$1.4M. The impairment for gas assets for FY20 was \$2.2M.

The Company does have a dispute with Innovation and Science Australia in respect of its R&D Tax Incentive claims for the financials years from 2014 to 2019. The Company has not recognised any asset or liability in respect of any R&D Tax Incentive claims, in its financials. The directors are confident that the Company will be able to successfully resolve this dispute over time.

The Company has appealed the findings to the Administrative Appeals Tribunal (AAT) and seeks a determination for the more recent financial years. For the year ended 30 June 2020, the taxpayer has found in favour in a full federal court judgement of Moreton Resources Limited v Innovation and

Science Australia [2019] and this 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 2019 requested a stay on the AAT proceedings for six months. 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 currently believes that the AAT case will not heard until 2021 at the earliest.

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.

5.8 Continuously disclosing entity

Real Energy is a "disclosing entity" for the purposes of section 111AC of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. These disclosure obligations require Real Energy to disclose to the ASX any information that a reasonable person would expect to have a material effect on the price or value of the securities of Real Energy.

Real Energy believes that it is in compliance with its continuous disclosure obligations which require Real Energy to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Copies of documents lodged with ASIC in relation to the Scheme and Real Energy may be obtained from, or inspected at, an office of ASIC.

Real Energy's continuous headings for the disclosure notices to ASX after the lodgement with ASX of its financial statements for the year ended 30 June 2019 and before the lodgement for registration of this Scheme Booklet by ASIC are set out below. These documents can be accessed on Real Energy's website www.realenergy.com.au or obtained by calling +61 2 9955 4008. These documents, together with other notices lodged with the ASX prior to the latest financial statements can also be accessed on the ASX's company announcements platform at www.asx.com.au (under the ticker "RLE").

Shareholders should check either the ASX or the Company's website for any new announcements by the Company concern any material developments of the Company. The announcement heading and the date lodged by the Company with ASX in last 12 months are set out in the table below.

Date	Announcement Heading
30/09/2020	Appendix 2A
30/09/2020	Cleansing Statement
30/09/2020	Appendix 3B
30/09/2020	Annual Financial Report
25/09/2020	Appendix 3B
23/09/2020	Interview with Managing Director, Scott Brown
21/09/2020	Placement & SPP to fund drilling & testing of Venus-1
15/09/2020	PURE ENERGY UPDATE VENUS 1 PILOT
15/09/2020	Drilling of Venus-1 CSG Well to commence October
09/09/2020	Real Energy agrees to sell ATP1194
08/09/2020	Letter and Application/Expiry Notice to Option Holders

12/08/2020	Pure Energy Merge Update
31/07/2020	June 2020 Quarterly Report
21/07/2020	Converting gas resources to reserves & lower emissions
21/07/2020	RLE and SXA webinar on merge- Pure Energy
16/07/2020	RLE and SXA to host a merge webinar on Pure Energy
15/07/2020	Presentation – Pure Energy
15/07/2020	Real Energy to merge with Strata-X Energy to become Pure
23/06/2020	Project Venus – proposed 2020 Walloon CSG program
23/06/2020	Project Venus update and 2020 works plan
18/06/2020	Project Venus update and 2020 works plan
25/05/2020	Pure Hydrogen Corporation update
20/05/2020	Real Energy to pursue opportunities in hydrogen energy
11/05/2020	Appendix 3Y
30/04/2020	March 2020 Quarterly Report
31/03/2020	Project Venus proposed 2020 program
30/03/2020	Project Venus update webinar
26/03/2020	Project Venus permit granted
13/03/2020	Half yearly report and accounts
10/03/2020	Replacement Appendix 3Ys Scott Brown
02/03/2020	Appointment of John Wardman as Chairman
28/02/2020	Change of Director's interest notice
26/02/2020	Change of Director's interest notice
24/02/2020	Change of Director's interest notice
10/02/2020	Change of Director's interest notice
31/01/2020	December 2019 Quarterly Report
22/01/2020	Change of Director's interest notice
20/12/2019	Change in substantial holding
19/12/2019	Appendix 3Y – Peter Mangano
19/12/2019	Change in substantial holding
19/12/2019	Appendix 3Y – Lan Ngueyn
19/12/2019	Appendix 3Y – Scott Brown
19/12/2019	Appendix 3Y – John Wardman
19/12/2019	Appendix 3B
17/12/2019	Change of Director's interest notice
12/12/2019	Project Venus Prospective Gas Resources 694 PJ Best
04/12/2019	Change of Director's interest notice
03/12/2019	Change of Director's interest notice
29/11/2019	Results of Meeting
29/11/2019	AGM Presentation
28/11/2019	Change of Director's interest notice
20/11/2019	Change of Director's interest notice
13/11/2019	Project Venus presentation November 2019
13/11/2019	Change of Director's interest notice
08/11/2019	Change of Director's interest notice
31/10/2019	September Quarterly Report
30/10/2019	Real Energy awarded Surat Basin CSG acreage
30/10/2019	Appendix 4G and Corporate Governance Statement
29/10/2019	Annual Report to Shareholders

28/10/2019	Notice of Annual General Meeting/Proxy form
18/10/2019	Change of Director's interest notice
03/10/2019	Interview with Managing Director, Scott Brown
01/10/2019	Initial Director's interest notice
30/09/2019	Annual financial report
12/09/2020	Investor presentation
06/09/2019	Change of Director's interest notice
23/08/2019	Material upgrade to Windorah Gas Resources
23/08/2019	Pause in Trading
20/08/2019	Windorah operations update
15/08/2019	Appointment of Peter Mangano as a Director
31/07/2019	June 2019 Quarterly Report
30/07/2019	Operations update
17/07/2019	Investor presentation
17/07/2019	Tamarama operations update

5.9 Recent share price history

Real Energy's share price in the period September 2019 to September 2020 is set out in the graph below.



The latest recorded share price of Real Energy Shares on ASX before the public announcement of Real Energy and Strata-X Energy have entered into a binding Scheme Implementation Agreement to pursue a nil premium merger on 15 July 2020 was 2 cents per Share. The latest recorded share price of Shares on ASX on 30 September 2020 (being the last practical date before this Scheme Booklet was lodged for registration with ASIC) was 2.1 cents per Share.

The highest and lowest recorded share price of Share on ASX during the 6 weeks prior to 30 September 2020 (being the last practical date before this Scheme Booklet was lodged for registration with ASIC) was 2.7 cents and 1.9 cents respectively.

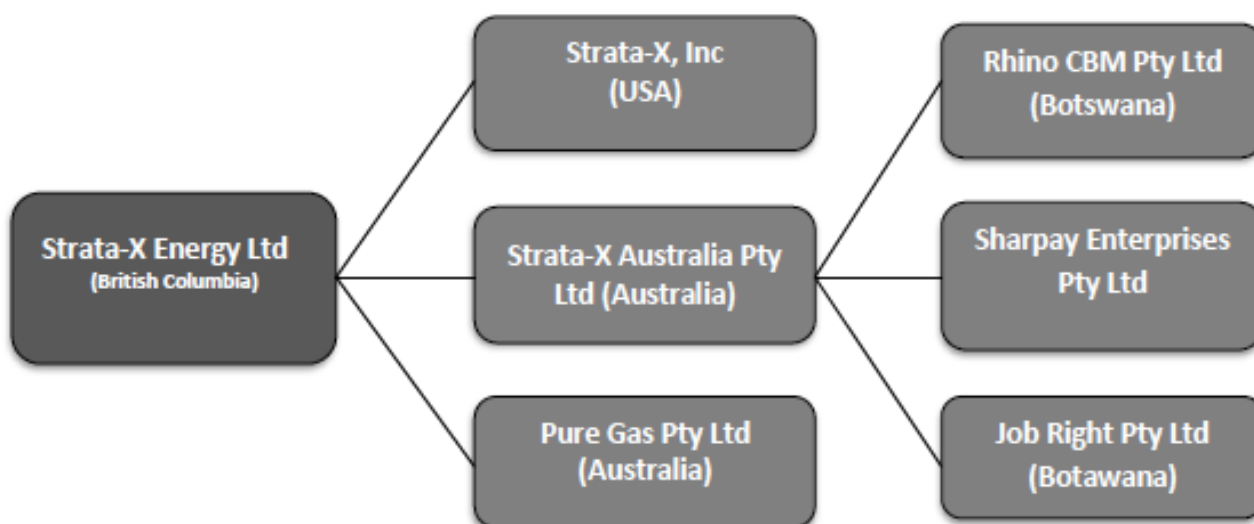
SECTION 6 - STRATA-X ENERGY INFORMATION

6.1 Overview of Strata-X Energy

Strata-X Energy Ltd, together with its wholly-owned subsidiaries, Strata-X, Inc. and Strata-X Australia Pty Ltd, is an independent oil and gas exploration and production Company listed on the TSX Venture Exchange (TSX-V) under the symbol “SXE” and the Australian Securities Exchange (ASX) under the symbol “SXA”. Incorporated in British Columbia, Canada, Strata-X Energy has a diversified portfolio of high growth potential petroleum projects. The Company’s strategy is to discover and develop oil and gas prospects with relatively low entry costs, a meaningful acreage position and a large working interest to provide shareholders the opportunity for substantial growth.

In January 2017, Rhino CBM (Proprietary) Limited (“Rhino”) was incorporated in accordance with the Companies Act of the Republic of Botswana for the purpose of facilitating a coal seam gas (“CSG”) exploration and development project known to the Company as the ‘Serowe Gas Project’ or ‘Serowe CSG Project’. In January 2018, the Rhino licenses were transferred to two new 100% Company owned Botswana subsidiaries, known as Sharpay Enterprises Pty Ltd and Jab Right Pty Ltd, to hold the CSG prospecting licenses in the Republic of Botswana. The shell company Rhino is not currently being used by the Company.

The corporate structure of the Company is as follows:



The Company retains a 50% interest in Project Venus, a highly prospective 154 km² Queensland, Australia coal seam gas tenement and a majority controlling interest in the 1,129,000 acre Serowe CSG Project located in the heart of the Kalahari Basin. Project Venus and the Serowe CSG Project have a prospective resource net to the Company of 329 Bcf⁽¹⁾ and 6.08 Tcf⁽²⁾ respectively. Both projects will be the growth drivers for the Company in 2020 and beyond.

The Company plans to fast-track development of Project Venus to prove commercial gas flows, a precursor to reserves certification. Project Venus is (1) uniquely located near gas pipelines connecting the tenement to major east coast (Australia) markets, (2) surrounded by major CSG fields, and (3) well suited for fast track development, thereby offering the potential for early cash flows. Real and Strata-X formed a 50:50 joint venture for “Project Venus” pursuant to which Real will be the administrative and commercial operator while Strata-X, at least for the initial phase to predictable reserves certification, will be the technical operator.

In March 2020, the Company executed a Heads of Agreement (“HOA”) with Botsgas Pty Ltd and in April 2020 revised the HOA due to operational complexities surrounding the COVID-19 pandemic. The revised HOA calls for Botsgas to pay SXA A\$300,000 by 30 June 2020, enter definitive agreements with Strata-X by November 2020, and thereafter fund USD\$4.6 million of joint venture expenditures within 2 years.

Once field work begins the initial focus will be to drill and production-test within the Company identified high-graded area. In 2019, the Company drilled a 476 metre well that encountered 18 metres of net coal with 12 metres interpreted as high gas saturated bright coals.

The Company has been seeking commercial market opportunities to sell its gas. Botswana and the Southern African region are moving to generate more electricity from lower emission natural gas, while stemming the widespread use of expensive imported diesel fuel. Along these lines, the initial market opportunities for the Company’s gas will be gas-to-electric power plants and diesel-to-gas conversions at large industrial facilities.

6.2 Projects

Project Venus

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 the entire area of ATP 2051. A recent independent review of the data within and around the permit certified a Prospective Gas Resource of 658 BCF (694 PJ) gross, 329 BCF (347 PJ) net to Strata-X in the Walloon coal seams in ATP 2051.(1) Given the location of the Venus Project adjacent to gas infrastructure, the JV plans to expedite appraisal and conversion of resources to reserves to fast track development.

There are several previously drilled CSG and conventional wells located within and around ATP-2051 including a fully cored well indicating the upper Walloon coal seams are fully gas saturated. One of the historic wells in the permit, the Connor-1 well, was drilled immediately adjacent to the core hole, then cased and underreamed but never properly flow-tested.

The Project Venus JV plans to drill a well called Venus 1 about 1.8 kilometres from the Connor-1 well to reservoir-enhance and flow-test the upper Walloon coals. Venus 1 is designed to prove sufficient water flows to allow efficient dewatering and early gas flows from the fully gas saturated upper Walloon coal seams. Venus 1 start date will be announced when contractors and timing are confirmed.

Assuming the Connor-1 re-entry flow-test goes to plan, the Project Venus JV expects to drill two wells offsetting Connor-1 and fully equip the three wells as a production pilot program. This program will include long term flow-testing of the upper Walloon coals with the objective to prove commercial gas flows rates.

Once commercial gas flow rates are achieved in the pilot program, the Project Venus JV can commence progressively converting the 658 BCF (694 PJ) Prospective Gas Resource to reserves with the goal to fast track development of the project thereby offering the potential for early cash flows.

Real and Strata-X formed a 50:50 joint venture for Project Venus where Real will be the administrative and commercial operator while Strata-X, at least for the initial phase to predictable reserves certification, will be the technical operator.

Serowe CSG Botswana

The Serowe CSG Project is located in the Kalahari Basin CSG fairway in Botswana Africa. In total, the Project spans 1,129,000 acres in the heart of the Kalahari CSG Fairway with all tenements primary exploration terms extending to 2025 and in perpetuity when commercial production is established. Of the Project holdings, 330,000 acres (1,475sq. km) are located within the Company's interpreted CSG high-grade area.

In early March 2020, Strata-X in an effort to realize its considerable shareholder value in the Serowe CSG Project, executed a Heads of Agreement to develop the project with Australia based BotsGas Pty Ltd. Due to execution complexities surrounding the COVID-19 pandemic, Strata-X and BotsGas agreed to a revised structure for BotsGas to farm in to the Serowe CSG Project in April 2020.

Under the Revised HOA, the parties will proceed directly to negotiating and entering into a joint operating agreement for the development of the Project with BotsGas receiving a 49% interest and Strata-X retaining a 51% interest (and the role of Operator). None of the terms as outlined in the Previous Agreement carry over to the Revised HOA.

In conjunction with the Revised HOA, BotsGas has made a A\$300,000 investment into the Company through a private placement of ASX CHESS Depository Interests (with attaching options) at an issue price of A\$0.06 ("Placement"). Funds from this placement will be used for general Company matters. The Units are be subject to a restriction agreement preventing BotsGas from disposing of the Units before 2 June 2021.

Separate from and in addition to the Placement, BotsGas will pay Strata-X the sum of AUD\$300,000 by 30 June 2020 ("JV Funds"). SXA is entitled to use this sum for the Serowe CSG Project at its sole discretion. Any work produced from such expenditure will remain the property of Strata-X until such time as the parties enter into the Joint Operating Agreement.

Both the Placement and JV Funds are conditions precedent to entering into a Joint Operating Agreement ("JOA") which is due to be executed no later than 30 November 2020. Upon execution of the JOA the Company will transfer to BotsGas a 49% interest in the Botswana Tenements. Strata-X will retain a 51% interest of the Botswana Tenements upon commencement of the Joint Operating Agreement.

Pursuant to the Joint Operating Agreement, BotsGas must solely fund USD\$4.6 million of joint venture expenditure within 2 years of the Joint Venture Payment being made to SXA ("Expenditure Deadline"). Strata-X will be the Operator of the Project under the Joint Operating Agreement and will determine the joint venture budgets and use of funds in consultation with the management committee.

If BotsGas does not meet the USD\$4.6 million funding obligation by the Expenditure Deadline, then its interest in the Botswana Tenements will be reduced to the percentage of the expenditure target which has been satisfied. For example, if the expenditure met is only USD\$3.8 million (ie. 82% of the targeted expenditure), the earned interest will be reduced to 40%. The Expenditure Deadline can be extended by the Company by an additional 6 months if insufficient cash calls have been made by the Company during the initial two-year period. Future cash calls will otherwise be funded by Strata-X and BotsGas in accordance with the terms of the Joint Operating Agreement.

If a Joint Operating Agreement is not entered into by 30 November 2020 because BotsGas does not wish to proceed with the JV, then the Revised HOA may be terminated. In such event, the Placement and Joint Venture Payment remain to the benefit of the Company.

The main focus of the BotsGas farmin will be Strata-X's high-grade area of the Botswana CBM Fairway. This area is interpreted to contain, on average, 10 metres net Serowe bright-coal seams over a 50 metre interval with high gas saturations up to 100%. A third party has certified 2.38 TCF prospective gas resource within Strata-X's tenements in the high-grade area.(1) This interpretation is re-enforced by the results of the Company's 19B-1 well drilled in 2019 by Strata-X and data from a nearby historic core hole, which bubbled free gas from the target bright-coals. The 19B-1 well intersected 18 metres of net coal with 12 metres of multi seam bright coals having up to 100% gas saturations. After the drilling of 19B-1, an area immediately surrounding the well was certified to contain 2C Contingent Resources of 23 Bcf of natural gas.

Illinois Basin

The Company drilled the Blue Spruce # 1 which reached a total depth of 3,280 feet and encountered multiple oil and gas shows in the targeted shallow Mississippian formations of the Illinois Basin, USA. In a report dated 30 June 2019, Strata-X's independent engineer, Chapman Petroleum Engineering Ltd (Chapman), confirmed 2C Resources of 1.282 million barrels of light oil net to the Company on the Blue Spruce project.

6.3 Permits

Tenements Held				
Project	Holder	PL No	Status	Country
Serowe CSG	Sharpay Enterprices Pty Ltd	018/2018	Original	R. of Botswana
Serowe CSG	Sharpay Enterprices Pty Ltd	019/2018	Original	R. of Botswana
Serowe CSG	Sharpay Enterprices Pty Ltd	356/2018	Original	R. of Botswana
Serowe CSG	Sharpay Enterprices Pty Ltd	357/2018	Original	R. of Botswana
Serowe CSG	Sharpay Enterprices Pty Ltd	400/2018	Original	R. of Botswana
Serowe CSG	Sharpay Enterprices Pty Ltd	016/2018	Original	R. of Botswana
Serowe CSG	Sharpay Enterprices Pty Ltd	017/2018	Original	R. of Botswana
Venus	Strata-X Australia Pty Ltd	ATP 2051	Original	Australia
Illinois	Strata-X Inc.	Burkett 5-34	Original	U.S.A.
Illinois	Strata-X Inc.	B. Miller 1 SWD	Original	U.S.A.
Illinois	Strata-X Inc.	Knapp 1	Original	U.S.A.
Illinois	Strata-X Inc.	Knapp 2	Original	U.S.A.
Illinois	Strata-X Inc.	Knapp 3	Original	U.S.A.
Illinois	Strata-X Inc.	Miller 1	Original	U.S.A.
Illinois	Strata-X Inc.	Blue Spruce 1	Original	U.S.A.
Illinois	Strata-X Inc.	Blessing 1	Original	U.S.A.

6.4 Strata-X Energy's Board and Management

Ron Prefontaine - (Executive Chairman)

Ron Prefontaine has over 41 years of experience in the oil and gas industry. He received his Bachelor of Science in Geophysics from the University of British Columbia in 1979 and worked in Calgary until he was head hunted by Santos in 1981. At Santos, he worked on their Cooper, Surat, Bowen and Canning Basin projects until 1984. Over the next 10 years he held senior and management positions for Pancontinental Petroleum and Oil Company of Australia.

Between 1994 and 2001, while consulting to the industry, he acquired several petroleum permits in his private companies which he sold or farmed out to Oilex, Arrow Energy, Bow Energy and QGC. He served as an Executive Director of Arrow Energy until 2005 and was a co-founder and Managing Director of Bow Energy. Arrow Energy was taken over in 2010 for \$3.5 billion, while Bow was taken over in 2011 for \$550 million.

Mr. Prefontaine's strengths are the early recognition of growth assets and the management of corporate growth. In 2009 Ron received a lifetime achievement award in recognition of his services to the Australian petroleum industry.

During the past three years Mr. Prefontaine has not served as a director of any other ASX listed entity.

Bohdan (Don) Romaniuk - (Non-Executive Director)

Bohdan (Don) Romaniuk is an attorney, economist and business executive and serves as an independent director for Strata-X Energy. He has held a number of senior executive positions in both small and very large enterprises over a business career spanning nearly 30 years. Mr Romaniuk has extensive Board and Audit Committee experience with both public and private companies and continues to serve as Chairman of the Board and Audit Committee of Acceleware Corp., a TSXV-listed company engaged in developing and supplying high performance computing applications for the oil & gas and computer engineering markets.

He remains active in several private business ventures focused on developing technology for stem cell research and related medical and commercial applications.

On 3 October 2012, Mr Romaniuk was appointed a part-time Commissioner of the Alberta Utilities Commission pursuant to an Order-in-Council of the Government of Alberta. Mr. Romaniuk has a BA (Hon.) in Economics from the University of Alberta, an MA in Economics and Ph.D. (a.b.d.) in Economics from Queen's University in Kingston, Ontario and an LL.B from the University of Toronto.

Mr Romaniuk has not served as a director of any other ASX listed entities in the last 3 years. Mr. Romaniuk is a member of the Audit and Risk Management Committee and Remuneration Committee.

Greg Hancock - (Non-Executive Director)

Greg Hancock BA (Econs) BEd (Hons) F.Fin is a Non-Executive Director. Mr. Hancock has extensive experience in corporate finance, capital markets and stockbroking in both Australia and the United Kingdom. In this time he has specialised in mining and natural resources and has a background in the finance and management of small companies. He was a founding shareholder and first Chairman of Cooper Energy Ltd, an exploration and production oil and gas company listed in Australia and served as Non-Executive Director until 2011. He is Non-Executive Chairman of AusQuest Ltd, an Australian mining exploration company with projects in Peru, Burkina Faso and Western Australia. He is Non-Executive Director of Zeta Petroleum PLC, which is an independent oil and gas exploration and development company with a regional focus in Eastern Europe.

Mr Hancock is a director of the following listed companies:

- Ausquest Ltd (ASX:AQD)
- Zeta Petroleum Plc (ASX:ZTA)
- BMG Resources Ltd (ASX:BMG)
- Golden State Mining Ltd (ASX:GSM)
- Cobra Resources Plc (LSE:COBR)
- King Island Scheelite (ASX:KIS)

Mr. Hancock is a member of the Audit and Risk Management Committee and Remuneration Committee.

Duncan Cornish – Director and Company Secretary (Australia)

Mr. Cornish is an accomplished and highly regarded corporate administrator and manager. He has many years' experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange. Highly skilled in the areas of company financial reporting, company regulatory, secretarial and governance areas, business acquisition and disposal due diligence, he has worked with Ernst & Young and PricewaterhouseCoopers both in Australia and the UK.

Mr. Cornish is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V where he has assisted in their listing and capital raising. He is supported by a small experienced team of accountants and administrators.

Shaun Maskerine - Company Secretary (Canada)

Mr. Maskerine has over 20 years' experience in the administration and development of public companies including direct involvement in numerous listings, capital raisings and transactions. He has extensive experience in the areas of corporate compliance, corporate secretarial work and governance of listed companies. Mr. Maskerine has been a director and held many senior positions in companies on both the Toronto Venture Exchange and the ASX and is currently a director and corporate secretary of other listed companies on the Toronto Venture Exchange.

6.5 Strata-X Energy Securities on issue

a. Common shares(including CDIs)

Issued and outstanding shares as at 30 September 2020 is 124,204,985.

b. stock options (Issued under SOP)

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Precent Vested</i>	<i>Expiry Date</i>
240,000	\$ 1.50	100%	22/09/21
30,000	\$ 1.50	100%	4/02/22
140,000	\$ 1.70	100%	25/09/22
90,000	\$ 1.50	100%	21/05/23
800,000	\$ 0.06	100%	19/10/20
2,040,000	\$ 0.08	100%	19/12/22
1,849,000	\$ 0.07	100%	23/10/23
1,050,000	\$ 0.075	100%	6/12/23
6,239,000	Total		

c. Options

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Precent Vested</i>	<i>Expiry Date</i>
4,166,674	A\$ 0.07	100%	28/02/21
9,000,000	A\$ 0.07	100%	31/12/22
2,500,000	A\$ 0.07	100%	31/05/22
5,833,333	A\$ 0.12	100%	30/09/22
21,500,007	Total		

6.6 Financial Statements

a. Consolidated statement of Comprehensive Income

	Consolidated			
	2020	2019	2018	2018
	Audited	Audited	Audited	Audited
	AUD\$	AUD\$	AUD\$	USD\$
Oil and gas revenue, net of royalties				
	9,546	47,263	72,789	53,798
Expenses				
Production and operating	7,870	78,945	57,519	42,512
General and administrative	842,002	1,091,175	825,570	610,179
Depletion, depreciation and amortisation	17,706	711,091	1,399,187	1,034,139
Impairment of oil and gas properties	1,011,259	13,920,025	-	-
	1,878,837	15,801,236	2,282,276	1,686,830
Net operating loss	(1,869,291)	(15,753,973)	(2,209,487)	(1,633,032)
Gain (loss) on revaluation of derivative liability	12,462	5,065	-	-
Gain on lease termination	10,360	-	(27,144)	(20,062)
Gain on sale of PPE	69,228	-	-	-
Gain on write off of accounts payable	50,950	-	-	-
Net finance expense	(13,854)	(6,293)	(11,844)	(8,754)
Loss for the period	(1,740,145)	(15,755,201)	(2,248,475)	(1,661,848)
Other comprehensive income (loss)				
Exchange differences in translating foreign operations	211,801	567,428	(2,140)	(1,582)
Other comprehensive income (loss) for the period	211,801	567,428	(2,140)	(1,582)
Net loss and comprehensive loss	(1,528,344)	(15,187,773)	(2,250,616)	(1,663,430)

Note: Exchange rate A\$1 to US\$0.7391 on 29 June 2018 was used for conversion

b. Consolidated statement of Financial position

	Consolidated		
	2020 Audited AUD\$	2019 Audited AUD\$	2018 Audited AUD\$
ASSETS:			
Current assets:			
Cash and cash equivalents	555,063	380,738	400,143
Restricted cash	299,423	-	-
Accounts receivable	559	2,605	24,076
Prepays and other	-	32,214	25,433
Total current assets	855,045	415,557	449,652
Other assets	167,096	306,763	290,811
Exploration and evaluation assets	1,500,663	1,260,388	838,355
Property and equipment	1,222	943,715	14,963,348
Total assets	2,524,026	2,926,423	16,542,166
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	173,235	270,639	368,967
Derivative warrant liabilities	-	133,864	-
Note payable, related party	-	70,000	199,988
Amounts due to related parties	63,522	67,004	11,479
Total current liabilities	236,757	541,507	580,434
Accrued liabilities	91,335	89,812	85,142
Note payable, bank	74,460	-	-
Decommissioning liabilities	828,527	806,125	689,434
Total liabilities	1,231,079	1,437,444	1,355,010
SHAREHOLDERS' EQUITY:			
Share capital	52,744,083	52,029,863	50,407,674
Prepaid share capital reserve	-	-	282,000
Share based compensation reserve	2,322,307	2,270,121	2,131,214
Warrant reserve	2,079,188	1,501,823	1,501,823
Contributed surplus	30,059,773	30,059,773	30,059,773
Accumulated other comprehensive loss	(462,016)	(607,816)	(1,185,744)
Deficit	(85,450,388)	(83,764,785)	(68,009,584)
Total shareholders' equity	1,292,947	1,488,979	15,187,156
Total liabilities and shareholders' equity	2,524,026	2,926,423	16,542,166

c. Consolidated statement of Cash Flows

	Consolidated		
	2020 Audited AUD\$	2019 Audited AUD\$	2018 Audited AUD\$
ASSETS:			
Current assets:			
Cash and cash equivalents	555,063	380,738	400,143
Restricted cash	299,423	-	-
Accounts receivable	559	2,605	24,076
Prepays and other	-	32,214	25,433
Total current assets	855,045	415,557	449,652
Other assets	167,096	306,763	290,811
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Total assets	2,524,026	2,926,423	16,542,166
LIABILITIES:			
Current liabilities:			
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Derivative warrant liabilities	-	133,864	-
Note payable, related party	-	70,000	199,988
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Warrant reserve	2,079,188	1,501,823	1,501,823
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Accumulated other comprehensive loss	(462,016)	(607,816)	(1,185,744)
Deficit	(85,450,388)	(83,764,785)	(68,009,584)
Total shareholders' equity	1,292,947	1,488,979	15,187,156
Total liabilities and shareholders' equity	2,524,026	2,926,423	16,542,166

6.7 Continuously disclosing entity

Strata-X Energy is a “disclosing entity” for the purposes of section 111AC of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. These disclosure obligations

require Strata-X Energy to disclose to the ASX any information that a reasonable person would expect to have a material effect on the price or value of the securities of Strata-X Energy.

Strata-X Energy believes that it is in compliance with its continuous disclosure obligations which require Strata-X Energy to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Copies of documents lodged with ASIC in relation to the Scheme and Strata-X Energy may be obtained from, or inspected at, an office of ASIC.

Strata-X Energy's continuous disclosure notices to ASX after the lodgement with ASX of its financial statements for the year ended 30 June 2019 and before the lodgement for registration of this Scheme Booklet by ASIC are set out below. These documents can be accessed on Strata-X Energy's website (www.strata-x.com) or obtained by email via info@strata-x.com. These documents, together with other notices lodged with the ASX prior to the latest financial statements can also be accessed on the ASX's company announcements platform at www.asx.com.au (under the ticker "SXE").

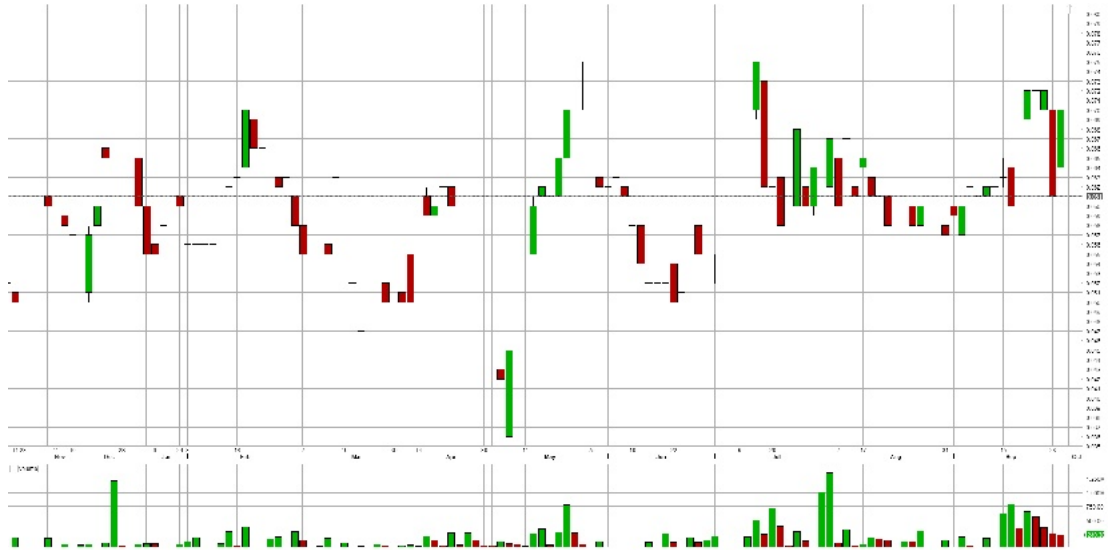
Details of announcement headings and date lodged by the Company with ASX in last 12 month are set out in the table below.

Date	Announcement Heading
25/09/2020	Appendix 4G
25/09/2020	Change of Director's Interest Notice
25/09/2020	Annual Report to shareholders
23/09/2020	Pure Energy Presentation
23/09/2020	Strata-X Energy to host Merger Webinar
21/09/2020	Placement and CSG Pilot Well Update
15/09/2020	Presentation - Pure Energy
15/09/2020	Proposed issue of Securities – SXA
15/09/2020	Walloons CSG Pilot Well to Commence and Placement
14/09/2020	Change of Director's Interest Notice
02/09/2020	Chess Depositary Interest - SXA
05/08/2020	Change of Director's interest notice
03/08/2020	Chess depositary interest – SXA
03/08/2020	Change of Director's interest notice
29/07/2020	Quarterly activities report
29/07/2020	Quarterly cashflow report
21/07/2020	Merger presentation – Pure Energy
21/07/2020	SXA and RLE webinar on Merge – Pure Energy
20/07/2020	Change of Director's interest notice – Prefontaine
17/07/2020	Change of Director's interest notice – Romaniuk
17/07/2020	Change of Director's interest notice – Prefontaine
16/07/2020	Merger webinar
15/07/2020	Merger presentation
15/07/2020	Strata X to merge with Real Energy to become Pure Energy
02/07/2020	Chess depositary interest – SXA
01/07/2020	SXA receives first Serowe CSG Project JV payment
23/06/2020	Project Venus – JV partners webinar presentation
18/06/2020	Project Venus – JV partners to host update webinar
03/06/2020	Chess depositary interest – SXA
08/05/2020	Appendix 2A
08/05/2020	Strata-X closes CDI Placement

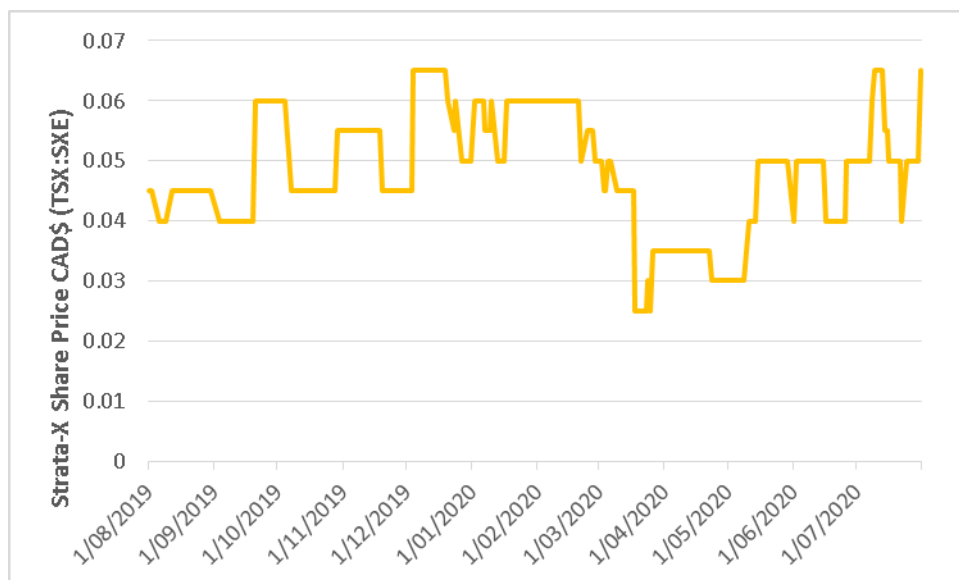
01/05/2020	Chess depositary interest – SXA
29/04/2020	Quarterly activities report
27/04/2020	Proposed issue of Securities – SXA
27/04/2020	Revised Serowe CSG HoA and Private CDI Placement
02/04/2020	Chess depositary interest - SXA
31/03/2020	Project Venus proposed 2020 program
30/03/2020	Project Venus webinar
26/03/2020	Project Venus Webinar
26/03/2020	Strata-X's large gas projects have solid fundamentals
05/03/2020	Serowe CSG Project Farm-out
02/03/2020	Chess depositary interest – SXA
13/02/2020	Half year accounts
05/02/2020	Chess depositary interest – SXA
29/01/2020	Quarterly cash report
29/01/2020	Quarterly activities report
22/01/2020	Appendix 3B
09/01/2020	Serowe CBM Project acquires Environmental approval
07/01/2020	Change of Director's interest notice
07/01/2020	Section 708A notice and appendix 3B
06/01/2020	Private Placement clarification
03/01/2020	Initial Director's interest notice
03/01/2020	Tranche 2 of Placement Closed and Director appointment
31/12/2019	Results of AGM
12/12/2019	Project Venus – Prospective gas resources
04/12/2019	Change of Director's interest notice
03/12/2019	LR7.1A information
03/12/2019	Section 708A Notice and Appendix 3B
03/12/2019	Notice of Annual General Meeting/Proxy form
03/12/2019	Tranche 1 of Placement Closed
21/11/2019	Project Venus update
20/11/2019	Private CDI Placement
19/11/2019	Trading halt
19/11/2019	Pause in trading
15/11/2019	Final Director's interest notice
15/11/2019	Resignation of Managing Director
13/11/2019	Project Venus presentation
07/11/2019	Project Venues update
30/10/2019	Strata-X Energy awarded Surat Basin CSG Tenement
30/10/2019	Quarterly cashflow report
30/10/2019	Quarterly activities report
24/09/2019	Annual report to shareholders
24/09/2019	Appendix 4G
16/09/2019	NDA signed to develop finance strategy
11/09/2019	Presentation to the Good Oil Conference
05/09/2019	Appendix 3B
12/08/2019	Serowe CBM Environmental approval advances
30/07/2019	Quarterly cashflow report
30/07/2019	Quarterly activities report
01/07/2019	Change of Director's interest notice

6.8 Recent share price history

a. Share Price - ASX - SXA



b. Share Price - TSX – SXE



SECTION 7 - PURE ENERGY – PROFILE OF MERGED ENTITY POST SCHEME

7.1 Overview of Merged Entity Post Scheme

As part of Scheme Strata-X Energy will change its name to Pure Energy Corporation Limited. The principal activities and the business strategy is to build and add value to its gas resources.

7.2 Pure Energy's intentions for the Real Energy business and employees

The intentions of Pure Energy (Strata- X Energy) if the Scheme becomes effective and Strata-X acquires all the shares of Real Energy will be:

- a) Retirement of directors
Upon the Scheme becoming effective Mr John Wardman and Peter Mangano will resign as directors of Real Energy – MrDon Romaniuk and Mr Greg Hancock will resign as directors of Strata-X Energy;
- b) Removal of ASX listing
Upon the Scheme becoming effective Real Energy will seek the removal of Real Energy from the official list of the ASX;
- c) Options
Upon the Scheme becoming effective Real Energy Options holders options will be converted in Options with Pure Energy with holders being offered 1 new option for every 3 options held and the exercise price being increased by a factor of three. The term of the option(s) would remain the same;
- d) Assets
Upon the Scheme becoming effective Real Energy will continue to develop Project Venus and Windorah Gas Project;
- e) Employees
Upon the Scheme becoming effective Real Energy will continue to employ the current staff and contractors and no change is expected;

7.3 Pro forma Balance Sheet

	Notes	Real Energy Consolidated Jun-20 A\$	Strata-X Energy Consolidated Jun-20 A\$	Pro forma acquisition adjustments A\$	Pro forma combined A\$
Assets					
Current Assets					
Cash & cash equivalents	1	1,616,492	555,063	2,050,000	4,221,555
Restricted cash		0	299,423		299,423
Deposits paid & Prepayments		7,402	0		7,402
Trade & other receivables		73,786	559		74,345
Inventories		42,352	0		42,352
Total Current Assets		1,740,032	855,045	2,050,000	4,645,077
Non Current Assets					
Property, plant & equipment		1,241	1,222		2,463
Exploration, evaluation and development assets		30,503,914	1,500,662		32,004,576
Lease provision		108,622	0		108,622
Other asset		0	167,097		167,097
Total Non Current Assets		30,613,777	1,668,981	0	32,282,758
Total Assets		32,353,809	2,524,026	2,050,000	36,927,835
Current Liabilities					
Trade & other payables		310,782	173,235		484,017
Short term loan		500,000	0		500,000
Leave provision		116,506	0		116,506
Lease provision		25,174	0		25,174
Derivative warrant liabilities		0	0		0
Amounts due to related parties		0	63,522		63,522
Total Current Liabilities		952,462	236,757	0	1,189,219
Non Current Liabilities					
Leave provision		56,356	0		56,356
Rehabilitation provision		400,000	0		400,000
Lease provision		83,448	0		83,448
Other Provision		8,998	0		8,998
Accrued liabilities		0	91,335		91,335
Note payable, bank		0	74,460		74,460
Decommissioning liabilities		0	828,527		828,527
Total Non Current Liabilities		548,802	994,322	0	1,543,124
Total Liabilities		1,501,263	1,231,079	0	2,732,342
Net Assets		30,852,545	1,292,947	2,050,000	34,195,492
Equity					
Equity contribution	2	36,842,624	52,744,083	(55,401,644)	34,185,063
Share based compensation reserve		0	2,322,307	(2,322,307)	0
Warrant Reserves		0	2,079,188	(2,079,188)	0
Contributed surplus		0	30,059,773	(30,059,773)	0
Retained profits/(losses)	3	(5,990,079)	(85,912,405)	91,662,912	(239,572)
Total Equity		30,852,545	1,292,947	1,800,000	33,945,492

Notes:

1. Subsequent amendment to the Scheme Implementation Agreement dated 15 July 2020, Real Energy can raised further equity up to A\$1,450,000 and Strata-X Energy can raise further equity up to A\$700,000 without approval and includes broker fees of \$100,000
2. Represents the elimination of Real Energy's issued net capital balance of A\$36,842,624 and approved equity raise by both entities prior to Merge
3. Represents the elimination of Real Energy's pre-acquisition accumulated losses of A\$5,990,078

PURE ENERGY 5

PURE ENERGY HAS AN 11.8 TCF DIVERSIFIED GAS PORTFOLIO

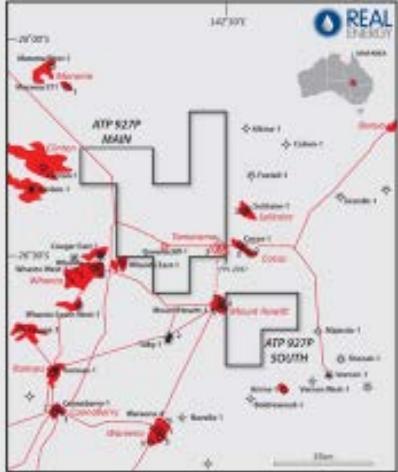


100% **Project Venus** Surat Basin CSG, Queensland:

- 694PJ in proven Walloon CSG¹

100% **Windorah Gas Project** Cooper Basin :

- 8.8 TCF basin-centered gas³





100% **Serowe CSG, Botswana** (farmed out):

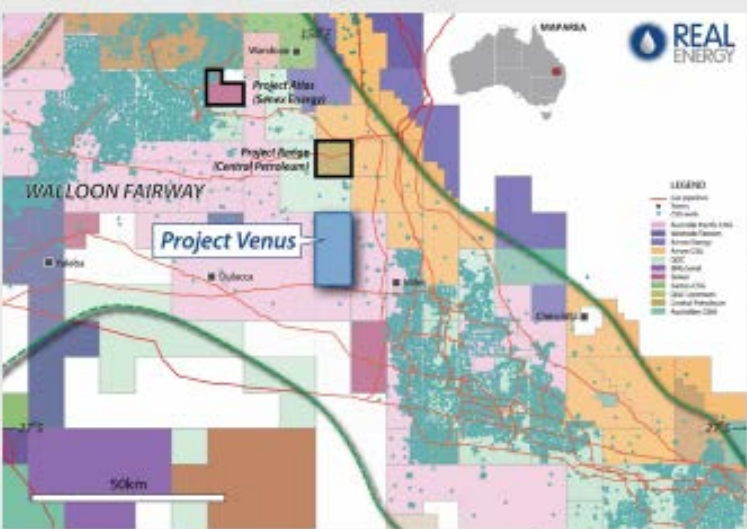
- 2.38 TCF of high-grade CSG⁴



Pure Energy

PURE ENERGY 5

PROJECT VENUS – A FIRST CLASS ADDRESS



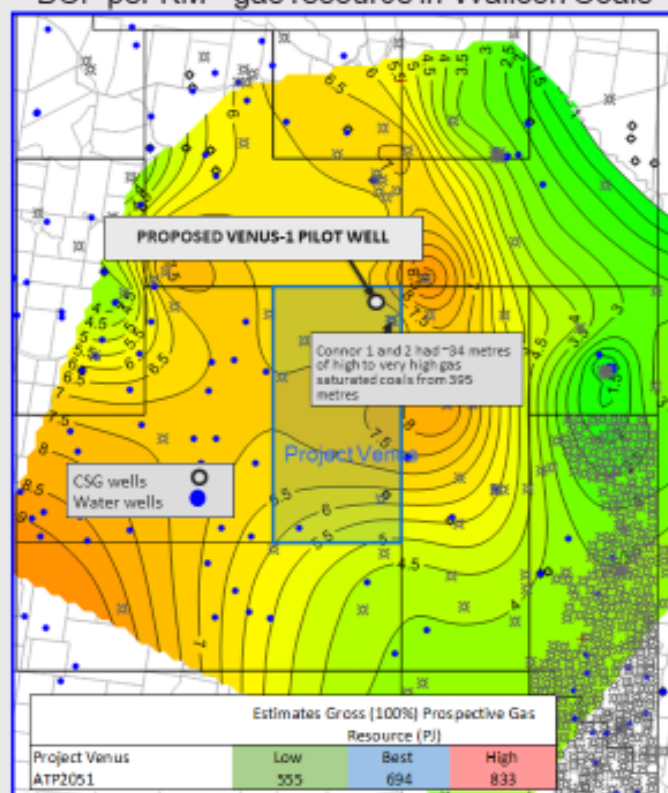
- 100% **Surat Basin CSG, Queensland:**
- 694PJ (640 BCF) in proven Walloon CSG¹
- ✓ Walloon CSG fairway is prolific gas producing region with over 10,000 wells drilled – see green dots on Map

Nearby 'small' operators have:

- ✓ The Ironbark Project was reported sold at \$231M with reported reserves of 129PJ¹
- ✓ Senex Energy² is developing Project Atlas– reported 2P reserves 234 PJ
- ✓ Central Petroleum² is developing Project Range – reported 2C contingent resources of 270 PJ


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694 PJ PROSPECTIVE GAS¹ RESOURCE IN PROVEN SURAT CSG FAIRWAY



Over 4000 CSG wells drilled on the CSG fairway

- ✓ Characterised by high gas saturations, multiple coal seams.
- ✓ Pilot targets determination of the optimum completion methods to achieve commercial gas flow rates.
- ✓ Once commercial gas flows achieved can systematically convert resources into saleable gas.



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PURE'S PATH TO MAIDEN WALLOON CSG RESERVES CERTIFICATION

The Venus CSG Project has a large gas resource with infrastructure and gas markets:

- There are tens of wells within and around the permit plus several fully cored and fully analysed coals offering excellent data that demonstrates 694 PJ of prospective gas resource.
- The wells confirm the continuity of the coals throughout the permit and mostly strong attributes for commercial CSG production, particularly in the Connor area in the northern half of the permit where the Connor-2 core hole retrieved 30 metres of high to very high gas saturated coals.

For CSG, one size does NOT fit all – must design area specific drilling, completion and production methods:

- The weakest CSG attribute in the Connor area is low 'apparent' coal reservoir permeability.
- Pure interprets there is sufficient permeability (perm) in the Connor area but it is mostly micro perm which cannot be preserved by technology and methods used in other areas of the Walloon fairway.
- Pure will drill Venus-1, within 2 km of Connor-2 and set it up as a production pilot well.
- Will use Connor area, new technology and methods of drilling, reservoir enhancement, completion and production designed to preserve micro perm and enhance perm to target early gas flows.
- Once confidence of achieving commercial gas flows – it is a 'yellow brick road' to predictable reserves growth

We have done it before.

PURE ENERGY'S FIRST PILOT CSG WELL PLANNED IN OCTOBER

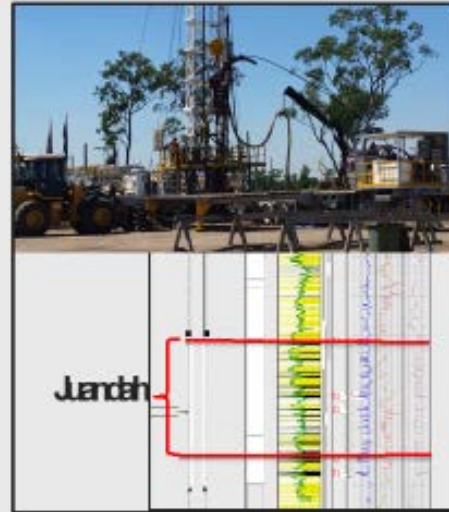
Drill Venus-1 ~1.8 km NW of Connor-2 core hole:

- Drill to ~680 metres, case to ~400 metres.
- Rig contractor selected.
- Landholder clearance and compensation agreed.
- Site selection agreed.

Complete the well as a CSG pilot well:

- Apply non-frack coal reservoir enhancement at ~40 levels of the Juandah coal seams using new technology coil tubing methods.
- Coil tubing applied new technology hole stabilisation to allow open hole over the primary reservoir interval.
- Short term pre and post stimulation flow tests.
- Complete Venus-1 as the JV's first CSG Pilot well.
- Long term flow until ~February 2021.
- Then expand to 3-well CSG pilot or commence development.

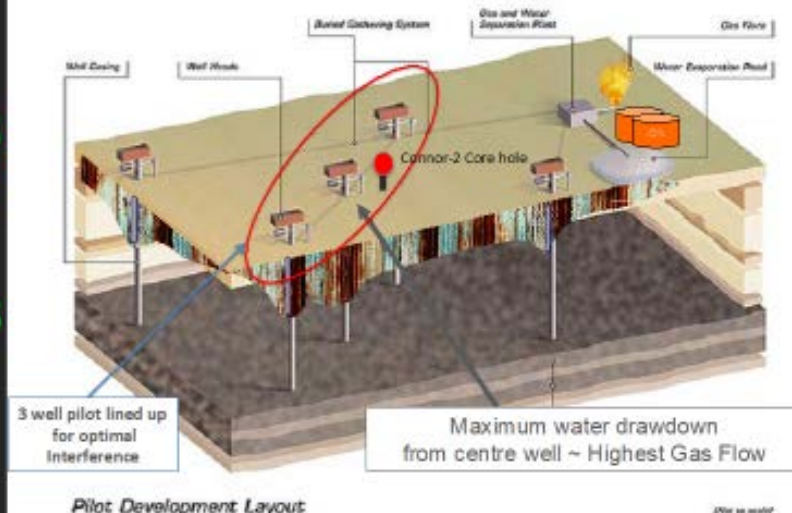
PLANNED TO START IN OCT 2020



**CSG PILOTS
DESIGNED TO
PROVE
SUFFICIENT GAS
FLOW RATES TO
COMMENCE
RESERVE
CERTIFICATIONS**



Pilot located adjacent to core hole with 100% gas saturations in upper Walloon coal seams



WINDORAH GAS PROJECT – COOPER BASIN

Prospective OGIP 8,800 BCF
2C Resources 330 BCF
3C Resources 770 BCF

- Estimated Prospective OGIP are Mean Original Gas-In-Place adjusted for renewal and 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)



PURE ENERGY

COOPER - BASIN CENTERED GAS

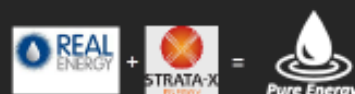
PROPOSED COIL TUBING ENHANCEMENTS ON CURRENT VERTICAL WELLS

Four gas wells drilled:

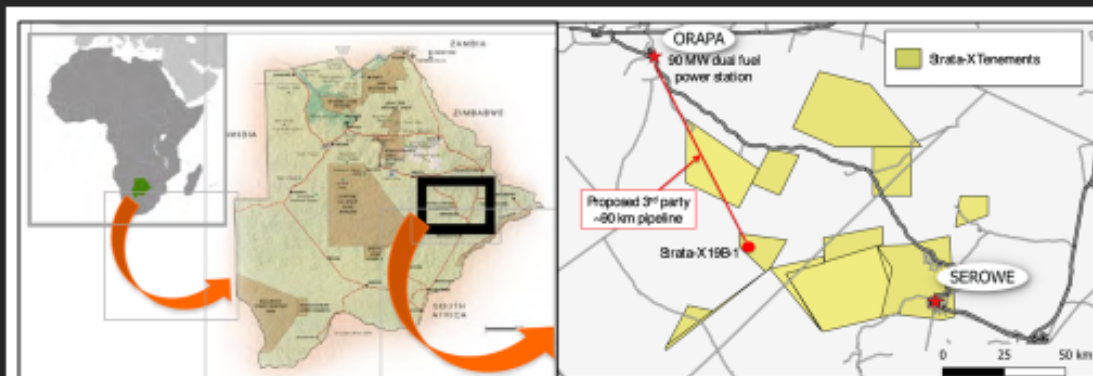
- Tamarama-1, 2 & 3 + Queenscliff-1 were all gas discoveries.
- Certified 2C/3C gas resources of 330/770 BCF³.
- Tamarama-2 had initial flow rates of 2 mmcf/d.
- Tamarama-3 had initial flow rates of 2.5 mmcf/d.

Coil tubing deployed reservoir enhancements:

- Anticipate considerable improvements in Tamarama-2 gas flow rates using coil tubing workovers with non-frack reservoir enhancement.
- Total cost expected to be less than \$1 million.
- Sufficient improvement in flow rates allows for early gas sales.



SEROWE CSG PROJECT, BOTSWANA AFRICA



- 100% of 364,325 acres (1,475 sq km) interpreted high-grade CSG.
- 2.38Tcf Prospective Resource and 23Bcf 2C⁴
- Drilling is pending lifting of Covid-19 travel restrictions
- 3rd party funded \$7 million appraisal program to commence Sept/Oct 2020*.
- Targets predictable reserves growth.



GAS FOR DIESEL SUBSTITUTION AT NEARBY ORAPA DUAL FUEL POWER STATION

Compressed Natural Gas (CNG) – offers early cash flow

- CNG hub planned at Pure's Serowe CSG field to transport gas on roads.
- CNG generates early cash flow while pipeline/compression infrastructure is planned and built.
- Multiple CNG markets – bus companies, mines, solar backed by CNG.
- Initially supply CNG to Orapa until pipeline built.



Orapa 90 Mw dual fuel power station

Orapa power station – foundation gas market

- 90-megawatt capacity with dual fuel configuration (diesel & natural gas).
- ~90 km from Pure's high-grade CSG area.
- Currently a peaking station using imported diesel.
- Fully funded appraisal program targets reserves to supply Pure's gas for 24/7 base load electricity generation.
- Drilling to commence when international travel restrictions are eased.
- Data integration in progress.



PROJECT SATURN & JUPITER – HYDROGEN



- The Company has been running the numbers on two projects on Project Saturn and Project Jupiter – at sites near Miles and Gladstone which could be suitable to build a large scale Hydrogen plants.
- The Company is in discussions with potential off takers and electricity suppliers in the region.
- The Projects would be a staged development targeting 100 tonnes of Hydrogen per day.
- Initially economics very positive - concept studies are continuing and should be completed by YE.



MERGER OF EQUALS CREATES VERY HIGH POTENTIAL AND DIVERSIFIED GAS PORTFOLIO



Pure to have 11.8 TCF of prospective gas resource in three 100% owned projects:

- 100% CSG Walloon Surat Basin – 640 BCF¹ Project Venus.
- 100% Cooper Basin centered gas – 8.8 TCF/330 BCF 2C/770 BCF 3C³ Windorah Gas Project.
- 100% CSG Botswana – 2.4 TCF⁴ Serowe CSG Project. Fully carried on \$US4.6 million (\$7 million) de-risk program; 51% retained after de-risk program completed.

PROVING COMMERCIAL GAS FLOWS ARE THE KEYS TO RESERVES GROWTH:

- Next 12 months: Pure Energy to test completion methods targeting commercial gas flow rates.

Venus 1 - First CSG Pilot well to commence October 2020:

- Venus-1 to drill to ~680 metres vertical depth and case to ~400 metres.
- Venus-1 will be set up as a CSG Pilot well with production testing to early 2021.
- New technology non-frack reservoir enhancement and borehole stabilisation treatment allows for simpler/less expensive completions and potential for early gas flows.
- Production testing targets gas flows and paths to reserves certifications.

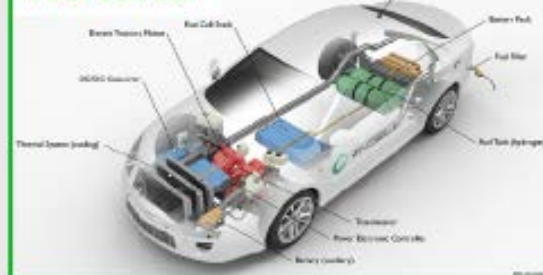


PURE ENERGY HAS HYDROGEN INITIATIVES

1. **Pure Hydrogen Corp** – Feasibility of Hydrogen Plant in Queensland – targeting 36 million kgs of Hydrogen per annum.
2. **Pure Gas** – Feasibility of value adding methane by conversion to hydrogen and carbon products.

Fast track a hydrogen economy

Fuel cell car



PURE ENERGY'S VISION IS VERY LOW EMISSIONS HYDROGEN

Pure plans to expedite the manufacturing of hydrogen from CSG waste water and Pure Energy's 11.8 TCF² of uncommitted methane gas resource:

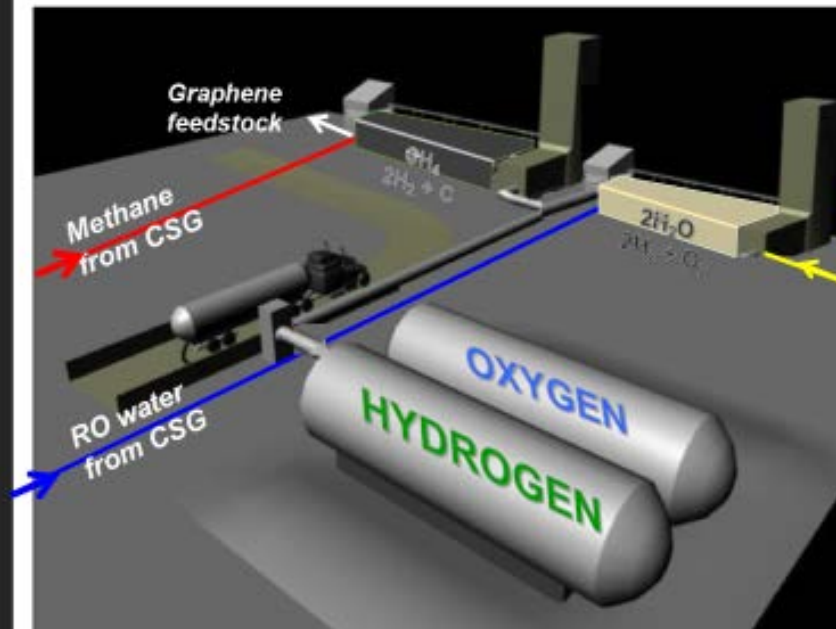
- ✓ Hydrogen manufactured from CSG waste water.
- ✓ ZERO emissions hydrogen is the FUTURE of transportation fuels – the Hydrogen Economy.
- ✓ Hydrogen and carbon products manufactured using methane pyrolysis.
- ✓ The carbon/graphite/graphene from methane pyrolysis could be the bigger value add product.
- ✓ There are sufficient global methane reserves to allow a sustainable, predictable, very low emissions transition to renewables.
- ✓ Makes methane the only green fossil fuel and an ethical investment.



EXAMPLE OF PURE ENERGY'S PLANNED ULTRA LOW EMISSIONS HYDROGEN MODULE



- This module would be located within the Walloon CSG field Adjacent to a RO plant



PURE ENERGY TARGETS KEYS TO PROGRESSIVELY CONVERT 11.8 TCF OF GAS RESOURCE INTO GAS RESERVES AND HYDROGEN

100% owned projects with 11.8 TCF² gas resources to reserves growth programs planned over the next 12 months:

Project	Location	Planned program
Venus Gas	Burat CSG, QLD	Connor-1 re-entry/flow test
Windorah Gas	Cooper Basin, QLD	CT enhancements/flow test
Serowe Gas	Botswana CSG	Fully carried ~\$7 million

CREATING MULTIPLE PATHS TO PREDICTABLE RESERVES GROWTH

Plus low emissions hydrogen manufacturing initiatives:

Project	Location	Target
Pure Hydrogen	Queensland	Proposed Hydrogen Plant
Pure Gas	Queensland	Methane to H ₂ + Carbon

Any one of these opportunities can be a Company maker.

Management has done it before.



SECTION 8 - RISKS

8.1 Introduction

The Real Energy Board considers that it is appropriate for Real Energy Shareholders, in considering the Scheme, to be aware that there are a number of risk factors which could materially adversely affect the future operating and financial performance of Real Energy, as well as the value of Real Energy.

This Section outlines:

- general investment risks (refer to Section 8.2); and
- specific risks associated with your current investment in Real Energy Shares (refer to Section 8.3).

This Section 8 is a summary only. There may be:

- additional risks not currently known to Real Energy; or
- risks which are known to Real Energy but not currently considered material;

which may have a material adverse effect on Real Energy financial and operational performance now or in the future.

If the Scheme is implemented you are registered as a Real Energy Shareholder on the Scheme Record Date, you will receive the Scheme Consideration, will cease to be a Real Energy Shareholder and will also no longer be exposed to the risks set out below (and other risks to which Real Energy may be exposed). If the Scheme does not proceed, you will continue to hold your Real Energy Shares and continue to be exposed to risks and opportunities associated with that investment while you continue to hold your Real Energy Shares.

In making your decision to vote on the Scheme Resolution, you should read this Scheme Booklet carefully.

You should carefully consider the risk factors outlined below and your individual circumstances. This Section 8 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

While the Board recommends a vote in favour of the Scheme in the absence of a Superior Proposal, Real Energy Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme and to consider these risk factors as part of that assessment.

8.2 General investment risks

The market price of Real Energy Shares on ASX is influenced by a number of factors, including the following:

- change in investor sentiment and overall performance of the Australian and international stock markets;
- changes in sentiment in credit markets;
- changes in general business, industry cycles and economic conditions including inflation, interest rates,
- exchange rates, commodity prices, employment levels and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including foreign investment; natural disasters and catastrophes, whether of a global, regional or local scale; and
- accounting standards which affect the financial performance and position reported by Real Energy.

These factors may vary across the markets in which Real Energy operates and have differing effects on different parts of Real Energy's business and therefore the price of Real Energy Shares.

8.3 Specific risks specific to the Scheme

Scheme Participants will receive New Shares in Strata-X Energy as Scheme Consideration. The Share Price of New Shares in Strata-X Energy will be subject to upwards or downwards fluctuations, which may be as a result of many different factors including, general economic conditions, investor confidence and perceptions, operating performance, changes of government policies, interest rates, commodity prices particular oil or gas prices, movements in world share markets and factors relating to evaluation and extraction of its gas resources.

8.4 Key specific risks to Pure Energy (Merged Group)

The future operating performance of the combined Group and the value in the investment in the Combined Group will depend on general industry and economic conditions. Where practicable the Combined Group will look to mitigate or minimise the exposure to these specific risks outlined, although there can be no assurance that any mitigation will protect the Combined Group from any such risks.

a) Increased Competition:

There is a risk that Pure Energy experiences increased competition from existing or new competitors, which may reduce its growth, market share and/or margins.

b) Legislation and Government Regulations:

Pure Energy may be affected by changes in legislation, taxes and governmental or regulatory policies.

Changes to or repeal of policy, legislation and regulations may have a substantial impact on Pure Energy's outlook and/or financial position or performance and may also create uncertainty concerning the Company, which in turn may adversely affect the share price in the event the Scheme is not implemented.

c) Exploration, Extraction and Development Risks:

The future value of Pure Energy is largely dependent on its ability to find, extract and develop oil and gas resources that are economically recoverable. Oil and gas exploration and development is inherently highly speculative and involves a significant degree of risk. There is no assurance that planned exploration extraction activities will be successful and, even if oil and gas resources are identified, there is no guarantee that their production will be economic or that there will be a commercial opportunities available to monetise that resource.

d) Resource Estimates:

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend on interpretations of data which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. A change in resource estimates applying to Pure Energy may result in a re-evaluation of the commercial potential of the resource which could materially adversely affect the financial position and performance of Pure Energy. Changes to resource estimates could also lead to alterations to exploration and mining plans which may increase Pure Energy's costs.

e) Licensing and Counter-Party Risks:

Pure Energy may need to obtain further interests in tenements which grant the right to conduct exploration and development on the tenement areas. Pure Energy may require additional permits should it seek to conduct development and production activities. Pure Energy's rights to explore and later develop tenement areas may also depend on the completion of various sale and purchase

and farm-in agreements and on the grant of Permits which may not be granted, may be granted subject to conditions and limitations or, where granted, may be cancelled or withdrawn.

There is no guarantee that any application for the granting of an appropriate permit will be granted or that Pure Energy will be able to comply with the conditions imposed on such licences economically. Pure Energy may have to relinquish a tenement or have a tenement cancelled for non-compliance with licence conditions.

Delay in the award or transfer of a licence, or the relinquishment or cancellation of a licensed area may materially adversely affect the ability of Pure Energy to conduct exploration activities in accordance with its present plans.

f) Condition of Licences:

Tenements and licences will be granted subject to standard and specific conditions, including minimum expenditure commitments. In addition, conditions can be varied in certain circumstances beyond the control of the Directors of Pure Energy. Conditions may be imposed which render Pure Energy's exploration development and production activities uneconomic and failure to comply with a condition (for example where insufficient funds are available to meet minimum expenditure commitments) could lead to the cancellation or refusal to renew a tenement or licence, and this may materially adversely affect Pure Energy's financial position and performance.

g) Operational Risks:

Oil and gas exploration, extraction and development activities include numerous operational risks, including encountering unusual or unexpected geological formations, mechanical breakdowns or failures, adverse weather conditions or environmental events, human errors and other unexpected events which occur in the process of drilling and exploration.

Production may also be impacted by various operating conditions including insufficient storage or transportation capacity, or other geological and mechanical conditions which increase the cost of developing and transporting the resource. In addition, managing drilling hazards or environmental damage and pollution caused by exploration and development operations could greatly increase the associated cost and profitability of individual wells.

The occurrence of operating risks leading to the curtailment, delay or cancellation of Pure Energy's operations may result in Pure Energy incurring significant financial costs. This may materially adversely affect the financial position and performance of Pure Energy.

Directors of Pure Energy will, to the best of their knowledge, experience and ability (in conjunction with senior management) endeavour to anticipate, identify and manage the operational risks inherent in the activities of the Company, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its business operations. The ability of the Directors to do so may be affected by matters outside their control and no assurance can be given that the Directors of Pure Energy will be successful in these endeavours.

h) Income Tax

The Company is confidential that it has accounted correctly for any income tax liability in its financial statements but as explained in section 5.7 the Company has received an adverse finding in respect of the R & D tax incentive matter which is currently subject to appeal to the AAT. It is possible that

The Company is unsuccessful in its case in the AAT and therefore is liable to repay the R & D tax incentive payments to the Australian Taxation Office. Please refer to Section 5.7 for more details.

i) Procurement Risks:

(i) Drilling Rigs and Equipment:

Pure Energy's oil and gas exploration and development activities depend on the availability of drilling rigs, related equipment and experienced operators in the area of the exploration licences. The Company cannot guarantee access to experienced crews, drill rigs and operators and this may cause delays in Pure Energy's exploration, extraction and development programs which may result in increased costs.

(ii) Skilled Labour:

Pure Energy will require skilled labour workers and engineers in order to operate its activities. Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may materially adversely affect the financial position and performance of the Company.

(iii) Key Personnel:

Pure Energy's success depends to a significant extent upon its key personnel. The Company's progress in pursuing its exploration and evaluation programs within the time frames and within the cost structure currently envisaged could be adversely influenced by the loss of existing key personnel. There can be no assurance that Pure Energy will be able to retain or hire all personnel necessary for the development and operation of its business. The impact of a loss of key staff would depend on the quality and timing of the employee's replacement. Accordingly, the loss of key personnel could materially adversely affect the Company's exploration activities and the financial performance of Pure Energy.

There are a range of business-specific risks associated with your current investment in Real Energy Shares, as set out below. You will only continue to be exposed to these risks if the Scheme does not proceed, in which case Real Energy will continue to operate as a stand-alone entity.

8.5 Risks if the Scheme is not implemented

If the Scheme is not implemented there will be no change to the activities of Real Energy and it will continue to operate on a stand-alone basis. As such, Real Energy will remain listed on the ASX and you will retain your Real Energy Shares and they will not be acquired by Strata-X Energy. While it is not possible to predict the future performance of Real Energy in such circumstances, in deciding whether or not to vote in favour of the Scheme you should have regard to the prospects of Real Energy on a stand-alone basis (that is, if the Scheme is not approved and implemented).

The following are some possible implications of the Scheme not being implemented:

- Real Energy Shareholders will retain their Real Energy Shares and they will not be acquired by Strata-X Energy;
- Real Energy will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX and, as such, Real Energy Shareholders will be exposed to the risks relating to Real Energy's business; and
- If no comparable proposal or Superior Proposal emerges, then the Real Energy Share price may fall or trade at a price below its present price at least in the immediate future.

Risks for Real Energy Shareholders if the Scheme is not implemented

Real Energy will also be subject to the risks which are similar to that of the Combined Group described above in Section 8.4 (a) through to (h) which are not to be taken as exhaustive or listed in any order of importance. The main difference is the Real Energy has 50% of Project Venus versus Pure Energy which will have 100% of that Project together with exposure to Serowe Gas Project. Those risks, as well as other risks not described above, could, in the future, materially and adversely affect the financial performance of Real Energy and the value of Real Energy Shares.

SECTION 9 - TAXATION CONSIDERATIONS

9.1 Introduction

This Section 9 provides a general overview of the Australian income tax, GST and stamp duty considerations of the Scheme for certain Real Energy Shareholders.

This overview is general in nature and does not attempt to be a complete analysis of the taxation consequences that may arise from the Scheme. Real Energy Shareholders are advised to seek professional taxation advice to confirm their particular circumstances and outcomes.

This summary is based upon the provisions of the Income Tax Assessment Act 1936 (Cth) (ITAA 1936) and the Income Tax Assessment Act 1997 (Cth) (ITAA 1997) as at the date of this Scheme Booklet. We note that the taxation laws are complex in nature and are frequently being changed, both prospectively and retrospectively, and are subject to interpretation by the courts and tax authorities.

This overview applies to General Shareholders who:

- a. participate in the Scheme and dispose of their Real Energy Shares through the Scheme;
- b. are either:
 - i. tax residents for Australian income tax purposes; or
 - ii. non-residents for Australian income tax purposes and do not hold their Real Energy Shares in carrying on a business at or through a permanent establishment in Australia; and
- c. hold their Real Energy Shares on capital account for Australian income tax purposes. This overview will not apply to General Shareholders who:
 - hold their Real Energy Shares on revenue account or for the purposes of short term profit, for speculation, or as part of a business of dealing in securities (e.g. as trading stock);
 - may be subject to special taxation rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or shareholders who change their tax residency while holding their Real Energy Shares;
 - are subject to the taxation of financial arrangements provisions contained in Division 230 of the ITAA 1997 in relation to the gains and losses on their Real Energy Shares; or
 - are under a legal disability.

Australian Resident Shareholders

The transfer of Real Energy shares for Pure Energy shares will ordinarily result in a capital gains tax (CGT) event for Australian resident shareholders for the purposes of the Australian CGT provisions. There is a scrip rollover relief for eligible taxpayers outlined below.

Australian resident shareholders that do not elect to have the scrip to scrip rollover relief, will realise a capital gain if the value of the Pure Energy Shares received for their Real Energy Shares are greater than the cost base of their Real Energy Shares. Conversely, if the value of the Pure Energy Shares received for their Real Energy is less than the reduced cost base of their Real Energy Shares a capital loss will be realised.

Non resident shareholders

Shareholders who are non-residents of Australia for income tax purposes (and do not have a permanent establishment in Australia) may be subject to Australian CGT if they together or with associates fold a direct investment of more than 10% or more either when they dispose of their Real Energy shares or throughout the previous 12 months. Real Energy is not aware of any shareholder that is a non resident shareholder that holds 10% or more of Real Energy shares. Accordingly no Australian tax consequences should arise for non-

resident shareholders that do not hold their Real Energy Shares through a permanent establishment in Australia.

Scrip for Scrip rollover relief for Shareholders

Real Energy shareholders who are subject to Australian CGT on the disposal of their Real Energy Shares will be eligible for scrip for scrip rollover relief where the shareholders meet the following conditions:

- The Real Energy Shares are held on capital account and apart from the rollover relief, the Real Energy Shareholder would make a capital gain from a CGT happening.
- The Real Energy Shareholders chooses to obtain the roll over.

Where Real Energy Shareholders are subject to Real Energy Shareholders who are entitled to elect to receive the Scheme Consideration as Scrip Consideration in Pure Energy for all of their Real Energy Shares.

The scrip for scrip rollover relief is optional and the choice for to apply must be made before the time at which the income tax return is lodged for the 2021 income tax year.

The scrip for scrip rollover is effectively chosen by simply excluding the relevant capital gain in respect of which the rollover relief is chosen from the shareholder's income tax return. While no formal documentation is required to be lodged it is prudent to keep a record of the choice.

Where the choice for rollover relief to apply the capital gain that would otherwise apply is disregarded for income tax purposes.

For the purposes of determining CGT on the subsequent disposal of the new Pure Energy Shares, the original cost of acquiring the Real Energy shares will be used along with the timing for the purpose of working out whether a CGT discount may apply.

Scrip for scrip rollover relief not chosen or not available

If the CGT scrip for scrip rollover relief is either not chosen or otherwise not available any capital gain or loss arising from the disposal of Real Energy shares will not be deferred but will crystallise. The date of disposal will be during the 2021 income tax year.

In this situation described above individuals, complying super Funds and trustees that have held their Real Energy Shares for 12 months or more prior to the CGT event may be entitled to a CGT discount.

Any capital losses arising from the disposal of their Real Energy shares may be used to offset gain gains derived by the taxpayer in the same or subsequent income tax years.

9.2 GST

There should be no GST payable in respect of the sale of Real Energy Shares under the Scheme. Where a Real Energy Shareholder is not registered or required to be registered for GST, the sale should be outside the scope of GST. Otherwise, the sale of the Real Energy Shares will be an input taxed financial supply. Where this is the case, Real Energy Shareholders should obtain independent advice to confirm whether there is any ability to claim any input tax credits for any costs (such as professional advisor fees) incurred in relation to the disposal of their Real Energy Shares.

9.3 Stamp Duty

No stamp duty should be payable by Real Energy Shareholders on the disposal of their Real Energy Shares in connection with the Scheme.

SECTION 10 - IMPLEMENTATION OF THE SCHEME

Scheme approval requirements

In order for the Scheme to become Effective, it must first be:

- a. approved by the Requisite Majorities of Real Energy Shareholders at the Scheme Meeting; and
- b. approved by the Court at the Second Court Hearing.

Shareholders are asked (but not required) to vote on the Scheme Resolution at the Scheme Meeting.

The **Requisite Majorities** for the Scheme Resolution are set out in section 411(4)(a)(ii) of the Corporations Act, and they are:

in relation to the Scheme Resolution:

- c. a majority in number (more than 50%) of the Shareholders present and voting at the Scheme Meeting (either in person or by proxy, representative or attorney); and
- d. at least 75% of the votes cast on the Scheme Resolution at the Scheme Meeting (either in person or by proxy, representative or attorney).

If:

- e. the Scheme is agreed by the requisite majorities of Real Energy Shareholders at the Scheme Meeting; and
- f. all other Conditions Precedent have been satisfied or (if permitted) waived,

then Real Energy will apply to the Court for orders approving the Scheme.

Each Real Energy Shareholder has the right to appear at the Second Court Hearing.

Effective Date

If the Court approves the Scheme and all other Conditions Precedent have been satisfied or (if permitted) waived, the Scheme will become Effective on the date when a copy of the Court order approving the Scheme is lodged with ASIC. Real Energy will, on the Scheme becoming Effective, give notice of that event on ASX.

Scheme Record Date

The Scheme Shareholders will be entitled to receive the Scheme Consideration in respect of the Real Energy Shares they hold as at the Scheme Record Date (which is currently expected to be 18 December 2020).

Dealings on or prior to the Scheme Record Date

You can transfer your Real Energy Shares on market at any time before close of trading on ASX on the Effective Date (which is currently expected to be Tuesday, 15 December 2020). The price you obtain on ASX may vary from the Scheme Consideration.

Real Energy intends to apply to ASX for Real Energy Shares to be suspended from official quotation on ASX from close of trading on the Effective Date. You will not be able to transfer your Real Energy Shares on market after this time.

You can transfer your Real Energy Shares off-market at any time on or before the Scheme Record Date, provided that the registrable transfer or transmission application is received at the Share Registry on or before the Scheme Record Date.

For the purpose of determining which Real Energy Shareholders are eligible to participate in the Scheme, dealings in Real Energy Shares will be recognised only if:

- g. in the case of dealings of the type to be effected using CHESS (Clearing House Electronic Subregister System),

the transferee is registered on the Real Energy Share Register as the holder of the relevant Real Energy Shares at or before the Scheme Record Date; and

h. in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Share Registry on or before the Scheme Record Date.

For the purposes of determining entitlements under the Scheme, Real Energy will not accept for registration or recognise any transfer or transmission applications in respect of Real Energy Shares received after the Scheme Record Date or received prior to the Scheme Record Date but not in registrable or actionable form.

If you transfer your Real Energy Shares before the Voting Eligibility Date, you will not be entitled to vote at the Scheme Meeting.

Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Real Energy must maintain the Real Energy Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Real Energy Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- a. all statements of holding for Scheme Shares will cease to have effect as documents relating to title in respect of such Scheme Shares; and
- b. each entry on the Real Energy Share Register relating to the Scheme Shares will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of such Scheme Shares.

Implementation Date

The Implementation Date is, subject to certain conditions set out in the Scheme, the fifth Business Day after the Scheme Record Date. The Implementation Date is currently expected to be Tuesday, 29 December 2020.

On the Implementation Date:

- a. Strata-X Energy will issue the Scrip Consideration to the Real Energy Shareholders (or their nominees); and
- b. the Scheme Shares will be transferred to Strata X Energy without Scheme Shareholders needing to take any further action.

Delisting from ASX

Real Energy will apply to ASX to suspend trading in Real Energy Shares with effect from the close of trading on the Effective Date.

Real Energy will apply for cessation of the official quotation of Real Energy Shares on the ASX and to have itself removed from the official list of the ASX, with effect on and from the close of trading on the trading day immediately following, or shortly after, the Implementation Date.

Summary of Scheme Implementation Agreement

The Scheme Implementation Deed contains terms and conditions which are standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and Real Energy's obligation to conduct its business in the ordinary course during the Scheme process.

A summary of the key elements of the Scheme Implementation Deed is set out below. The Scheme Implementation Deed was lodged with ASX on 15 July 2020 and is set out in Annexure A.

Conditions

Implementation of the Scheme is subject to the following Conditions Precedent which must be satisfied or (if permitted) waived before the Scheme can be implemented:

(a)	(Shareholder approval) Scheme Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.
(b)	(Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
(c)	(Regulatory intervention) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.
(d)	(No Material Adverse Effect) no Material Adverse Effect occurs between the date of this document and 8.00am on the Second Court Date.
(e)	No Superior Proposal being made in respect of the Seller occurs between the date of this document and 8.00am on the Second Court Date.;
(f)	No takeover offer nor Superior Proposal has been made for the Buyer occurs between the date of this document and 8.00am on the Second Court Date;
(g)	(Delisting) Strata-X Energy shall have delisted its common shares from trading on the TSXV as soon as possible but no later than completion.
(h)	(Shareholder Approval) the shareholders of the Buyer shall have approved the Proposed Transactions, if required pursuant to applicable laws or the TSXV Policies.

Exclusivity

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of Strata- X and Real Energy respectively. These arrangements are in line with market practice and may be summarised as follows:

No shop

During the Exclusivity Period, Real Energy must not, and must ensure that none of its Related Bodies Corporate or their respective representatives, directly or indirectly, solicit, invite, initiate or encourage any Competing Transaction or any enquiries, proposals, discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Transaction, or communicate to any person any intention to do either of these things.

No talk

During the Exclusivity Period, Real Energy must not, and must ensure that its Related Bodies Corporate and their respective representatives do not, directly or indirectly, participate in or continue any negotiations or discussions with respect to, an actual, proposed, or potential Competing Transaction (or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Transaction), or negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or undertaking regarding an actual, proposed or potential Competing Transaction.

Notice of Competing Transaction

During the Exclusivity Period, Real Energy must notify Strata X Energy in writing as soon as practicable but in any event within 24 hours:

- a. if Real Energy Group or any of Real Energy's representatives is approached by any person in relation to an actual or potential Competing Transaction, with such notice to set out reasonable details of the approach, including the material terms of the Competing Transaction and the identity of the third party making the Competing Transaction; or
- b. of any request made by a third party for information in relation to Real Energy Group, that the Real Energy Board has reasonable grounds to suspect may be in connection with such third party formulating, developing or finalising, or assisting in the formulation of a Competing Transaction.

Matching Right

Real Energy must:

- a. not, and must ensure that its representative do not, enter into any legally binding agreement, arrangement or understanding in relation to a Competing Transaction; and
- b. direct each Real Energy Director not to withdraw or change their recommendation or voting intention in response to a Competing Transaction, or publicly recommend, support or endorse a Competing Transaction; unless the Competing Transaction is a Superior Proposal and Real Energy has given Strata-X Energy at least three Business Days to make a proposal that matches or exceeds the Competing Transaction.

Fiduciary Exceptions

Real Energy is not required to comply with its 'No Talk' and 'No Due Diligence' obligations if the Real Energy Board determines that complying with those provisions would be likely to constitute a breach of the fiduciary or statutory duties owed by the Real Energy Board.

These exclusivity arrangements are set out in full in the Scheme Implementation Agreement.

Termination

Either Real Energy or Strata-X Energy can terminate the Scheme Implementation:

- a) if the Scheme has not become Effective on before the 15th March 2021;
- b) lack of support – if the Real Energy board changes its recommendation that it Shareholders vote in favour of the Scheme;
- c) there is a material adverse change to either Strata X Energy or Real Energy;
- d) If a person has 20% or more of Real Energy;
- e) If a Superior Proposal emerges;
- f) By Agreement between Real Energy and Strata-X Energy.

Break Fee

Real Energy has agreed to pay Strata-X Energy a reimbursement fee of \$100,000 (Break Fee) if the following events happen:

- a. Any of the directors of Real Energy changes their recommendation in relation the Scheme during the Exclusivity Period;
- b. Strata-X Energy validly terminates the agreement due to material adverse breach of agreement;
- c. Strata-X Energy terminates the agreement if there is a Competing Transaction that was not in breach of the exclusivity provisions

Strata- X Energy has agreed to pay Real Energy a reimbursement fee of \$100,000 (Break Fee) if the following events happen:

- a. There is a competing transaction which involves the control of Strata- X Energy;
- b. There is a change of recommendation from the board of Strata-X Energy in relation the Scheme during

- the Exclusivity Period;
- c. Strata-X Energy terminates the Scheme Implementation Agreement when no valid reason applies.

These break fee arrangements are set out in full in the Scheme Implementation Agreement.

Enforcement of Deed Poll

Strata- X Energy has entered into the Deed Poll under which Strata-X undertakes to issue to each Scheme Participant the Scheme Consideration in accordance with the Terms of the Scheme. The Deed Poll is governed by the laws of New South Wales and is set out in Annexure C.

If the Scheme becomes Effective:

- a) Real Energy will be deemed to have authorised Real Energy to do and execute all acts , matters, things and documents on the part of Real Energy Shareholder necessary to implement the Scheme, including (without limitation) executing as agent and attorney of each Real Energy Shareholder, a share transfer or transfers in relation to their Real Energy Shares;
- b) Real Energy undertakes in favour of each Real Energy Shareholder to enforce the Deed Poll against Strata-X Energy on behalf of and agent and attorney for the Real Energy.

Deferred Settlement Trading

Deferred settlement trading of new Pure Energy (Strata-X Energy) Shares is expected to commence on 29 December 2020.

New Pure Energy Shareholders who sell their New Pure Energy Shares before the receipt of the holding statements to confirm holdings do so at their own risk. It is the responsibility of each Shareholder to confirm their holding before trading to avoid risk that they are selling shares that they do not own. Holdings for the New Pure Energy Shares are expected to be despatched on the Implementation Date.

To the extent permitted by the law, Real Energy and Strata-X Energy and their respective share registries disclaims all liabilities to persons that sell their New Strata-X Energy Shares before receiving their holding statement.

Administration Relief

Other than set out in this Scheme Booklet, as at the date of the Scheme Booklet, there is no anticipated ASIC consents or approvals necessary to implement the Scheme.

The reasons to vote in favour (advantages)

- More diversified 11.8 Tcf potential gas portfolio
- Larger market capitalisation growth story with a green initiative;
- Streamlined cost and lower overall overheads;
- Combined skill sets of Successful industry veterans;
- 100% of the exciting Project Venus will be owned by one ASX company – to become Pure Energy
- Larger resource base to better fund future opportunities.
- The independent Expert has concluded that the Scheme is not fair but reasonable and in the best interest of Real Energy Shareholders
- Since the announcement of the Scheme, no superior proposal has emerged.
- The price of Real Energy shares may fall if the Proposal is not implemented.
- No brokerage will payable on new shares you receive under the Proposal.

The reasons against (disadvantages) of the Scheme

- If the Proposal proceeds you will no longer be a Real Energy Shareholder and may have preferred the asset exposure in Real Energy rather than the combined group to become Pure Energy.

- You may disagree with the Real Energy Board and the Independent Expert and believe the Scheme is not in your best interest.
- The tax consequences of the Proposal may not suit your financial position.
- The independent Expert has concluded that the Scheme is not fair but reasonable and in the best interest of Real Energy Shareholders
- You may wish to maintain your current position.

Intentions of the Real Energy Board

If the Scheme is implemented, it will be a matter for the Board of Strata-X Energy which will be renamed Pure Energy Corporation Limited, to determine:

- a) the continuation of the Real Energy business;
- b) any changes made to the Real Energy business;
- c) the future employment of present employees of Real Energy.

Mr Scott Brown and Mr Lan Nguyen will be appoint to the board of Strata-X Energy If the Scheme is implemented. The current intention of the combined company is set out in Section 7.

If the Scheme is not implemented, the Real Energy Board intends to continue the business of Real Energy in accordance with the stated strategy. The Real Energy Board does not intent to make any major changes to the business (including the assets) nor any changes to the present employees or contractors of Real Energy.

Supplementary Information

If Real Energy becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Court Approval Date:

- a) a material statement in this Scheme Booklet is false or misleading;
- b) a material omission from this Scheme Booklet;
- c) a significant change affecting a matter in this Scheme Booklet; or
- d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC, depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Real Energy may circulate and publish any supplementary document by:
 - e) making an announcement to ASX;
 - f) posting or emailing the supplementary document to Real Energy Shareholders at their registered address as shown in the Real Energy Share Register; and/or
 - g) posting a statement on Real Energy's website at www.realenergy.com.au

as Real Energy in its absolute discretion considers appropriate.

Transaction costs

Real Energy estimates that it will incur approximately \$100,000 (plus GST) in external transaction costs related to the Scheme, which includes advisory fees, legal fees, valuation fees, Court fees and registry, printing and mailing costs. These costs will be incurred regardless of whether the Scheme becomes Effective or not.

Unacceptable Circumstances

The Real Energy Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Real Energy that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

SECTION 11 - REAL ENERGY ADDITIONAL INFORMATION

11.1 Details regarding Real Energy Shareholders

The following table represents the distribution of Real Energy Shareholders owning fully paid Real Energy shares as at 7 August 2020:

Category of holding	Holders	No. of shares	% of capital
1 – 1,000	93	10,322	0.00
1,001 – 5,000	94	373,547	0.11
5,001 – 10,000	225	1,804,100	0.51
10,001 – 100,000	857	36,265,219	10.27
100,001 – and over	419	314,740,943	89.11
Total	1,688	353,194,131	100.00

As at 7 August 2020 Real Energy is aware of the following substantial shareholders in Real Energy:

- Mr Scott Brown holds 34,463,036 fully paid ordinary shares, or a voting power of 9.63%; and
- Mr Dang Lan Nguyen holds 21,286,196 fully paid ordinary shares, or a voting power of 6.03%.

11.2 Director shareholding details

The table below lists the Relevant Interest of Real Energy Directors in Real Energy Shares as at 22 September 2020:

Name of Director	Position	No. of shares	% of capital	No. of Options
Scott Brown	Managing Director	34,463,036	9.75	500,000
Dang Lan Nguyen	Non-Executive Director	21,286,196	6.03	-
John Wardman	Chairman	7,939,490	2.25	1,500,000
Peter Mangano	Non-Executive Director	405,718	0.11	-
Total		63,650,440	18.14	2,000,000

Directors who hold Real Energy Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with other Scheme Shareholders.

Each Real Energy Director intends to vote any Real Energy Shares held or controlled by him in favour of the Scheme, in the absence of a Superior Proposal and subject to the independent Expert continuing to consider the Scheme to be in the best interest of Real Energy Shareholders.

11.3 Other interests of Real Energy Directors

No Real Energy Director has any interest other than disclosed, whether as a director, member or creditor of Real Energy or otherwise, which is material to the Scheme, other than in their capacity as a holder of Real Energy Shares.

11.4 Options held by Directors

Mr Brown holds 500,000 RLE Listed Bonus Options (ASX: RLEOB) with an expiry date of 30 September 2020 and an exercise price of \$0.14. Mr Wardman holds 1,500,000 RLE Listed Bonus Options (ASX: RLEOB) with an expiry date of 30 September 2020 and an exercise price of \$0.14.

11.5 Payments and other benefits to directors, secretaries or executive officers of Real Energy

Other than as described in section 11.4 above, no payment or other benefit is proposed to be made or given to a director, secretary or executive officer of Real Energy or any member of real Energy as compensation for loss of, or as consideration for or in connection with their retirement from, office in Real Energy or any member of Group as a result of the Scheme.

11.6 Warranty by Scheme Shareholders about their Real Energy Shares

The effect of clause 5.6 of the Scheme is that all Scheme Shareholders, including those who vote against the Scheme and those who do not vote, will be deemed to have warranted to Strata-X Energy and Real Energy that their Real Energy Shares are fully paid and not subject to any of the encumbrances specified in that clause, and that they have full power and capacity to transfer their Real Energy Shares to Strata-X Energy together with any rights and entitlements attaching to those Real Energy Shares. Clause 5.6 of the Scheme is set out in Annexure B to this Scheme Booklet.

11.7 ASIC Relief

Regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC allows otherwise, the Scheme Booklet must contain all of the matters set out in Part 3 of Schedule 8 to the Corporations Regulations. As some of these requirements are not applicable or appropriate in respect of the Scheme, ASIC has allowed the following variations in this Scheme Booklet.

Clause 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires the Scheme Booklet to disclose the extent to which the financial position of Real Energy has materially changed since the date of the last balance sheet laid before Real Energy's general meeting, being its financial statements for the financial year ended 30 June 2020.

ASIC has allowed Real Energy to confine its disclosure in this Scheme Booklet to all material changes to Real Energy's financial position between 30 June 2020 (being the date of the latest financial statements for Real Energy in the annual accounts lodged with the ASX) and the date of this Scheme Booklet on the basis that:

- (a) Real Energy has complied with Division 2 of Part 2M.3 of the Corporations Act in respect of the year ended 30 June 2020;
- (b) Real Energy discloses all material changes to its financial position occurring after the year ended 30 June 2020 and prior to the date of this Scheme Booklet, in the Scheme Booklet and/or in announcements to the ASX;
- (c) Real Energy discloses in announcements to the market operated by ASX any material changes to its financial position that occur after the date of lodgement of the Scheme Booklet for registration with ASIC but prior to the Scheme being approved by the Court;
- (d) the Scheme Booklet states that Real Energy will give a copy of the financial reports for the financial year ended 30 June 2020 free of charge to anyone who requests a copy before the Scheme to which the Scheme Booklet relates is approved by order of the Court; and
- (e) the Scheme Booklet sent to Scheme Shareholders is substantially in the form given to ASIC on 2 October 2020;

11.8 Consents

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (i) RSM Australia Pty Limited as Independent Expert in relation to the Scheme
 - (ii) Fluid Energy Consultants as Independent Geologist in relation to the Scheme; and
 - (ii) Ian B. Mitchell as legal adviser to Real Energy in relation to the Scheme.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure D to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) Strata-X Energy has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of the Strata-X Energy Information in this Scheme Booklet in the form and context in which that information is included.
- (d) Each person named in this section 11:
 - (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this section 11; and
 - (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that part as specified in this section 11.

11.12 Documents available

An electronic version of this Scheme Booklet including the Independent Expert's Report and the Scheme Implementation Agreement are available for viewing and downloading online at Real Energy's website at www.realenergycom.au.

11.13 Continuous disclosure

Real Energy is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Real Energy has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Real Energy Shares. Copies of documents filed with ASX may be obtained from ASX's website at www.asx.com.au.

11.15 Other

(a) Lodgement of the Scheme Booklet with ASIC

This Scheme Booklet was lodged with ASIC on 8 October 2020 in accordance with section 411(2)(b) of the Corporations Act.

(b) Other material information

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures to this Scheme Booklet, there is no other information that is material to the making of a decision by a Real Energy Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any Real Energy Director and which has not previously been disclosed to Real Energy Shareholders.

SECTION 12 - GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

Board or Real Energy Board means the board of Directors of Real Energy unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

CGT capital gains tax

Company means Real Energy Corporation Limited (ACN 139 792 420).

Constitution means the constitution of the Company as at the date of this Scheme Booklet.

Corporations Act means the *Corporations Act 2001*(Cth).

Deed Poll the document executed by Strata-X Energy Limited set out in Annexure C

Directors means the directors of the Company as at the date of this Scheme Booklet.

Effective when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporation Act, of the order of the Court made under section 411(4)(b) and 411(6)

Effective Date the date upon which the Scheme becomes effective

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offers.

FY Financial Year

Implementation Date the date which is 5 business days after the Record date or other such Date as the parties – Real Energy and Strata-X Energy agree.

Independent Expert RSM Australia Pty Limited (ACN 050 508 024), who has been engaged by Real Energy to opine on whether the Scheme is in the best interests of Shareholders

Independent Expert's Report the report prepared by the Independent Expert and set out in Annexure D

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Pure Energy means Strata- X Energy

Record Date means 7pm on the date that is 3 business days after the Effective Date or any other date that the Company and the ASX agrees.

Real Energy means Real Energy Corporation Limited (ACN 139 792 420)

Scheme Booklet means this document and the Annexures to it.

Scheme Consideration means the Scrip Consideration

Scheme Implementation Agreement – The Agreement between Real Energy and Strata- X Energy dated 15 July 2020 set out in Annexure A.

Scheme Meeting - meeting of Shareholders of Real Energy set out in Annexure E together with any changes made by the Court.

Scrip Consideration means for each 3 (three) Real Energy Shares 1 (one) new Strata-X Energy Share

Section means a section of this Scheme Booklet.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Strata-X Energy means Strata-X Energy Limited (Canadian company registration number C0952496, ARBN 160 885 343)

Superior Proposal has the meaning given to it in the Scheme Implementation Agreement.

EST means Eastern Standard Time as observed in in Sydney New South Wales.

Scheme Booklet

Annexure A Scheme Implementation Agreement



Scheme Implementation Agreement

Dated 15 July 2020

Strata-X Energy Limited (Canadian company registration number C0952496, ARBN 160 885 343) (“**Buyer**”)

Real Energy Corporation Limited (“**Seller**” or “**MergCo**”) (ACN 139 792 420)

Scheme Implementation Agreement

Contents

Details	4
General terms	6
1 Definitions and interpretation	6
1.1 Definitions	6
1.2 General interpretation	16
1.3 Inconsistent agreements	17
1.4 Confidentiality and Exclusivity Agreement	17
2 Agreement to propose and implement Scheme	17
2.1 MergCo to propose Scheme	17
2.2 Buyer	17
2.3 Agreement to implement Scheme	17
3 Conditions Precedent	17
3.1 Conditions Precedent	17
3.2 Reasonable endeavours	18
3.3 Waiver of Conditions Precedent	19
3.4 Notices in relation to Conditions Precedent	19
3.5 Consultation on failure of Condition Precedent	20
3.6 Failure to agree	20
4 Outline of Scheme	20
4.1 Scheme	20
4.2 Scheme Consideration	21
4.3 Issue of Buyer Shares	21
5 Implementation	21
5.1 General obligations	21
5.2 MergCo's obligations	21
5.3 Buyer's obligations	24
5.4 Scheme Booklet responsibility statement	26
5.5 Verification	26
5.6 Conduct of Court proceeding	26
5.7 Appeal process	26
5.8 Transaction Implementation Committee	27
5.9 No partnership or joint venture	27
6 Board recommendation	27
6.1 Best endeavours MergCo	27
6.2 Best endeavours Buyer	27
7 Directors and employees	28
7.1 Release of MergCo and MergCo directors and officers	28
7.2 Release of Buyer and Buyer directors and officers	28
7.3 Benefit for Buyer Indemnified Parties	28
7.4 Benefit for MergCo Indemnified Parties	28

	7.5 Appointment/retirement of Buyer directors	29
8	Conduct of business	29
	8.1 Overview	29
	8.2 Specific obligations	29
	8.3 Prohibited actions	30
	8.4 Exceptions to conduct of business provisions.....	31
	8.5 Access to people and MergCo Information.....	31
9	Exclusivity	32
	9.1 No existing discussions.....	32
	9.2 No-shop	32
	9.3 No-talk	32
	9.4 Due diligence information	32
	9.5 Exceptions	33
	9.6 Further exceptions	33
	9.7 Notice of unsolicited approach.....	33
	9.8 Matching right	33
	9.9 Buyer counterproposal.....	34
10	Reimbursement Fee	34
	10.1 Background.....	34
	10.2 Payment of Reimbursement Fee	36
	10.3 No amount payable if Scheme becomes Effective.....	38
	10.4 Timing of payment	38
	10.5 Nature of payment	38
	10.6 Reduction in amount payable	38
	10.7 MergCo's limitation of liability.....	39
	10.8 Compliance with law	39
11	Representations and warranties	39
	11.1 Buyer's representations and warranties.....	39
	11.2 Seller's representations and warranties	41
	11.3 Buyer and Seller's indemnity	42
12	Termination.....	43
	12.1 Termination events	43
	12.2 Termination.....	43
	12.3 Effect of Termination.....	43
	12.4 Damages	44
13	Public announcements.....	44
	13.1 Public announcement of Scheme	44
	13.2 Required disclosure	44
	13.3 Other announcements	44
14	Confidential Information.....	44
	14.1 Disclosure of Buyer Confidential Information.....	44
	14.2 Termination.....	44
15	Notices and other communications.....	44
	15.1 Form	44

	15.2	Delivery	44
	15.3	When effective	45
	15.4	When taken to be received	45
	15.5	Receipt outside business hours	45
16		GST	45
	16.1	Definitions and interpretation	45
	16.2	GST exclusive	45
	16.3	Payment of GST	46
	16.4	Adjustment events	46
	16.5	Reimbursements.....	46
17		Costs.....	46
	17.1	Costs.....	46
18		General	46
	18.1	Variation and waiver	46
	18.2	Consents, approvals or waivers.....	46
	18.3	Discretion in exercising rights	46
	18.4	Partial exercising of rights	46
	18.5	Conflict of interest	47
	18.6	Remedies cumulative.....	47
	18.7	Indemnities and reimbursement obligations.....	47
	18.8	Inconsistent law	47
	18.9	Supervening law	47
	18.10	Counterparts	47
	18.11	Entire agreement	47
	18.12	Further steps.....	47
	18.13	No liability for loss	48
	18.14	Severability	48
	18.15	Rules of construction	48
	18.16	Assignment	48
	18.17	Enforceability	48
	18.18	No representation or reliance.....	48
19		Governing law	49
	19.1	Governing law and jurisdiction	49
	19.2	Serving documents	49
		Signing Page	50
		Schedule 1 Indicative Timetable.....	51
		Annexure A Scheme of Arrangement.....	52

Scheme Implementation Agreement

Details

Parties	Seller and MergCo	
MergCo or Seller	Name	Real Energy Corporation Limited
	ACN	139 792 420
	Formed in	Australia
	Address	Level 3, 32 Walker Street North Sydney NSW 2060
	Email	Scott.brown@realenergy.com.au ; admin@realenergy.com.au
	Attention	Scott Brown
Buyer	Name	Strata X Energy Limited
	Canadian company registration number	C0952496
	ARBN	160 885 343
	Formed in	British Columbia Canada
	Address	c/- Corporate Administrative Services Pty Limited Level 6, 10 Market Street Brisbane Qld 6000
	Email	Ron@strata-x.com
	Attention	Mr Ron Prefontaine
Governing law	New South Wales, Australia	

Recitals

- A** The MergCo and Buyer have agreed that Buyer will acquire the MergCo by means of a members' scheme of arrangement under Part 5.1 of the Corporations Act.
- B** At the request of Buyer, the MergCo intends to propose the Scheme and issue the Scheme Booklet.
- C** The MergCo and Buyer have agreed to implement the Scheme on the terms and conditions of this document.

Scheme Implementation Agreement

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ACCC means the Australian Competition and Consumer Commission.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document.

ASX means ASX Limited or the market operated by it, as the context requires.

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Buyer Board means the board of directors of Buyer.

Buyer Meeting means a meeting of the Buyer Shareholders to consider the Proposed Transactions, if any.

Buyer Share means a fully paid ordinary share in the capital of Buyer having the rights specified in the Buyer Constitution.

Buyer Shareholders means holders of the Buyer Shares.

Buyer Share Offer has the meaning set in the Scheme.

Buyer Confidential Information has the meaning given to 'Confidential Information' in the Confidentiality and Exclusivity Agreement.

Buyer Indemnified Parties means Buyer Parent, its officers, employees and advisers, its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Buyer Information means the information regarding the Buyer as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. Buyer Information does not include information about the MergCo Group (except to the extent it relates to any statement of intention relating to the MergCo Group following the Effective Date).

Business Day means a business day as defined in the Listing Rules.

Claim means, in relation to a party, a demand, claim, action or proceeding made or brought against the party, however arising and whether present.

Competing Transaction means a proposal, transaction or arrangement (whether by

way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed substantially in accordance with its terms, would mean a person (other than Buyer or any of its Related Bodies Corporate) whether alone or together with its Associates would:

- (a) directly or indirectly acquire an interest or Relevant Interest in or become a holder of 20% or more of the MergCo Shares (other than as custodian, nominee or bare trustee);
- (b) acquire control of the MergCo or a material member of the MergCo Group, within the meaning of section 50AA of the Corporations Act;
- (c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all of a substantial part of the assets of or business conducted by the MergCo Group; or
- (d) otherwise acquire or merge (including by reverse takeover bid or dual listed company structure) with the MergCo Group.

Conditions Precedent means the conditions precedent set out in clause 3.1.

Confidential Information means Buyer Confidential Information or MergCo Confidential Information.

Controller has the meaning it has in the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Costs includes costs, charges and expenses, including those incurred in connection with advisers and any legal costs on a full indemnity basis.

Court means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed by the parties.

Details means the section of this document headed "Details".

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the PPSA or any agreement to create any of them or allow them to exist.

End Date means the date that is 9 months after the date of this document or such other date as is agreed by Buyer and MergCo.

Exclusivity Period means the period from and including the date of this document to the earlier of:

- (a) the termination of this document in accordance with its terms; and
- (b) the End Date.

Foreign Scheme Shareholder means a Scheme Participant who is a citizen or resident or whose address in the Register as at the Record Date is a place outside Australia or New Zealand unless Buyer agrees in writing that it is lawful and not unduly onerous or impracticable to issue Buyer Shares to that Scheme Participant under the Scheme.

First Court Date means the first day on which an application made to the Court, in accordance with clause 6.2(h), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Implementation Date means the 5th Business Day following the Record Date.

Incoming Director means the persons to be appointed directors of the Buyer on the Implementation Date as notified by MergCo to the Buyer before the Second Court Date.

Independent Expert means the independent expert appointed by the MergCo under clause 6.2(c).

Independent Expert's Report means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether or not in the Independent Expert's opinion the Scheme is fair and reasonable to, and in the best interests of Scheme Shareholders.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document); or
- (d) an order has been made, (it is not stayed, withdrawn or dismissed within 14 days), resolution passed, or any other action taken, in each case in connection with that person, in respect of any of the things described in paragraphs (a), (b) or (c); or
- (e) it has a receiver or manager appointed to any of its assets; or
- (f) it is otherwise unable to pay its debts when they fall due; or
- (g) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Listing Rules means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Material Adverse Effect means a Specified Event which has, has had, or is reasonably likely to have, either individually or when aggregated with any Specified Events of a similar kind or category, the effect of:

- (a) the value of consolidated net assets of the MergCo Group (taken as a whole) being reduced by at least \$1,000,000 against what it would have been but for that Specified Event; or

- (b) the value of consolidated annual net profit after tax of the MergCo Group being reduced by at least \$200,000 against what it would have been but for that Specified Event,

but does not include a Specified Event:

- (c) occurring as a result of any matter, event or circumstance required or permitted by this document or the Scheme or the transaction contemplated by either;
- (d) arising as a result of any generally applicable change in law or governmental policy applicable to Australian business generally;
- (e) arising from changes in economic or business conditions (including interest rates) applicable to Australian business generally;
- (f) arising from a matter disclosed to ASX or in a publicly available document lodged with ASIC by MergCo or Disclosed to Buyer prior to the date of this document;
- (g) occurring with the written consent of Buyer;
- (h) resulting from a change in generally accepted accounting principles or the interpretation of them; or
- (i) resulting from war, terrorism, civil unrest, act of God, lightning, storm, flood, bushfire, earthquake or explosion, cyclone, tidal wave, landslide, adverse weather conditions occurring on or after the date of this document.

MergCo Board means the board of directors of the MergCo.

MergCo Constitution means the constitution of the MergCo.

MergCo Group means the MergCo and its Subsidiaries.

MergCo Indemnified Parties means the MergCo, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

MergCo Information means all information contained in the Scheme Booklet other than the Buyer Information and the Independent Expert's Report.

MergCo Prescribed Event means, except to the extent contemplated by this document or the Scheme, any of the following events:

- (a) **(conversion)** the MergCo converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** the MergCo or another member of the MergCo Group resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares;

- (c) **(buy-back)** the MergCo or another member of the MergCo Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** the MergCo makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for the Permitted Dividend or as otherwise approved in writing by Buyer Parent;
- (e) **(issuing or granting shares or options)** any member of the MergCo Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option,

in each case other than as Disclosed to Buyer Parent, to a person who is not a MergCo or wholly-owned entity of the MergCo Group, subject to clause 4.6 of this document;
- (f) **(securities or other instruments)** any member of the MergCo Group issues or agrees to issue securities or other instruments convertible into shares or debt securities in each case to a person who is not a MergCo or wholly-owned entity of the MergCo Group;
- (g) **(constitution)** the MergCo adopts a new constitution or modifies or repeals its constitution or a provision of it, other than as agreed between the MergCo and Buyer;
- (h) **(disposals)** any member of the MergCo Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (i) **(acquisitions, disposals or tenders)** any member of the MergCo Group
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for,

any business, assets, entity or undertaking the value of which exceeds \$1,000,000 other than in the ordinary course of business (individually or in aggregate);
- (j) **(Encumbrances)** any member of the MergCo Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, the whole or a substantial part of its business or property;
- (k) **(employment arrangements)** any member of the MergCo Group:
 - (i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees whose total employment cost exceeds \$100,000;
 - (ii) accelerates the rights of any of its directors or employees to

compensation or benefits of any kind (including under any MergCo executive or employee share plans) whose total employment cost exceeds \$100,000; or

- (iii) pays any of its directors or employees whose total employment cost exceeds \$100,000 a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this document);

(l) **(commitments and settlements)** any member of the MergCo Group:

- (i) enters into any contract or commitment involving revenue or expenditure of more than \$1,000,000 over the term of the contract or commitment, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
- (ii) (without limiting the above) enters into any contract or commitment relating to the same matter or project involving revenue or expenditure which exceeds \$1,000,000 in aggregate over the term of the contracts or commitments, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
- (iii) terminates or amends in a material manner any contract material to the conduct of the MergCo Group's business or which involves revenue or expenditure of more than \$1,000,000 over the term of the contract, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; or
- (iv) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$1,000,000) less than the full compensation due to the MergCo or a Subsidiary of the MergCo;

(m) **(Insolvency)** the MergCo or any of its Related Bodies Corporate becomes Insolvent,

provided that a MergCo Prescribed Event listed in items (a) to (n) will not occur where the MergCo has first consulted with Buyer in relation to the event and Buyer has approved the proposed event.

MergCo Representations and Warranties means the representations and warranties of the MergCo set out in clause 12.1.

MergCo Share means an ordinary fully paid share in the capital of the MergCo.

MergCo Shareholder means each person registered in the Register as a holder of MergCo Shares.

MergCo Board means the board of directors of the MergCo.

MergCo Constitution means the constitution of the MergCo.

MergCo Group means the MergCo and its Subsidiaries.

MergCo Indemnified Parties means the MergCo, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

MergCo Information means all information contained in the Scheme Booklet other than the Buyer Information and the Independent Expert's Report.

MergCo Prescribed Event means, except to the extent contemplated by this document or the Scheme, any of the following events:

- (n) **(conversion)** the MergCo converts all or any of its shares into a larger or smaller number of shares;
- (o) **(reduction of share capital)** the MergCo or another member of the MergCo Group resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares;
- (p) **(buy-back)** the MergCo or another member of the MergCo Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (q) **(distribution)** the MergCo makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for the Permitted Dividend or as otherwise approved in writing by Buyer Parent;
- (r) **(issuing or granting shares or options)** any member of the MergCo Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option,

in each case other than as Disclosed to Buyer Parent, to a person who is not a MergCo or wholly-owned entity of the MergCo Group, subject to clause 4.6 of this document;
- (s) **(securities or other instruments)** any member of the MergCo Group issues or agrees to issue securities or other instruments convertible into shares or debt securities in each case to a person who is not a MergCo or wholly-owned entity of the MergCo Group;
- (t) **(constitution)** the MergCo adopts a new constitution or modifies or repeals its constitution or a provision of it, other than as agreed between the MergCo and Buyer;
- (u) **(disposals)** any member of the MergCo Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (v) **(acquisitions, disposals or tenders)** any member of the MergCo Group
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for,

any business, assets, entity or undertaking the value of which exceeds \$1,000,000 other than in the ordinary course of business (individually or in

aggregate);

- (w) **(Encumbrances)** any member of the MergCo Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, the whole or a substantial part of its business or property;
- (x) **(employment arrangements)** any member of the MergCo Group:
 - (i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees whose total employment cost exceeds \$100,000;
 - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind (including under any MergCo executive or employee share plans) whose total employment cost exceeds \$100,000; or
 - (iii) pays any of its directors or employees whose total employment cost exceeds \$100,000 a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this document);
- (y) **(commitments and settlements)** any member of the MergCo Group:
 - (i) enters into any contract or commitment involving revenue or expenditure of more than \$1,000,000 over the term of the contract or commitment, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
 - (ii) (without limiting the above) enters into any contract or commitment relating to the same matter or project involving revenue or expenditure which exceeds \$1,000,000 in aggregate over the term of the contracts or commitments, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
 - (iii) terminates or amends in a material manner any contract material to the conduct of the MergCo Group's business or which involves revenue or expenditure of more than \$1,000,000 over the term of the contract, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; or
 - (iv) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$1,000,000) less than the full compensation due to the MergCo or a Subsidiary of the MergCo;
- (z) **(Insolvency)** the MergCo or any of its Related Bodies Corporate becomes Insolvent,

provided that a MergCo Prescribed Event listed in items (a) to (n) will not occur where the MergCo has first consulted with Buyer in relation to the event and Buyer has approved the proposed event.

MergCo Representations and Warranties means the representations and warranties of the MergCo set out in clause 12.1.

MergCo Share means an ordinary fully paid share in the capital of the MergCo.

MergCo Shareholder means each person registered in the Register as a holder of MergCo Shares.

Outgoing Director means the nominated directors of the MergCo in office and the nominated directors of the Buyer in office immediately before the Implementation Date that will resign or retire on Completion.

Proposed Transaction means the proposed acquisition of the MergCo Shares by Buyer by way of a scheme of arrangement.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Record Date means 5.00pm on the third Business Day following the Effective Date or such other date as the MergCo and Buyer agree.

Register means the share register of the MergCo and **Registry** has a corresponding meaning.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Authority includes:

- (a) ASX, ACCC, ASIC and the Takeovers Panel;
- (b) TSXV;
- (c) a government or governmental, semi-governmental or judicial entity or authority;
- (d) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (e) any regulatory organisation established under statute.

Reimbursement Fee means \$100,000.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Party has the meaning given in the Corporations Act.

Relevant Interest has the meaning it has in sections 608 and 609 of the Corporations Act.

Representative means, in relation to a party:

- (a) a Related Body Corporate;
- (b) a director, officer or employee of the party or any of the party's Related Bodies Corporate; or
- (c) an adviser to the party or any of the party's Related Bodies Corporate, where an "adviser" means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity and who has been engaged by that entity.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act under which the Scheme Shares will be transferred to Buyer substantially in the form of Annexure B together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Scheme Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act and notices of meeting and proxy forms.

Scheme Consideration means the consideration payable by Buyer for the transfer of Scheme Shares held by a Scheme Participant to Buyer, as defined in the Scheme.

Scheme Meeting means the meeting to be convened by the Court at which Scheme Shareholders will vote on the Scheme.

Scheme Participants means each person who is a Scheme Shareholder at the Record Date.

Scheme Share means all MergCo Shares.

Scheme Shareholder means the holder of Scheme Shares.

Scrip Consideration means one Buyer Share for each three (3) Scheme Share in the Seller respect of which a Scheme Participant.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Specified Event means an event, occurrence or matter (including the announcement or commencement of a Claim, dispute, litigation or a material enforcement action or investigation by a Regulatory Authority) that:

- (a) occurs after the date of this document; or
- (b) occurs before the date of this document but is only announced or publicly disclosed after the date of this document.

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and
- (b) is part of a consolidated group constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares, or would be if the first entity was required to prepare consolidated financial statements.

Superior Proposal means a bona fide written proposal of the kind referred to in the definition of "Competing Transaction" which the MergCo Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction, including its conditions; and
- (b) more favourable to Scheme Shareholders than the Scheme, taking into account all aspects of the Competing Transaction, including the identity, reputation and financial condition of the person making such proposal, legal, regulatory and financial matters.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (a) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (b) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (a) Confidentiality and Exclusivity Agreement;
- (b) Scheme;
- (c) Scheme Booklet; and
- (d) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

TSXV means the TSX Venture Exchange.

TSXV Policies means the rules and policies of the TSXV, including the policies in the Corporate Finance Manual of the TSXV, modified to the extent of any express written waiver by TSXV.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;

- (i) a reference to “**law**” includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to “**regulations**” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually; and
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it.

1.3 Inconsistent agreements

If a provision of this document is inconsistent with a provision of another Transaction Document, the provisions of this document prevail to the extent of the inconsistency.

1.4 Confidentiality and Exclusivity Agreement

The Confidentiality and Exclusivity Agreement continues to have effect as at the date of this document, with the exception of the exclusivity provisions in clause 14 of the Confidentiality and Exclusivity Agreement which cease to have effect and are replaced with the exclusivity provisions in clause 10 of this document.

2 Agreement to propose and implement Scheme

2.1 MergCo to propose Scheme

The MergCo agrees to propose the Scheme on and subject to the terms and conditions of this document.

2.2 Buyer

Buyer must procure that Buyer complies with all relevant obligations of Buyer under this document and the Scheme.

2.3 Agreement to implement Scheme

The parties agree to implement the Scheme on the terms and conditions of this document.

3 Conditions Precedent

3.1 Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Buyer under clause 4.3 are not binding, until each of the following Conditions Precedent are satisfied or waived to the extent and in the manner set out in this clause.

Condition Precedent		Party entitled to benefit	Party responsible
(a)	(Shareholder approval) Scheme Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.	Cannot be waived	MergCo
(b)	(Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	Cannot be waived	MergCo
(c)	(Regulatory intervention) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.	Both	Both
(d)	(No Material Adverse Effect) no Material Adverse Effect occurs between the date of this document and 8.00am on the Second Court Date.	Both Parties	Both
(e)	No Superior Proposal being made in respect of the Seller occurs between the date of this document and 8.00am on the Second Court Date.;	Seller	Seller
(f)	No takeover offer nor Superior Proposal has been made for the Buyer occurs between the date of this document and 8.00am on the Second Court Date;	Buyer	Buyer
(g)	(Delisting) The Buyer shall have delisted its common shares from trading on the TSXV as soon as possible but no later than completion.	Buyer	Buyer
(h)	(Shareholder Approval) the shareholders of the Buyer shall have approved the Proposed Transactions, if required pursuant to applicable laws or the TSXV Policies.	Cannot be waived	Buyer

3.2 Reasonable endeavours

Each of the MergCo and Buyer agree to use reasonable endeavours to procure that:

- (a) each of the Conditions Precedent for which it is a party responsible (as noted in clause 3.1):
 - (i) is satisfied as soon as practicable after the date of this document; and
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and

- (b) there is no occurrence within its control or the control of its Subsidiaries that would prevent the Condition Precedent for which it is a party responsible being satisfied.

For the avoidance of doubt, the MergCo will not be in breach of its obligations under clause 3.2(a) or clause 3.2(b) to the extent that it takes an action or omits to take an action in response to a Competing Transaction as permitted by clause 10.

3.3 Waiver of Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by the party or parties entitled to the benefit of that Condition Precedent as noted in clause 3.1 and will be effective only to the extent specifically set out in that waiver.
- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.3 may do so in its absolute discretion.
- (c) If either the MergCo or Buyer waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause 3.3, then:
 - (i) subject to clause 3.3(c)(ii), that waiver precludes that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
 - (ii) if the waiver of the Condition Precedent is itself conditional and the other party:
 - (A) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with clause 3.3(c)(i); or
 - (B) does not accept the condition, the Condition Precedent has not been waived.
- (d) A waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:
 - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent arising from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.4 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;
- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied; and
- (c) **(notice of waiver)** upon receipt of a notice given under clause 3.4(b), give written notice to the other party as soon as possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent

resulting from the occurrence of that event, specifying the Condition Precedent in question.

3.5 Consultation on failure of Condition Precedent

If:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or
- (c) the Scheme has not become Effective by the End Date,

the parties must consult in good faith with a view to determine whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or
- (f) to extend the End Date.

3.6 Failure to agree

If the parties are unable to reach agreement under clause 3.5 within 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (a) subject to clause 3.6(b), either party may terminate this document (and that termination will be in accordance with clause 13.1(g)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and that termination will be in accordance with clause 13.1(g)(ii)),

in each case before 8.00am on the Second Court Date. A party will not be entitled to terminate this document under this clause if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of a breach of this document by that party or a deliberate act or omission of that party.

4 Outline of Scheme

4.1 Scheme

The MergCo must propose a scheme of arrangement under which:

- (a) all of the Scheme Shares held by Scheme Participants at the Record Date will be transferred to Buyer; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration.

4.2 Scheme Consideration

Subject to and in accordance with this document and the Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Participant.

4.3 Issue of Buyer Shares

- (a) Subject to the Scheme becoming Effective, Buyer must issue Buyer Shares to the Scheme Participants
- (b) The Buyer must call a shareholder meeting if required to approve this Scheme and all directors would be required to recommend that the Buyer's shareholders vote in favour of any resolution required to approve this Scheme and undertake to personal vote in favour of any shares in the Buyer that they directly control.
- (c) Each Buyer Share issued as Scrip Consideration or pursuant to the Buyer Share Offer will:
 - (i) rank equally in all respects with each other Buyer Share and will have the rights set out in the Buyer Constitution and the Buyer Shareholders Deed; and
 - (ii) be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (d) To facilitate the issue of Buyer Shares to Scheme Participants, the MergCo must procure the provision to Buyer of, a complete copy of the Register as at the Record Date (which must include the name, address and registered holding of each Scheme Participant as at the Record Date), within two Business Days after the Record Date. The details and information to be provided under this clause must be provided in such form as Buyer may reasonably require.

5 Implementation

5.1 General obligations

The MergCo and Buyer must each:

- (a) use all reasonable endeavours and commit reasonably necessary resources; and
- (b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party,

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable.

5.2 MergCo's obligations

Subject to any change of recommendation by the MergCo Board that is permitted by clause 7, the MergCo must take all reasonable steps to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in a form agreed between the MergCo and Buyer (on the basis of statements made to the MergCo by each member of the MergCo Board) that:

- (i) the MergCo Board intends to unanimously recommend to Scheme Participants that the Scheme be approved; and
 - (ii) each MergCo Board member who holds Scheme Shares, intends to vote Scheme Shares that he or she directly or indirectly owns or controls in favour of the Scheme,
- subject to:
- (iii) the Independent Expert concluding, and continuing to conclude, that the Scheme is fair and reasonable to, and in the best interests of, the Scheme Shareholders; and
 - (iv) there being no Superior Proposal.
- (b) **(preparation of Scheme Booklet)** subject to clause 6.2(e)(i), as soon as practicable after the date of this document, prepare and despatch the Scheme Booklet:
- (i) in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules; and
 - (ii) which includes a statement by the MergCo Board:
 - (A) unanimously recommending that Scheme Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to, and in the best interests of, Scheme Shareholders and there being no Superior Proposal; and
 - (B) that each MergCo Board member who holds Scheme Shares intends to vote Scheme Shares that he or she directly or indirectly owns or controls in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to, and in the best interests of, Scheme Shareholders and there being no Superior Proposal;
- (c) **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare its report for the Scheme Booklet as soon as practicable;
- (d) **(section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (e) **(Mergco Information)** prepare and promptly provide to the Buyer for inclusion in the Information Circular to be prepared by the Buyer in relation to the Proposed Transaction, if any, all information concerning Mergco as may be required in accordance with all applicable laws;
- (f) **(further Mergco Information)** promptly provide to the Buyer any further or new Buyer Information as may arise after the Information Circular, if any, has been sent to Buyer Shareholders and until the date of the Buyer Meeting, if any, as may be necessary to ensure that the information contained in the Information Circular relating to Mergco is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission);

- (g) **(consultation with Buyer)** consult with Buyer as to the content and presentation of:
 - (i) the Scheme Booklet, which includes:
 - (A) allowing Buyer a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet (accepting that any review of the Independent Expert's Report is limited to review for factual accuracy of those parts that include information relating to Buyer);
 - (B) taking any reasonable comments made by Buyer into account in good faith when producing a revised draft of the Scheme Booklet;
 - (C) providing to Buyer a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act is finalised; and
 - (D) obtaining Buyer's consent to the inclusion of Buyer Information (including in respect of the form and context in which Buyer Information appears in the Scheme Booklet); and
 - (ii) documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating processes, affidavits, submissions and draft minutes of Court orders), and consider in good faith any comments on, or suggested amendments to, those documents from Buyer prior to filing those documents with the Court;
- (h) **(lodgment of Regulator's Draft)**
 - (i) no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet ("**Regulator's Draft**") to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the Regulator's Draft to Buyer immediately thereafter; and
 - (ii) keep Buyer reasonably informed of any material issues raised by ASIC in relation to the Regulator's Draft and, where practical to do so, consult with Buyer in good faith prior to taking any steps or actions to address those material issues (provided that, where those issues relate to Buyer Information, the MergCo must not take any steps to address them without Buyer's prior written consent, not to be unreasonably withheld);
- (i) **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing the MergCo to convene the Scheme Meeting;
- (j) **(send Scheme Booklet)** send the Scheme Booklet to Scheme Shareholders as soon as practicable after the Court orders the MergCo to convene the Scheme Meeting;
- (k) **(Scheme Meeting)** convene the Scheme Meeting to agree to the Scheme in accordance with any orders made by the Court pursuant to section 411(1) of the Corporations Act;

- (l) **(director's voting)** use its reasonable endeavours to procure that each member of the MergCo Board votes any Scheme Shares in which they have a Relevant Interest in favour of the Scheme unless there has been a change of recommendation as permitted under clause 7.1;
- (m) **(Court approval)** subject to all Conditions Precedent, other than paragraph (b) in clause 3.1 being satisfied or waived in accordance with this document, apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;
- (n) **(Conditions Precedent certificate)** at the hearing on the Second Court Date, provide to the Court (through its counsel):
 - (i) a certificate confirming (in respect of matters within the MergCo's knowledge) whether or not the Conditions Precedent for which it is responsible, as noted in clause 3.1 (other than paragraph (b)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to Buyer by 5.00pm on the Business Day prior to the Second Court Date; and
 - (ii) any certificate provided to it by Buyer under clause 6.3(f);
- (o) **(lodge copy of Court order)** lodge with ASIC an office copy of the Court order approving the Scheme as approved by the Scheme Shareholders at the Scheme Meeting in accordance with section 411(10) of the Corporations Act no later than 5pm on the Business Day after that office copy is received (or any later date agreed in writing by Buyer Parent);
- (p) **(Register)** close the Register as at the Record Date to determine the identity of Scheme Participants and their entitlements to Scheme Consideration;
- (q) **(instruments of transfer)** subject to Buyer and Buyer satisfying their obligations under clause 4.3, on the Implementation Date:
 - (i) execute proper instruments of transfer and effect the transfer of Scheme Shares to Buyer in accordance with the Scheme; and
 - (ii) register all transfers of Scheme Shares held by Scheme Participants to Buyer;
- (r) **(listing)** take all reasonable steps to maintain the MergCo's listing on ASX, notwithstanding any suspension of the quotation of the MergCo Shares, up to and including the date referred to in clause 6.2(q); and
- (s) **(other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

5.3 Buyer's obligations

Buyer must take all commercially reasonable steps to assist the MergCo to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in a form agreed between the MergCo and Buyer (on the basis of statements made to the Buyer by each member of the Buyer Board) that:

- (i) the Buyer Board intends to unanimously recommend to its shareholders vote in favour of any resolution required to enable the Scheme; and
- (ii) each Buyer Board member who holds Buyers Shares, intends to vote Buyers Shares that he or she directly or indirectly owns or controls in favour of the Scheme,

subject to:

- (iii) there being no Superior Proposal.
- (b) **(Buyer Information)** prepare and promptly provide to the MergCo for inclusion in the Scheme Booklet the Buyer Information (in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules) and consent to the inclusion of that information in the Scheme Booklet;
- (c) **(further Buyer Information)** promptly provide to the MergCo any further or new Buyer Information as may arise after the Scheme Booklet has been sent to Scheme Shareholders and until the date of the Scheme Meeting as may be necessary to ensure that the Buyer Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission) and to ensure that there would be no breach of clause 12.3(g) if it applied as at the date on which such further or new Buyer Information arose;
- (d) **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (e) **(representation)** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel, Buyer must undertake, and procure that Buyer undertake (if requested by the Court) to do all things and take all steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this document and the Scheme;
- (f) **(Conditions Precedent certificate)** before 8.00am on the Second Court Date, provide to the MergCo for provision to the Court at the hearing on that date a certificate confirming (in respect of matters within Buyer's knowledge) whether or not the Conditions Precedent for which Buyer is responsible, as noted in clause 3.1 (other than paragraph (b)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to the MergCo by 5.00pm on the Business Day prior to the Second Court Date;
- (g) **(Share transfer)** if the Scheme becomes Effective, procure that Buyer accept a transfer of the MergCo Shares as contemplated by clause 4.3(a);
- (h) **(listing)** take all reasonable steps to maintain the Buyer's listing on ASX, notwithstanding any suspension of the quotation of the Buyer Shares;
- (i) **(Buyer Meeting)** convene and hold the Buyer Meeting to approve the Proposed Transaction, if required pursuant to applicable laws or the TSXV Policies;

- (j) The Buyer will issue up to 1,000,000 shares in the Buyer for certain directors of the Buyer on completion.
- (k) The Buyer will give notice to Shaun Maskerine and any other contractor relevant notice, as required, that their services shall be not required on completion.
- (l) **(Scheme Consideration)** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4.3(b) and the terms of the Scheme; and
 - (i) To appoint the directors nominated by the Seller pursuant to clause 7;
 - (ii) Delist its shares from the TSX Venture Exchange as soon as possible but not later than the closing of the transactions – so that shares are only listed on the ASX;
 - (iii) The Buyer and Seller agrees that they will establish a new business to be called Pure Gas that will investigate the feasibility of making Hydrogen and Graphite from Methane.
 - (iv) will issue shares to the directors of the Seller in lieu of director's fees (subject to shareholder approval) and accordance with their contracts agreed by the Seller. The amount of shares issued will be provided by a formula of the VWAP of the Buyer's share Price.

5.4 Scheme Booklet responsibility statement

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties, will contain words to the effect of:

- (a) the MergCo has prepared, and is responsible for, the content of the Scheme Booklet other than, to the maximum extent permitted by law, the Buyer Information, the Independent Expert's Report or any other report or letter issued to the MergCo by a third party; and
- (b) Buyer has prepared, and is responsible for, the Buyer Information in the Scheme Booklet (and no other part of the Scheme Booklet).

5.5 Verification

Each party must undertake appropriate verification processes for the information supplied by that party in the Scheme Booklet.

5.6 Conduct of Court proceeding

The MergCo and Buyer are entitled to separate representation at all Court proceedings relating to the Scheme. This document does not give the MergCo or Buyer any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent. The MergCo must give, and Buyer must procure that Buyer give, all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this document.

5.7 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, the MergCo, and Buyer must, appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or

- (b) an independent senior counsel of the New South Wales bar advises that, in their opinion, an appeal would have no reasonable prospect of success before the End Date,

in which case either party may terminate this document in accordance with clause 13.1(g)(iii).

5.8 Transaction Implementation Committee

The parties must establish a Transaction Implementation Committee as soon as reasonably practical after the date of this document. The role of the Transaction Implementation Committee will be to act as a forum for consultation and planning by the parties to:

- (a) implement the Scheme; and
- (b) subject to clause 6.10, ensure the smooth transition of the management of the business and affairs of the MergCo Group to the Buyer following the implementation of the Scheme.

5.9 No partnership or joint venture

Subject to this document, nothing in this clause requires either party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date. The parties agree that nothing in this document constitutes the relationship of a partnership or a joint venture between the parties.

6 Board recommendation

6.1 Best endeavours MergCo

The MergCo must use its commercial reasonable best endeavours to procure that none of its directors withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or
- (b) the Independent Expert concludes that the Scheme is not fair and reasonable to, or not in the best interests of, the Scheme Shareholders, or adversely changes its previously given opinion that the Scheme is fair and reasonable to and in the best interests of the Scheme Shareholders; and
- (c) the MergCo Board determines in good faith and acting reasonably, having received expert advice in writing from its legal advisors that they must do so because of their fiduciary or statutory duties to Scheme Shareholders.

6.2 Best endeavours Buyer

The Buyer must use its commercially reasonable best endeavours to procure that none of its directors withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or
- (b) the Buyer Board determines in good faith and acting reasonably, having received expert advice in writing from its legal advisors that they must do so because of their fiduciary or statutory duties to their Shareholders.

7 Directors and employees

7.1 Release of MergCo and MergCo directors and officers

Subject to the Corporations Act, Buyer releases its rights, and agrees with the MergCo that it will not make a claim, against any MergCo Indemnified Party (other than the MergCo and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of the MergCo or any other member of the MergCo Group in this document; or
- (b) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except whether the MergCo Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 8.1 limits the Buyer Parent's rights to terminate this document under clause 13.1.

7.2 Release of Buyer and Buyer directors and officers

Subject to the Corporations Act, the MergCo releases its rights, and agrees with Buyer that it will not make a claim, against any Buyer Indemnified Party (other than Buyer and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of Buyer or any other member of the Buyer Group in this document; or
- (b) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except whether the Buyer Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 8.2 limits the MergCo's rights to terminate this document under clause 13.1.

7.3 Benefit for Buyer Indemnified Parties

Buyer receives and holds the benefit of this clause to the extent it relates to each Buyer Indemnified Party on behalf of each of them.

7.4 Benefit for MergCo Indemnified Parties

The MergCo receives and holds the benefit of this clause to the extent it relates to each MergCo Indemnified Party on behalf of each of them.

7.5 Appointment/retirement of Buyer directors

On the Implementation Date, the Buyer will do all things necessary to ensure the Buyer shall have the following board of directors:

- (a) Ron Prefontaine - Non-Executive Chairman;
- (b) Scott Brown - Managing Director and CEO;
- (c) Buyer nominee - Non-Executive Director; and
- (d) Seller nominee - Non-Executive Director.

The parties intend that on completion of the Plan, the directors noted above shall be remunerated as follows:

- (e) Ron Prefontaine (Non-Executive Chairman) - \$50,000 per annum paid in Buyer shares pursuant to a shareholder approved director fee plan, otherwise in cash;
- (f) Scott Brown (Managing Director and CEO) –employment will be transferred to the Buyer on the terms and conditions of the Employment Agreement in place on the date of this Agreement which will including any entitlements which he may be entitled to will also be transferred to the Buyer. The parties agree the change of control provisions of Mr Brown’s employment agreement will not apply to this proposal and will be modification of termination clause of Mr Brown’s employment at close;
- (g) Non-Executive Directors - \$30,000 per annum paid in Buyer shares pursuant to shareholder approved director fee plan, otherwise in cash; and
- (h) The Buyer and MergCo will ensure the Outgoing Directors will resign on or before the Implementation Date;
- (i) The parties agrees that the following employees or contractors of the Buyer and MergCo shall remain employed until 26 December 2020 on terms and conditions of the Employment/Consultancy Agreement in place on the date of this Agreement: David Hettich, Modisana Botsile and Ying Ou.
- (j) Any short or long term incentive plan approved by the Board of Buyer after completion of the Plan, and subsequently approved by the shareholders of the Buyer and cause the appointment of each Incoming Director to the MergCo Board; and

in each case, in accordance with the Buyer’s Constitution, the Corporations Act and the Listing Rules.

8 Conduct of business

8.1 Overview

From the date of this document up to and including the Implementation Date, the Buyer and MergCo must, conduct their respective businesses in the ordinary course and in substantially the same manner as previously conducted.

8.2 Specific obligations

Without limiting clause 9.1 and other than with the prior approval of MergCo or the Buyer(which approval must not be unreasonably withheld or delayed) or as required by this document, during the period contemplated by clause 9.1, use reasonable endeavours to ensure that the Buyer or MergCo:

- (a) **(business and assets)** maintains the condition of its business and assets;
- (b) **(officers and employees)** keeps available the services of its officers and employees;
- (c) **(change of control consents)** provides all assistance as may reasonably be

requested by the Buyer to obtain any change of control consents identified by the Buyer Group as being required in connection with the Proposed Transaction;

- (d) **(Claim)** promptly notifies Buyer of any material Claims (including, without limitation, before a court or Government Agency) which may be threatened, brought, asserted or commenced against any member of the MergCo Group or their directors or officers and consult with Buyer in relation to such matter to the extent reasonably required;
- (e) **(no MergCo Prescribed Event or Material Adverse Effect)** ensures that, between (and including) the date of this document and 8.00am on the Second Court Date, there is no occurrence reasonably within its control or the control of any MergCo Group entity that would constitute a MergCo Prescribed Event or Material Adverse Effect; and
- (f) **(notification)** promptly notifies the Buyer of anything of which it becomes aware that makes any of the MergCo Representations and Warranties false, inaccurate, misleading or deceptive in any material respect.

8.3 Prohibited actions

Other than with the prior approval of either the Seller or the Buyer (as the case may be) (which approval must not be unreasonably withheld or delayed) or as required by this document the MergCo must not, and must ensure that each member of the MergCo or the Buyer does not, during the period referred to in clause 9.1:

- (a) **(acquisitions, disposals and tenders);**
 - (i) acquire or dispose of;
 - (ii) agree to acquire or dispose of; or
 - (iii) offer, propose, announce a bid or tender for,

any business, assets or securities, entity or undertaking the value of which exceeds \$500,000 individually or \$1,000,000, other than in the ordinary course of business, in aggregate (outside transactions otherwise Disclosed or approved);
- (b) **(financial accommodation)** other than in the ordinary course of business, provide financial accommodation other than to members of the MergCo Group in excess of A\$100,000 (individually or in aggregate);
- (c) **(employment agreements)** other than in the ordinary course of business, increase the remuneration of (including with regard to superannuation benefits) or benefits provided to or pay any bonus (other than in accordance with existing arrangements and in the ordinary course) or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors or employees;
- (d) **(termination payments)** pay a director, executive or employee a termination payment, other than as provided for in an existing employment contract in place as at the date of this document;
- (e) **(dividends)** announce, declare or pay any dividends other than the Permitted Dividend;
- (f) **(capital Raising)** No capital raising except the parties acknowledge, that between the End Date and the completion of the Acquisition or Plan,

either party may raise up to \$500,000 through the issue of shares and/or options. If this clause applies then the party proposing the issue shall promptly notify the other party of the proposed issue. In addition the Seller intends to issue about 1.3 Million shares to a supplier of the Seller before completion.

- (g) **(competing commitments)** other than in the ordinary course of business, entering into a contract or commitment restraining a member of either the Seller or the Buyer from competing with any person or conducting activities in any market;
- (h) **(tax)** do anything that would result in a change in the Buyer's or MergCo Consolidated Tax Group; or
- (i) **(agree)** agree to do any of the matters set out above.

8.4 Exceptions to conduct of business provisions

Nothing in this clause 8 restricts the ability of the MergCo to take any action which:

- (a) is expressly required or permitted by this document, the Scheme, or otherwise required by law or any order of a Court or Regulatory Authority;
- (b) has been Disclosed to Buyer prior to the date of this Agreement;
- (c) has been disclosed by the MergCo to ASX before the date of this document;
- (d) has been agreed to in writing by Buyer; or
- (e) is undertaken in the ordinary course of the MergCo Group's business.

8.5 Access to people and MergCo Information

Between the date of this document and the Implementation Date, so long as the MergCo Board considers the Scheme to be in the best interests of, the Scheme Shareholders, the MergCo must:

- (a) as soon as reasonably practicable provide Buyer and its officers and advisers with any documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) reasonably requested by them; and
- (b) provide Buyer and its officers and advisers with reasonable access to the MergCo's officers and advisers which Buyer reasonably requires for the purposes of:
 - (i) understanding the MergCo's financial position (including its cash flow and working capital position), trading performance and management control systems;
 - (ii) implementing the Scheme;
 - (iii) preparing for carrying on the business of the MergCo following implementation of the Scheme; and
 - (iv) any other purpose which is agreed in writing between the parties.

provided that:

- (c) nothing in this clause requires the MergCo to provide information concerning the MergCo's consideration of the Scheme; and
- (d) compliance with any such request would not, in the MergCo's reasonable opinion, result in undue disruption to the MergCo Group's business.

9 Exclusivity

9.1 No existing discussions

- (a) The MergCo represents and warrants that, other than the discussions with Buyer and its Representatives in respect of the Scheme, it is not currently in negotiations or discussions in respect of any Competing Transaction with any person.
- (b) Buyer represents and warrants that, other than discussions with the MergCo and its Representatives in respect of the Proposed Transaction, neither they nor their Related Bodies Corporate are currently in negotiations or discussions in respect of any Competing Transaction with any person.

9.2 No-shop

During the Exclusivity Period, MergCo and Buyer must ensure that neither it nor any of its Representatives directly or indirectly:

- (a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- (b) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction.

9.3 No-talk

Subject to clause 9.5, during the Exclusivity Period, the MergCo and Buyer must ensure that neither it nor any of its Representatives:

- (a) negotiates or enters into; or
- (b) participates in negotiations or discussions regarding,

a Competing Transaction or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by the MergCo or any of its Representatives or even if the person has publicly announced the Competing Transaction.

9.4 Due diligence information

Subject to clauses [9.5 and 9.6], during the Exclusivity Period, the MergCo must ensure that neither it nor any of its Representatives in relation to a Competing Transaction:

- (a) enables any person other than Buyer to undertake due diligence investigations on any member of the MergCo Group or their businesses or operations; or
- (b) makes available to any person, or permits any person to receive, other than

Buyer (in the course of due diligence investigations or otherwise) any non-public information relating to any member of the MergCo Group or their businesses or operations.

9.5 Exceptions

Clause 9.3 and clause 9.4 and the obligation under clause 9.7(a) to inform the Buyer or MergCo respectively, of the identity of a potential Third Party Buyer or acquirer do not apply to the extent that they restrict the MergCo or Buyer from taking or refusing to take any action with respect to a genuine potential Competing Transaction (which was not solicited, invited, encouraged or initiated by them in contravention of clause 9.2) provided that they, through the board has determined, in good faith and acting reasonably that:

- (a) after consultation with its financial advisors, such a genuine Competing Transaction is, or could reasonably be considered to become, a Superior Proposal; and
- (b) after receiving legal advice from its external legal advisers (who must be reputable advisers experienced in transactions of this nature) that failing to respond to such a genuine Competing Transaction would be reasonably likely to constitute a breach of the MergCo or Buyer Board's fiduciary or statutory obligations.

9.6 Further exceptions

Nothing in this document prevents the MergCo or Buyer from:

- (a) continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Scheme or its business generally; or
- (b) fulfilling its continuous disclosure requirements.

9.7 Notice of unsolicited approach

During the Exclusivity Period, MergCo or Buyer must promptly inform the other party if it or any of its Representatives:

- (a) receives any unsolicited approach with respect to any Competing Transaction and must disclose to the other party reasonable details of the Competing Transaction, including price and the identity of the potential Third Party Buyer or acquirer in respect of the actual, proposed or potential Competing Transaction.
- (b) receives any information relating to the MergCo or any of its Related Bodies Corporate or any of their businesses or operations or any request for access to the books or records of the MergCo or any of its Related Bodies Corporate, which the MergCo believes relates, or is likely to relate, to a current or future Competing Transaction.

9.8 Matching right

Without limiting clauses 10.2 and 10.3 but subject to clause 10.5, during the Exclusivity Period, either party must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, proposes or propose to undertake or give effect to an actual, proposed or potential Competing Transaction unless:

- (a) the relevant Board acting in good faith and in order to satisfy what the Board considers to be its statutory or fiduciary duties (having received advice from its external legal advisers), determines that the Competing

Transaction would be or would be likely to be an actual, proposed or potential Superior Proposal;

- (b) the relevant party has provided the other party with reasonable details of the actual, proposed or potential Competing Transaction, including price and the identity of the Third Party making the actual, proposed or potential Competing Transaction;
- (c) the relevant party has provided the other party at least 3 Business Days after the date of the provision of the information referred to in clause 9.8(b) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction; and
- (d) the other party has not submitted a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction by the expiry of the 3 Business Day period referred to in clause 9.8(c), which the relevant Board, acting reasonably and in good faith, determines would provide an equivalent or superior outcome for Scheme Shareholders as a whole compared with the Competing Transaction.

The parties acknowledge and agree that each successive modification of any actual, proposed or potential Competing Transaction will constitute a new actual, proposed or potential Competing Transaction for the purposes of the requirements under clause 9.8 and accordingly each relevant party must comply with clause 9.8(a) and clause 9.8(b) in respect of any new actual, proposed or potential Competing Transaction unless clauses 9.8(c) and 9.8(d) (inclusive) apply.

9.9 Buyer counterproposal

If one party proposes or announces amendments to the Proposed Transaction or a new proposal that constitute a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction ("**Buyer Counterproposal**") by the expiry of the 3 Business Day period referred to in clause 9.8(c), then the other party must procure considers the Buyer Counterproposal and if the relevant Board, acting reasonably and in good faith, determines that the Buyer Counterproposal would provide an equivalent or superior outcome for Scheme Shareholders as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of the Buyer Counterproposal, then:

- (a) the MergCo and Buyer must use their best endeavours to agree the amendments to this document and, enter into, the transaction documents that are reasonably necessary to reflect the Buyer
- (b) Counterproposal and to implement the Buyer Counterproposal, in each case as soon as reasonably practicable; and
- (c) Each party must procure that each of the directors of their respective Company continues to recommend the Proposed Transaction (as modified by the Buyer Counterproposal) to Scheme Shareholders.

10 Reimbursement Fee

10.1 Background

This clause has been agreed in circumstances where:

- (a) the Plan will deliver significant benefits to both parties;
- (b) the Seller Termination Fee and the Buyer Termination Fee (defined below) are a genuine and reasonable pre-estimate of the costs and losses which Buyer and Seller expect to incur in connection with the Plan and it is not a pre-

- condition to the Seller Termination Fee or the Buyer Termination Fee that the Buyer or Target, respectively, has actually incurred those costs or losses or that it be able to prove that it has done so;
- (c) the Seller Termination Fee and Buyer Termination Fee are reasonable in the context of the Plan;
 - (d) should Seller or the majority of its directors accept or recommend a Superior Proposal or fail to undertake steps required to complete the transaction detailed in this Term Sheet, the Seller will be liable to immediately pay to Buyer a termination fee of \$100,000 in cash (Seller Termination Fee). In addition the Buyer may, at Buyer's sole discretion, terminate this Agreement by notice to Seller at any time after that acceptance or recommendation occurs; and
 - (e) should the Buyer advise the Seller it does not wish to proceed with the transaction outlined in the Term Sheet or the majority of the Buyer's directors fail to recommend the transaction to the shareholders of the Buyer (other than for breach of this Agreement or the Plan by the Seller) the Buyer will be liable to immediately pay to the Seller a termination fee of \$100,000 in cash (**Buyer Termination Fee**).

For the avoidance of doubt, the payment of the Seller Termination Fee releases the Seller and payment of the Buyer Termination Fee releases the Buyer from any claim or action by the Buyer or the Seller (respectively) for any damages, loss or expense arising from, or in connection with, the termination of this Agreement, and the Seller and Buyer agree that Termination Fees only apply after the executed of a binding Arrangement Agreement

Acquisition Proposal means, other than the transactions contemplated by this Agreement, any offer, proposal, expression of interest, or inquiry from any person (other than Buyer or any of its affiliates) relating to: (i) any acquisition or sale, direct or indirect, of: (a) the assets of Seller or any of its subsidiaries that, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Seller and its subsidiaries taken as a whole; or (b) 50% or more of any voting or equity securities of Seller or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Seller and its subsidiaries taken as a whole; (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Seller and/or any subsidiary of Seller that, if consummated, would result in a person or group of persons beneficially owning 50% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of Seller or any of its subsidiaries representing 50% or more of the consolidated assets of Seller and its subsidiaries, taken as a whole; or (iii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Seller or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Seller and any of its subsidiaries taken as a whole, or

(iii) any acquisition or sale, direct or indirect, of: (a) the assets of Buyer or any of its subsidiaries that, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Buyer and its subsidiaries taken as a whole; or (b) 50% or more of any voting or equity securities of Buyer or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Buyer and its subsidiaries taken as a whole; (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Buyer and/or any subsidiary of Buyer that, if consummated, would result in a person or group of persons beneficially owning 50% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of Buyer or any of its subsidiaries representing 50% or more of the consolidated assets of Buyer and its subsidiaries, taken as a whole; or (iii) a plan of arrangement, merger, amalgamation, consolidation, share

exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Buyer or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Buyer and any of its subsidiaries taken as a whole

Superior Proposal means any *bona fide*, unsolicited, written Acquisition Proposal made after the date of this Agreement by a person who is an arm's length third party (and that has not been procured or obtained in violation of this Agreement) and (i) is reasonably capable of being completed without undue delay, taking into account all financial, legal, funding, regulatory and other aspects of such proposal and the person making such proposal; (ii) that is made available to all holders of Seller Shares (**Seller Shareholders**) or to all holders of Buyers Shares (**Buyer Shareholders**) on the same terms and conditions (other than in the case for asset transaction); (iii) is not subject to a due diligence condition; (iv) is not subject to any financing condition and the funds or other consideration necessary to complete the Acquisition Proposal are or are reasonably necessary to complete the Acquisition Proposal are or are reasonably likely to be available to final completion at the time and on the basis set out therein; and (v) in respect of which the Seller Board or the Buyers Board, (as the case might be) determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors, that (a) failure to recommend such Acquisition Proposal to the Seller or Buyer security holders would be inconsistent with its fiduciary duties under applicable Law; and (b) having regard to all of the terms and conditions of the Acquisition Proposal and the person making such Acquisition Proposal, such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the Seller or Buyer Shareholders (as the case might be) from a financial point of view than the Plan, after taking into account any change to the Plan proposed by Buyer or Seller pursuant to an exercise of any matching rights Buyer might have and taking into account the form and amount of consideration, the likelihood and timing of completion and the other terms thereof (after due consideration of the legal, financial, regulatory and other aspects of such proposal and other factors deemed relevant by the Seller Board), or

10.2 Payment of Reimbursement Fee

The MergCo agrees to pay the Reimbursement Fee to Buyer without withholding or set off if the Scheme does not proceed because:

- (a) **(Competing Transaction)** during the Exclusivity Period, a Competing Transaction is announced and within 12 months of the date of such announcement a Competing Transaction of the kind referred to in paragraphs (b), (c) or (d) of the definition of "Competing Transaction" completes or the relevant third party who announced or made the Competing Transaction (or any of its Associates) otherwise acquires control of the MergCo;
- (b) **(change of recommendation by majority)** during the Exclusivity Period, a majority of the MergCo Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document);
- (c) **(change of recommendation)** during the Exclusivity Period, both:
 - (i) any MergCo Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their

recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document); and

- (ii) the Scheme Shareholders' vote is not approved at the Scheme Meeting.
- (d) **(Buyer termination)** Buyer validly terminates this document in accordance with clause 12.1(c); or
- (e) **(MergCo termination)** the MergCo terminates this document following the MergCo Board determining that a Competing Transaction which was not solicited, invited, encouraged or initiated in breach of the exclusivity provisions is a Superior Proposal.

The Buyer agrees to pay the Reimbursement Fee to MergCo without withholding or set off if the Scheme does not proceed because:

- (f) **(Competing Transaction)** during the Exclusivity Period, a Competing Transaction is announced and within 12 months of the date of such announcement a Competing Transaction of the kind referred to in paragraphs of the definition of "Competing Transaction" completes or the relevant third party who announced or made the Competing Transaction (or any of its Associates) otherwise acquires control of the Buyer;
- (g) **(change of recommendation by majority)** during the Exclusivity Period, a majority of the Buyer Directors fails to recommend voting in favour of any resolution related to the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document);
- (h) **(change of recommendation)** during the Exclusivity Period, both:
 - (i) any Buyer Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, and
 - (ii) the any Buyers Shareholders vote is not approved.
- (i) **(Buyer termination)** the Buyer terminates this document following the Buyer Board determining that a Competing Transaction which was not solicited, invited, encouraged or initiated in breach of the exclusivity provisions is a Superior Proposal.

10.3 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event in clause 10.1, if the Scheme becomes Effective:

- (a) no amount is payable by the MergCo or Buyer under clause 10.1; and
- (b) if any amount has already been paid under clause 10.1 it must be refunded by Buyer Parent.

10.4 Timing of payment

- (a) A demand by Buyer or MergCo for payment of the Reimbursement Fee under clause 10.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of Buyer into which the MergCo must pay the Reimbursement Fee.
- (b) The MergCo or the Buyer must pay the Reimbursement Fee to Buyer under clause 10.2 without withholding or set off within 5 Business Days of receipt by the MergCo of a valid demand for payment from Buyer under clause 10.4(a).

The demand may only be made after the occurrence of an event referred to in clause 10.2.

10.5 Nature of payment

The Reimbursement Fee is an amount to compensate either the Buyer or MergCo for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of MergCo or the Buyer's management from conducting Buyer's respective business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by the MergCo or the Buyer in pursuing the Scheme or in not pursuing alternative acquisitions or strategic initiatives which the Buyer Group and Consortium could have developed to further their business and objectives; and

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the amount payable under clause 10.2.

10.6 Reduction in amount payable

- (a) The Reimbursement Fee is reduced by an amount equal to the amount which is recovered by Buyer as a result of a claim against the MergCo pursuant to

any other remedies available to Buyer under this document including pursuant to clause 11.1.

- (b) Where the Reimbursement Fee has already been paid, Buyer must, within 5 Business Days of the event contemplated by clause 10.6(a) which would have reduced the amount payable, refund an amount to the MergCo which is equivalent to that calculated under clause 10.6(a).

10.7 MergCo's limitation of liability

Notwithstanding any other provision of this document but subject to clause 10.8:

- (a) the maximum liability of the MergCo to Buyer under or in connection with this document including in respect of any breach of this document will be the Reimbursement Fee; and
- (b) the payment by the MergCo of the Reimbursement Fee represents the sole and absolute amount of liability of the MergCo under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by the MergCo in connection with this document.

10.8 Compliance with law

If it is determined by the Takeovers Panel or a Court that all or any part of the amount payable under clause 10.2:

- (a) is unlawful or would if performed be, unlawful;
- (b) involves a breach of the duties of the MergCo Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then MergCo's obligation to pay the applicable amount or part of the amount payable under clause 10.2 does not apply and if Buyer has received any such part of the payment due under clause 10.2 it must refund it within 5 Business Days of such determination.

The parties must not make or cause or permit to be made any application to a Court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in this clause 10.8.

11 Representations and warranties

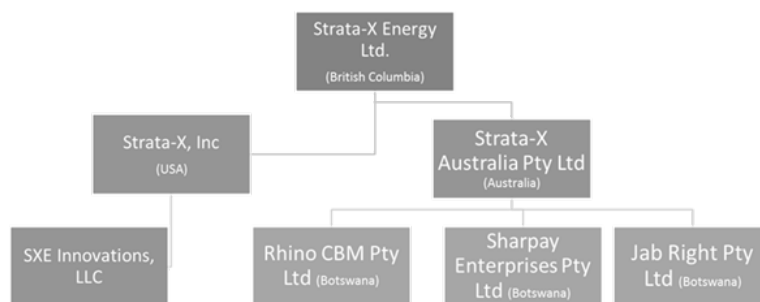
11.1 Buyer's representations and warranties

The covenants, representations and warranties to be given by Buyer are as follows:

- (a) **Convene general meeting:** Buyer will convene a general meeting of its shareholders prior to Completion for the purpose of approving and obtaining any necessary approvals from its shareholders to enable the transactions contemplated by this Scheme, as required by applicable corporate and securities laws as well as the policies of the ASX and, if applicable, TSX Venture Exchange.
- (b) **Title:** The number of ordinary fully paid shares on issue on the date of this Scheme in Buyer (which includes CHES Depositary Instruments, or CDIs) is 112,538,318 and Buyer will not issue any shares prior to Completion except as disclosed in the Scheme.
- (c) **No right to subscribe:** No person has any right or option to subscribe for or otherwise to acquire any further shares in Buyer, other than existing option holders on the date of this Scheme.
- (d) **No options:** Apart from 22,545,674 options on issue, there are no

outstanding options, contracts, calls, first refusals, commitments, rights or demands of any kind relating to the issued or unissued capital of Buyer except as disclosed herein.

- (e) **No other allotments:** Other than as contemplated in this Agreement, Buyer is not under any obligation to allot any shares to any person or persons, or otherwise to alter the structure of any part of its unissued share capital, and Buyer is not under any obligation to give any option over any part of its unissued share capital nor has Buyer offered to do any of the matters stated in this sub-paragraph except as disclosed herein.
- (f) **Fully paid:** All of the issued shares of Buyer are fully paid and no money is owing in respect of them converted and fully paid by Completion.
- (g) **No legal impediment:** The execution, delivery and performance by the Buyer Shareholders of this Scheme will comply with:
 - (i) each law, regulation, authorisation, ruling, judgement, order or decree of any government agency;
 - (ii) the constitution or other constituent documents of the Buyer Shareholders; and
 - (iii) any security interest or document which is binding on the Buyer Shareholders in relation to their shares and Buyer.
 - (iv) any security interest or document which is binding on the Buyer Shareholders in relation to their shares and Buyer.
- (h) **No Event of Insolvency:** No event of insolvency has occurred in relation to Buyer nor is there any act which has occurred or any omission made which may result in an event of insolvency occurring in relation to Buyer.
- (i) **Authorisations:** The Buyer Directors have taken all necessary action to authorise the execution, delivery and performance of the Scheme in accordance with its terms and have full power to enter into and perform the obligations thereunder.
- (j) **Investigations:** Buyer and its Directors are not the subject of any investigation by any regulatory body of any country nor is any such investigation pending or threatened.
- (k) **Tax Investigations:** Buyer and its Directors are not the subject of any investigation or audit by the tax office of any country or state nor is any such investigation or audit pending or threatened.
- (l) **Compliance with laws:** To the best of the Buyer Directors' knowledge information and belief Buyer and its directors are not in material breach of any provision of any relevant laws.
- (m) **Compliance with ASX listing rules:** To the best of the Buyer Directors' knowledge, information and belief Buyer and its directors are not in breach of any provision of any ASX listing rules.
- (n) **Consistency:** To the best of the Buyer Directors' knowledge, information and belief the terms of this Scheme are not inconsistent with and do not contravene the provisions of any other agreement or contract to which Buyer is a party.
- (o) **Subsidiaries:** Buyer has the following subsidiaries, each of which is wholly owned by Buyer:
 - (i) Strata-X Australia Pty Ltd (Australian company wholly owned by Strata-X Energy Ltd)
 - (ii) Rhino CBM Pty Ltd (Botswana company wholly owned by Strata-X Australia Pty Ltd)
 - (iii) Sharpay Enterprises Pty Ltd (Botswana company wholly owned by Strata-X Australia Pty Ltd)
 - (iv) Jab Right Pty Ltd (Botswana company wholly owned by Strata-X Australia Pty Ltd)
 - (v) Strata-X Inc. (USA company wholly owned by Strata-X Energy Ltd)
 - (vi) SXE Innovations LLC. (USA company wholly owned by Strata-X Inc.)



- (p) **Contracts:** To the best of the Buyer Directors' knowledge, information and belief every material contract, instrument or other commitment to which Buyer is a party is valid and binding according to its terms and no party to any such commitment or contract is in material default under the terms of that commitment or contract.
- (q) **Liabilities:** Buyer does not have any liabilities in excess of that disclosed in the financial accounts lodged for the 31 December 2019 (**Last Accounts**).
- (r) **Records properly kept:** All books of accounts and other records of any kind of Buyer:
 - (i) have been fully, properly and accurately kept on a consistent basis and completed in accordance with proper business and accounting practices and all applicable statutes;
 - (ii) have not had any material records or information removed from them;
 - (iii) do not contain or reflect any material inaccuracies or discrepancies;
 - (iv) give and reflect a true and fair view of the trading transactions, or the financial and contractual position of Buyer and of its assets and liabilities;
 - and
 - (v) are in the possession of Buyer.

11.2 Seller's representations and warranties

The representations and warranties to be given by MergCo are as follows:

- (a) **Convene general meeting:** MergCo will convene a general meeting of its shareholders prior to Completion for the purpose of obtaining any necessary approvals from its shareholders to enable the transactions contemplated by this Scheme.
- (b) **Incorporation:** MergCo has been incorporated as a company limited by shares in accordance with the Corporations Act, 2001.
- (c) **No right to subscribe:** No person has any right or option to subscribe for or otherwise to acquire any further shares in MergCo, other than existing option holders on the date of this Agreement.
- (d) **No options:** Apart from 65,379,622 options on issue, there are no outstanding options, contracts, calls, first refusals, commitments, rights or demands of any kind relating to the issued or unissued capital of MergCo except as disclosed herein.
- (e) **No other allotments:** MergCo is not under any obligation to allot any shares to any person or persons, or otherwise to alter the structure of any part of its unissued share capital, and MergCo is not under any obligation to give any option over any part of its unissued share capital nor has MergCo offered to do any of the matters stated in this subparagraph except as disclosed herein.
- (f) **Title:** The number of ordinary fully paid shares on issue on the date of this Scheme in MergCo is 353,194,131 and MergCo will not issue any shares prior to Completion except as disclosed in the Scheme.
- (g) MergCo has taken all necessary action to authorise the execution, delivery and performance of this Scheme in accordance with its terms and has full power to enter into and perform its obligations under this Scheme.
- (h) **No legal impediment:** The execution, delivery and performance by MergCo of its obligations under this Scheme comply with:

- (i) any applicable companies law and relevant stock exchange rules;
 - (ii) the constitution or other constituent documents of MergCo, if any; and
 - (iii) any encumbrance which is binding on MergCo.
- (i) **No Event of Insolvency:** No event of insolvency has occurred in relation to MergCo nor is there any act which has occurred or any omission made which may result in an event of insolvency occurring in relation to MergCo.
 - (j) **Authorisations:** The MergCo Directors have taken all necessary action to authorise the execution, delivery and performance of the Scheme in accordance with its terms and have full power to enter into and perform the obligations thereunder.
 - (k) **Investigations:** MergCo and its Directors are not the subject of any investigation by any regulatory body of any country nor is any such investigation pending or threatened.
 - (l) **Tax Investigations:** MergCo and its Directors are not the subject of any investigation or audit by the tax office of any country or state nor is any such investigation or audit pending or threatened apart from the R & D tax incentive matter that has been disclosed to the ASX.
 - (m) **Compliance with laws:** To the best of the MergCo Directors' knowledge information and belief MergCo and its directors are not in material breach of any provision of any relevant laws.
 - (n) **Compliance with ASX listing rules:** To the best of the MergCo Directors' knowledge, information and belief, MergCo and its directors are not in breach of any provision of any ASX listing rules.
 - (o) **Consistency:** To the best of the MergCo Directors' knowledge, information, and belief the terms of this Agreement are not inconsistent with and do not contravene the provisions of any other agreement or contract to which MergCo is a party.
 - (p) **Subsidiaries:** MergCo has 3 subsidiaries which are wholly owned – Real Energy Queensland Pty Limited, Pure Hydrogen Corporation Pty Ltd and Pure Energy Corporation Limited.
 - (q) **Contracts:** To the best of the MergCo Directors' knowledge, information and belief every material contract, instrument or other commitment to which MergCo is a party is valid and binding according to its terms and no party to any such commitment or contract is in material default under the terms of that commitment or contract.
 - (r) **Liabilities:** MergCo does not have any liabilities in excess of that it disclosed in the financial accounts lodged for the 31 December 2019 (**Last Accounts**).
 - (s) **Records properly kept:** All books of accounts and other records of any kind of MergCo:
 - (i) have been fully, properly and accurately kept on a consistent basis and completed in accordance with proper business and accounting practices and all applicable statutes;
 - (ii) have not had any material records or information removed from them;
 - (iii) do not contain or reflect any material inaccuracies or discrepancies;
 - (iv) give and reflect a true and fair view of the trading transactions, or the financial and contractual position of MergCo and of its assets and liabilities; and
 - (v) are in the possession of MergCo.

11.3 Buyer and Seller's indemnity

Each of Buyer and Seller indemnifies the MergCo or Buyer, as the case may be, Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 11.1 or 11.2, as the case may be, not being true and correct.

12 Termination

12.1 Termination events

This document may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective on or before the End Date;
- (b) **(lack of support)** by Buyer at any time prior to 8.00am on the Second Court Date if, pursuant to clause 6.1, a majority of the MergCo Board changes its recommendation or fails to recommend to the Scheme Participants that they vote in favour of the resolution to approve the Scheme;
- (c) **(material breach)** by either Buyer or the MergCo at any time prior to 8.00am on the Second Court Date, if the other is in material breach of a term of this document (including any representation and warranty not being true and correct), taken in the context of the Scheme as a whole, provided that Buyer or the MergCo (as the case may be) has, if practicable, given notice to the other setting out the relevant circumstances and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time such notice is given;
- (d) **(MergCo Prescribed Event or Material Adverse Effect)** by Buyer if at any time prior to 8.00am on the Second Court Date, there is a MergCo Prescribed Event or Material Adverse Effect;
- (e) **(competing interest)** by Buyer, if a person (other than Buyer, its Associates or an existing Scheme Shareholder) has a Relevant Interest in more than 20% of the MergCo Shares;
- (f) **(Competing Transaction)** by the MergCo if the MergCo Board determines that a Competing Transaction that was not solicited, invited, encouraged or initiated in breach of clause 10.2 is a Superior Proposal;
- (g) **(consultation or appeal failure)** in accordance with and pursuant to:
 - (i) clause 3.6(a);
 - (ii) clause 3.6(b); or
 - (iii) clause 6.8; or
- (h) **(agreement)** if agreed to in writing by Buyer and the MergCo.

12.2 Termination

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document and the grounds on which the party is relying to terminate this document.

12.3 Effect of Termination

If this document is terminated by either party, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in this clause and in clause 11, and 15 to 20 (inclusive) will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this

document.

12.4 Damages

Subject to clause 11, in addition to the right of termination under clause 12.1, the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

13 Public announcements

13.1 Public announcement of Scheme

Immediately after signing this document, each of the Buyer and the MergCo must issue a public announcement of the proposed Scheme in the form agreed by the parties.

13.2 Required disclosure

Where a party is required by any applicable law or any Listing Rule to make any announcement or make any disclosure in connection with the Scheme, it must use all reasonable endeavours, to the extent practicable and lawful, to consult with the other party prior to making the relevant disclosure.

13.3 Other announcements

Subject to clauses 13.1 and 13.2, no party may make any public announcement or disclosure in connection with the Scheme (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

14 Confidential Information

14.1 Disclosure of Buyer Confidential Information

Each party acknowledges and agrees that it continues to be bound by the Confidentiality and Exclusivity Agreement in respect of all information received by it from the other party on, before or after the date of this document.

14.2 Termination

This clause will survive termination (for whatever reason) of this document.

15 Notices and other communications

15.1 Form

Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an Authorised Officer of the sender.

All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).

Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

15.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details;

- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details; or
- (c) sent by email to the address referred to in the Details.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

15.3 When effective

Communications take effect from the time they are received or taken to be received under clause 16.4 ("When taken to be received") (whichever happens first) unless a later time is specified in the communication.

15.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another);
- (b) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

15.5 Receipt outside business hours

Despite anything else in this clause 16, if communications are received or taken to be received under clause 16.4 ("When taken to be received") after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

16 GST

16.1 Definitions and interpretation

For the purposes of this clause:

- (a) "GST Act" means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth);
- (b) a term which has a defined meaning in the GST Act has the same meaning when used in this clause, unless the contrary intention appears; and
- (c) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as if it were a separate supply.

16.2 GST exclusive

Unless this document expressly states otherwise, all consideration to be provided under this document is exclusive of GST.

16.3 Payment of GST

- (a) If GST is payable, or notionally payable, on a supply in connection with this document, the party providing the consideration for the supply agrees to pay to the supplier an additional amount equal to the amount of GST payable on that supply ("**GST Amount**").
- (b) Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time as the GST-exclusive consideration for the supply, or the first part of the GST-exclusive consideration for the supply (as the case may be), is payable or is to be provided.
- (c) This clause does not apply to the extent that the consideration for the supply is expressly stated to include GST or the supply is subject to a reverse-charge.

16.4 Adjustment events

If an adjustment event arises for a supply made in connection with this document, the GST Amount must be recalculated to reflect that adjustment. The supplier or the recipient (as the case may be) agrees to make any payments necessary to reflect the adjustment and the supplier agrees to issue an adjustment note.

16.5 Reimbursements

Any payment, indemnity, reimbursement or similar obligation that is required to be made in connection with this document which is calculated by reference to an amount paid by another party must be reduced by the amount of any input tax credits which the other party (or the representative member of any GST group of which the other party is a member) is entitled. If the reduced payment is consideration for a taxable supply, clause 17.3 will apply to the reduced payment.

17 Costs

17.1 Costs

The parties agree to pay their own Costs in connection with the preparation, negotiation, execution and completion of this document.

18 General

18.1 Variation and waiver

A provision of this document, or right, power or remedy created under it, may not be varied or waived except in writing signed by the party to be bound.

18.2 Consents, approvals or waivers

By giving any approval, consent or waiver a party does not give any representation or warranty as to any circumstance in connection with the subject matter of the consent, approval or waiver.

18.3 Discretion in exercising rights

Unless this document expressly states otherwise, a party may exercise a right, power or remedy or give or refuse its consent, approval or a waiver in connection with this document in its absolute discretion (including by imposing conditions).

18.4 Partial exercising of rights

Unless this document expressly states otherwise, if a party does not exercise a right,

power or remedy in connection with this document fully or at a given time, they may still exercise it later.

18.5 Conflict of interest

Each party may exercise their rights, powers and remedies in connection with this document even if this involves a conflict of duty or they have a personal interest in their exercise.

18.6 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

18.7 Indemnities and reimbursement obligations

Any indemnity, reimbursement or similar obligation in this document.

- (a) is a continuing obligation despite the satisfaction of any payment or other obligation in connection with this document, any settlement or any other thing;
- (b) is independent of any other obligations under this document; and
- (c) continues after this document, or any obligation arising under it, ends.

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity in connection with this document.

18.8 Inconsistent law

To the extent the law permits, this document prevails to the extent it is inconsistent with any law.

18.9 Supervening law

Any present or future law which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

18.10 Counterparts

This document may consist of a number of copies, each signed by one or more parties to it. If so, the signed copies are treated as making up a single document and the date on which the last counterpart is executed is the date of the document.

18.11 Entire agreement

This document (including the documents in the Schedules to this document) and the Confidentiality and Exclusivity Agreement constitute the entire agreement of the parties about its subject matter and supersedes all previous discussions, agreements, understandings and negotiations on that subject matter.

18.12 Further steps

Each party agrees to do anything (such as obtaining consents, signing and producing documents, producing receipts and getting documents completed and signed), which the other party asks and considers necessary to:

- (a) bind the party and any other person intended to be bound under this document; or

- (b) show whether the party is complying with this document.

18.13 No liability for loss

Unless this document expressly states otherwise, a party is not liable for any loss, liability or costs arising in connection with the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right, power or remedy in connection with this document.

18.14 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

18.15 Rules of construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

18.16 Assignment

A party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of the other party.

18.17 Enforceability

For the purpose of this document:

- (a) the MergCo is taken to be acting as agent and trustee on behalf of and for the benefit of all MergCo Indemnified Parties; and
- (b) Buyer is taken to be acting as agent and trustee on behalf of and for the benefit of all Buyer Indemnified Parties,

and all of those persons are to this extent taken to be parties to this document.

18.18 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document and the Equity Commitment Letter;
- (b) it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document and the Equity Commitment Letter; and
- (c) clauses 19.18(a) and 19.18(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX.

19 Governing law

19.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

19.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address for service of notices under clause 16.2 ("Delivery") or with its process agent.

Signing Page

EXECUTED by the parties as an Agreement on the 14th day of July 2020.

EXECUTED BY
REAL ENERGY CORPORATION LIMITED
ACN 139 792 420

in accordance with section 127 of the Corporations
Act:



Dang Lan Nguyen

Director



Ron Hollands

EXECUTED BY
STRATA-X ENERGY LIMITED
(a corporation incorporated under the laws of
the Province of British Columbia) in accordance
with its constituent documents and place of
incorporation:

)
)
)
)



Ron Prefontaine
Director



Duncan Cornish
Director

Scheme Implementation Agreement

Schedule 1 Indicative Timetable

Event	Date
Lodge regulator draft of Scheme Booklet with ASIC and ASX	21 August 2020
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC	4 September 2020
First Court Date	17 September 2020
Printing and despatch of Scheme Booklet	21 September 2020
Scheme Meeting held	22 October 2020
Suspension of trading and freezing of Register	22 October 2025
Second Court Date	29 October 2020
Lodge Court order with ASIC (Effective Date)	29 October 2020
Implementation Date	30 October 2020
Request for removal from the official list of ASX	30 October 2020

The timetable is indicative only and may be subject to change.

Annexure A Scheme of Arrangement

Scheme Booklet

Annexure B

Scheme of Arrangement



Scheme of Arrangement

Dated 15 July 2020

Scheme Participants

Strata-X Energy Limited (CCN CO952496) (“**Buyer**”)

Real Energy Corporation Limited (“**Seller**” or “**MergCo**”) (ACN
139 792 420)

Scheme of Arrangement

Contents

Details	3
General terms	4
1 Definitions and interpretation	5
1.1 Definitions	5
1.2 General interpretation	7
2 Preliminary	6
2.1 MergCo	6
2.2 Buyer	6
2.3 If Scheme becomes Effective	6
2.4 Scheme Implementation Agreement	7
2.5 Deed Poll	7
3 Conditions precedent	9
3.1 Conditions precedent to Scheme	9
3.2 Conditions precedent and operation of clause 5	9
3.3 Certificate in relation to conditions precedent	10
4 Scheme	10
4.1 Effective Date	10
4.2 End Date	10
5 Implementation of Scheme	10
5.1 Lodgement of Court orders with ASIC	10
5.2 Transfer and registration of MergCo Shares	10
5.3 Entitlement to Scheme Consideration	10
5.4 Title and rights in MergCo Shares	11
5.5 Scheme Participants' agreements	11
5.6 Warranty by Scheme Participants	11
5.7 Transfer free of encumbrances	11
5.8 Appointment of Buyer as sole proxy	11
6 Scheme Consideration	12
6.1 Consideration under the Scheme	12
6.2 Payment of Scheme Consideration	12
6.3 Issue of Buyer Shares	12
7 Dealings in Scheme Shares	14
7.1 Determination of Scheme Participants	14
7.2 Register	14

7.3	No disposals after Effective Date	14
7.4	Maintenance of MergCo Register	14
7.5	Effect of certificates and holding statements	14
7.6	Details of Scheme Participants	14
7.7	Suspension of trading	14
7.8	Termination of quotation of MergCo Shares	14
8	Power of attorney	14
9	Notices	15
9.1	No deemed receipt	15
9.2	Accidental omission	15
10	General	15
10.1	Binding effect of the Scheme	15
10.2	Variations, alterations and conditions	15
10.3	Further action by MergCo	15
10.4	Authority and acknowledgement	15
10.5	No liability when acting in good faith	15
10.6	Enforcement of Deed Poll	15
11	Governing law	16
11.1	Governing law and jurisdiction	16
11.2	Serving documents	16

Scheme of Arrangement

Details

Parties	Seller and MergCo	
MergCo or Seller	Name	Real Energy Corporation Limited
	ACN	139 792 420
	Formed in	Australia
	Address	Level 3, 32 Walker Street North Sydney NSW 2060
	Email	Scott.brown@realenergy.com.au ; admin@realenergy.com.au
	Attention	Scott Brown
Scheme Participants	Each person registered as a holder of fully paid ordinary shares in MergCo as at 5.00pm on the Record Date.	
Governing law	New South Wales, Australia	

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited or the market operated by it, as the context requires.

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Buyer means Strata X Energy Ltd (ASX:SXA), which is the transferee of Scheme Shares under the Scheme.

Buyer Share means fully paid ordinary shares in buyer.

Buyer Share Offer means the offer by the buyer to Scheme Participants to receive scrip consideration for each Scheme Share held by the Scheme Participant.

Buyer Constitution means the Constitution of Buyer as in effect at the date of the First Court Date.

Business Day means a business day as defined in the Listing Rules.

Court means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed by the parties.

Deed Poll means the deed poll dated 15 July 2020 executed by Buyer substantially in the form of Annexure B of the Scheme Implementation Agreement or as otherwise agreed by Buyer and MergCo, under in favour of each Scheme Participant to perform its obligations under this Scheme.

Details means the section of this agreement headed "Details".

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective. only).

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the PPSA or any agreement to create any of them or allow them to exist.

End Date means the date that is 9 months after the date of this document or such other date as is agreed by Buyer and MergCo.

First Court Date means the first day on which an application made to the Court, for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Implementation Date means the 5th Business Day following the Record Date.

Listing Rules means the Listing Rules of the ASX.

Record Date means 5.00pm on the third Business Day following the Effective Date or such other date as the MergCo and Buyer agree.

Register means the share register of the MergCo and **Registry** has a corresponding meaning.

Registered Address means, in relation to a MergCo Shareholder, the address shown in the Register.

Scheme means this scheme of arrangement between MergCo and Scheme Participants under which all of the Scheme Shares will be transferred to Buyer under Part 5.1 of the Corporations Act as described in clause 6 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by MergCo and Buyer in accordance with clause 8 of this Scheme.

Scheme Consideration means the consideration payable by Buyer for the transfer of Scheme Shares held by a Scheme Participant to Buyer under this document.

Scheme Implementation Agreement means the scheme implementation agreement dated 15 July 2020 between MergCo, and Buyer under which, amongst other things, MergCo has agreed to propose this Scheme to MergCo Shareholders, and each of Buyer and MergCo has agreed to take certain steps to give effect to this Scheme.

Scheme Meeting means the meeting convened by the Court at which Scheme Shareholders vote on the Scheme.

Scheme Participant means each person who is a Scheme Shareholder at the Record Date.

Scheme Share means all MergCo Shares.

Scheme Shareholder means a holder of Scheme Shares.

Scrip Consideration means one Buyer Share for three (3) Scheme Shares held on the Record Date by a Scheme Participant.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Share Scheme Transfer means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Subsidiary has the meaning given to it in the Corporations Act.

MergCo Share means an ordinary fully paid share in the capital of the MergCo.

MergCo Shareholder means each person registered in the Register as a holder of MergCo Shares.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;
- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (j) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (k) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (l) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day; and
- (m) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day.

2 Preliminary

2.1 MergCo

MergCo is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in New South Wales , Australia; and
- (c) admitted to the official list of the ASX and MergCo Shares are officially quoted on the stock market conducted by ASX.

As at 15 July 2020, MergCo's issued securities are:

- (a) MergCo Shares: 353,194,131
- (b) and options: 65,379,617 ;

2.2 Buyer

Buyer is:

- (a) a public company limited by shares;
- (b) incorporated in British Columbia Canada ; and
- (c) admitted to the official list of the ASX and its Shares are officially quoted on the stock market conducted by ASX and the TSX Venture Exchange, but will be delisted from the TSX Venture Exchange immediately prior to the Scheme becoming Effective.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to Buyer, will procure Buyer to provide, and Buyer will issue Buyer Shares to Scheme Participants to receive the Scrip Consideration;

- (b) Buyer will enter the names of Scheme Participants that receive Buyer Shares;
- (c) all Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Buyer on the Implementation Date; and
- (d) MergCo will enter the name of Buyer in the Register in respect of all Scheme Shares transferred to Buyer in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

MergCo and Buyer have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

2.5 Deed Poll

Buyer have executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) their obligations as contemplated by this Scheme, including to provide the Scheme Consideration.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, the Deed Poll not having been terminated;
- (b) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent which cannot be waived) in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Second Court Date;
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, MergCo and Buyer having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act;
- (d) any other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and agreed to by the Buyer and the MergCo having been satisfied or waived; and
- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

3.2 Conditions precedent and operation of clause 5

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

3.3 Certificate in relation to conditions precedent

MergCo and Buyer must provide to the Court on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clauses 3.1(c), 3.1(d) and 3.1(e) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date. The certificate referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clauses 3.1(c), 3.1(d) and 3.1(e) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2 this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(e) of this Scheme) are satisfied, MergCo must lodge with ASIC in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as Buyer and MergCo agree in writing.

5.2 Transfer and registration of MergCo Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 and 6.3 of this Scheme and Buyer having provided MergCo with written confirmation of the provision of the Scheme Consideration:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Buyer without the need for any further act by any Scheme Participant (other than acts performed by MergCo as attorney and agent for Scheme Participants under clause 8 of this Scheme) by:
 - (i) MergCo delivering to Buyer a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and
 - (ii) Buyer duly executing the Share Scheme Transfer (and subsequently attending to the stamping of the Share Scheme

Transfer if required) and delivering it to MergCo for registration;
and

- (b) as soon as practicable after receipt of the duly executed Share Scheme Transfer in accordance with clause 5.2(a)(ii), MergCo must enter the name of Buyer in the Register in respect of all Scheme Shares transferred to Buyer in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Buyer of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

Any fractional entitlement of a Scheme Shareholder to a part a New Buyer Share will be rounded up to the nearest whole number.

5.4 Title and rights in MergCo Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date, Buyer will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by MergCo of Buyer in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to Buyer and is deemed to have authorised MergCo to warrant to Buyer as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Buyer under the Scheme will, as at the date of the transfer under this Scheme, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Buyer under the Scheme.

5.7 Transfer free of encumbrances

To the extent permitted by law, all MergCo Shares (including any rights and entitlements attaching to those shares) which are transferred to Buyer under this Scheme will, at the date of the transfer of them to Buyer, vest in Buyer free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of Buyer as sole proxy

- (a) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.3 and 6.3 of this Scheme, on and from the Implementation Date until MergCo registers Buyer as the holder of all of the MergCo Shares in the Register, each Scheme Participant:

- (i) irrevocably appoints MergCo as attorney and agent (and directs MergCo in such capacity) to appoint Buyer and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend shareholders' meetings, exercise the votes attaching to MergCo Shares registered in its name and sign any shareholders' resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)(i)); and
 - (ii) must take all other actions in the capacity of the registered holder of MergCo Shares as Buyer directs.
- (b) MergCo undertakes in favour of each Scheme Participant that it will appoint Buyer and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.8(a)(i) of this Scheme.

6 Scheme Consideration

6.1 Consideration under the Scheme

Subject to and in accordance with this Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Participant.

6.2 Payment of Scheme Consideration

Subject to this Scheme, each of Buyer undertakes to the MergCo (in the MergCo's own right and separately as trustee or nominee of each Scheme Participant) that, in consideration of the transfer to Buyer of each Scheme Share held by a Scheme Participant, it will, or will procure (as applicable), the following on the Implementation Date:

- (a) Buyer will accept that transfer; and
- (b) Buyer will issue the Scrip Consideration in accordance with the Scheme.

6.3 Issue of Buyer Shares

- (a) Subject to the Scheme becoming Effective, the Buyer must issue Buyer Shares to the Scheme Participants as Consideration in accordance with the Scheme.
- (b) Each Buyer Share issued as Scrip Consideration or pursuant to the Buyer Share Offer will:

- (i) rank equally in all respects with each other Buyer Share and will have the rights set out in the Buyer's Constitution and the Buyer Shareholders Deed; and
- (ii) be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by MergCo if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Record Date at the place where the Register is kept.

7.2 Register

MergCo must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 5.00pm on the Record Date.

7.3 No disposals after Effective Date

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

MergCo will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Record Date (except a transfer to Buyer pursuant to this Scheme and any subsequent transfer by Buyer or its successors in title).

7.4 Maintenance of MergCo Register

For the purpose of determining entitlements to the Scheme

Consideration, MergCo will maintain the Register in accordance with the provisions of this clause 7.4 until the Scheme Consideration has been paid to the Scheme Participants and Buyer has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to Buyer contemplated in clauses 5.2 and 7.4 of this Scheme, any statements of holding in favour of Scheme Participants in respect of Scheme Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Buyer and its successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date (other than entries in respect of Buyer or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the MergCo Shares relating to that entry.

7.6 Details of Scheme Participants

Within 3 Business Days after the Record Date, MergCo will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to Buyer in such form as Buyer reasonably requires.

7.7 Suspension of trading

Suspension of trading on ASX in MergCo Shares will occur from the close of trading on ASX on the Business Day after the date of the Scheme Meeting (conditional on the Scheme being approved at the Scheme Meeting).

7.8 Termination of quotation of MergCo Shares

After the Scheme has been fully implemented, MergCo will apply:

- (a) for termination of the official quotation of MergCo Shares on ASX; and
- (b) to have itself removed from the official list of the ASX.

8 Power of attorney

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints MergCo and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer; and
- (b) enforcing the Deed Poll against Buyer,

and MergCo accepts such appointment.

9 Notices

9.1 No deemed receipt

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to MergCo, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at MergCo's registered office or at the office of the Register.

9.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10 General

10.1 Binding effect of the Scheme

The Scheme binds the MergCo and all Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of the MergCo.

10.2 Variations, alterations and conditions

MergCo may, with the consent of Buyer (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

10.3 Further action by MergCo

MergCo will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

10.4 Authority and acknowledgement

Each of the Scheme Participants:

- (a) irrevocably consents to MergCo, Buyer and Buyer doing all things necessary or expedient for or incidental to the implementation of this Scheme;
- (b) agrees to the variation, cancellation or modification of the rights attached to their MergCo Shares constituted by or resulting from this Scheme;
- (c) who holds their MergCo Shares in a CHESS Holding

agrees to the conversion of those MergCo Shares to an Issuer Sponsored Holding and irrevocably authorises MergCo to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and

- (d) acknowledges that this Scheme binds MergCo and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of MergCo.

10.5 No liability when acting in good faith

Neither MergCo and Buyer, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

10.6 Enforcement of Deed Poll

MergCo undertakes in favour of each Scheme Participant to enforce the Deed Poll against Buyer and Buyer on behalf of and as agent and attorney for the Scheme Participants.

11 Governing law

11.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

11.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address.

EXECUTED BY)
REAL ENERGY CORPORATION LIMITED)
ACN 139 792 420)
in accordance with section 127 of the Corporations)
Act:)



Dang Lan Nguyen

Director



Ron Hollands

Secretary

EXECUTED BY)
REAL ENERGY CORPORATION LIMITED)
ACN 139 792 420 on behalf of shareholders or)
Scheme Participants)
in accordance with section 127 of the Corporations)
Act:)



Dang Lan Nguyen

Director

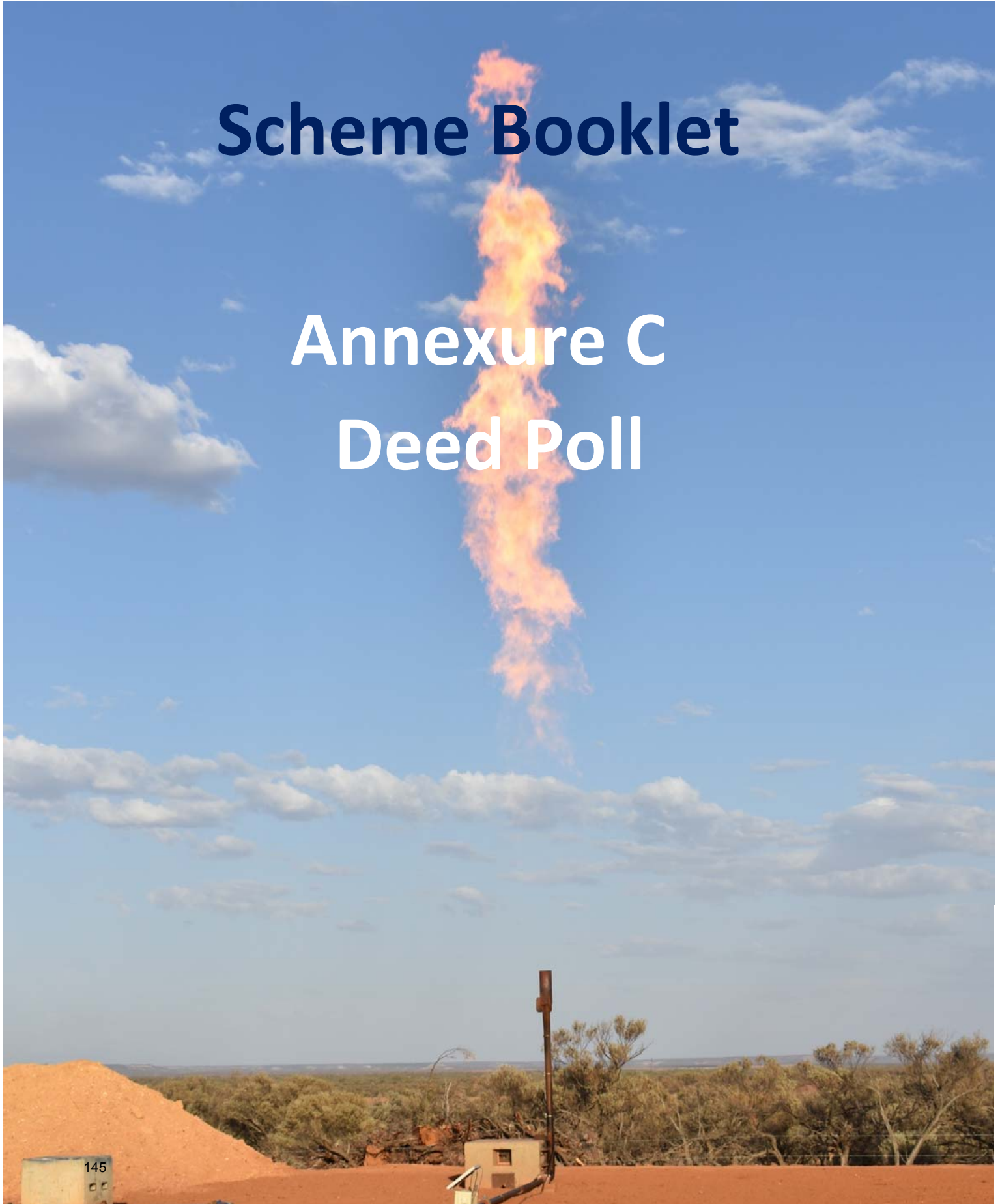


Ron Hollands

Secretary

Scheme Booklet

Annexure C Deed Poll



Deed Poll

Dated 15 July 2020

Given by **Strata X Energy Ltd** (CCN CO952496) ("**Buyer**")

In favour of each registered holder of fully paid ordinary shares in Real Energy Corporation Limited (ACN 139 792 420) ("**Buyer**") as at 5.00 pm on the Record Date ("**Scheme Participants**")

Deed Poll

Contents

Details	1
General terms	3
1 Definitions and interpretation	3
1.1 Definitions	3
1.2 General interpretation	3
1.3 Nature of deed poll	3
2 Conditions precedent and termination	4
2.1 Conditions precedent	4
2.2 Termination	4
2.3 Consequences of termination	4
3 Performance of obligations generally	4
4 Scheme Consideration	4
4.1 Compliance with Scheme obligations generally	4
4.2 Provision of Scrip Scheme Consideration	4
4.3 Undertakings	5
5 Representations and warranties	6
5.1 General representations and warranties	6
6 Continuing obligations	6
6.1 Deed Poll irrevocable	6
6.2 Capital structure	7
7 Notices	7
8 General	7
8.1 Variation	7
8.2 Partial exercising of rights	7
8.3 Remedies cumulative	7
8.4 Assignment or other dealings	7
8.5 Further steps	7
9 Governing law and jurisdiction	8
9.1 Governing law and jurisdiction	8
9.2 Serving documents	8
Signing page	

Details

Buyer	Name	Strata X Energy Limited
		CCN CO952496
	Formed in	British Columbia Canada
	Address	c/- Corporate Administrative Services Pty Ltd Level 6, 10 Market Street Brisbane Qld 4000
	Email	Ron@strata-x.com
	Attention	Mr Ron Prefontaine

In favour of	Each registered holder of fully paid ordinary shares in MergCo as at 5.00 pm on the Record Date.	
Governing law	New South Wales	
Recitals	A	The directors of MergCo have resolved that MergCo should propose the Scheme.
	B	The effect of the Scheme will be that all Scheme Shares will be transferred to Buyer.
	C	MergCo and Buyer have entered into the Scheme Implementation Agreement.
	D	Buyer are entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform their respective obligations in relation to the Scheme.

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Control has the meaning given in section 50AA of the Corporations Act 2001 (Cth).

Liability means a debt, liability or obligation, whether actual, prospective, contingent or otherwise and whether or not ascertained, and whether or not owing or incurred alone, or jointly and severally, with any other person.

Scheme means the proposed scheme of arrangement between MergCo and Scheme Participants under which all the Scheme Shares will be transferred to Buyer under Part 5.1 of the Corporations Act, or as otherwise agreed by Buyer and MergCo, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by MergCo in accordance with clause 10 of the Scheme.

Scheme Implementation Agreement means the scheme implementation agreement dated 15 July 2020 between MergCo and Buyer under which, amongst other things, MergCo has agreed to propose the Scheme to MergCo Shareholders, and the Buyer and MergCo has agreed to take certain steps to give effect to the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

1.2 General interpretation

Clause 1.2 of the Scheme applies to this document, except that references to “this document” in that clause are to be read as references to this deed poll.

1.3 Nature of deed poll

The Buyer acknowledges that:

- (a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints the MergCo and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against the Buyer.

2 Conditions precedent and termination

2.1 Conditions precedent

Buyer's obligations under clause 4 are subject to the Scheme becoming Effective.

2.2 Termination

Buyer's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms.

2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) the Buyer is released from its obligations to further perform this document, except any obligations which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against the Buyer in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations generally

Buyer must comply with their obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on their respective parts to give full effect to the Scheme.

4 Scheme Consideration

4.1 Compliance with Scheme obligations generally

Subject to clause 2, the Buyer covenants in favour of Scheme Participants to observe and perform the steps attributed to it under, and otherwise to comply with, the Scheme as if named as a party to the Scheme and do all acts and things necessary to give effect to the Scheme.

4.2 Provision of Scrip Scheme Consideration

- (a) Subject to clause 2 under the Scheme, Buyer will on the Implementation Date do the following in accordance with clause 6 of the Scheme:

- (i) issue Buyer Shares to each Scheme Participant to receive the Scrip Consideration; and
 - (ii) offer and issue Buyer Shares to each Scheme Participant.
- (b) The Buyer Shares to be issued under the Scheme will be:
 - (i) validly issued and fully paid up and will rank equally in all respects with all other Buyer Shares on issue as at the Implementation Date; and
 - (ii) free from any mortgage, charge, lien, encumbrance or other security interest.

4.3 Undertakings

The Buyer undertakes in favour of each Scheme Participant to undertake all actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme.

5 Representations and warranties

5.1 General representations and warranties

The Buyer represents and warrants to each Scheme Participant that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
 - (ii) any law binding on or applicable to it or its assets; or
 - (iii) any Encumbrance or document binding on or applicable to it;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** is not Insolvent.

6 Continuing obligations

6.1 Deed Poll irrevocable

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) The Buyer have fully performed their respective obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

6.2 Capital structure

From the date of this deed poll until immediately prior to the Implementation Date, Buyer will not issue any Buyer Shares:

- (a) other than as Scrip Consideration; and
- (b) other than as provided in Scheme Implementation Agreement unless otherwise agreed with MergCo.

7 Notices

Notices and other communications in connection with this document must be in writing. They must be sent to the address or email address referred to in the Details and (except in the case of email) marked for the attention of the person referred to in the Details. If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

8 General

8.1 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (a) the variation is agreed to by MergCo and Buyer in writing; and
- (b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event the Buyer must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

8.2 Partial exercising of rights

Unless this document expressly states otherwise, if the Buyer does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

8.3 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

8.4 Assignment or other dealings

The Buyer and each Scheme Participant may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the prior written consent of Buyer and MergCo.

8.5 Further steps

The Buyer agrees to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this document and the transactions contemplated by it.

9 Governing law and jurisdiction

9.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The Buyer irrevocably submits to the non-exclusive jurisdiction of the courts of that place.

9.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on Buyer by being delivered or left at Buyer's address (as applicable) set out in the Details.

EXECUTED as a deed poll

EXECUTED BY)
STRATA-X ENERGY LIMITED)
(a corporation incorporated under the laws of)
the Province of British Columbia) in accordance)
with its constituent documents and place of
incorporation:



Ron Prefontaine, Director



Duncan Cornish, Director

Scheme Booklet

Annexure D

Independent Expert's Report





REAL ENERGY CORPORATION LIMITED

Financial Services Guide and Independent Expert's Report

October 2020

Overview

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; Real Energy Corporation Limited will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 2 of this report.

CONTENTS

1.	Introduction	2
2.	Summary and Conclusion.....	3
3.	Scope of the Report.....	7
4.	Summary of the Scheme	8
5.	Profile of Real Energy.....	11
6.	Profile of Strata-X	21
7.	Valuation Approach	30
8.	Valuation of Real Energy	33
9.	Valuation of Strata-X.....	37
10.	Valuation of the Merged Group	42
11.	Consideration of other factors relating to the Scheme	44
Appendix A - Declarations and Disclosures		48
Appendix B – Sources of Information.....		49
Appendix C – Glossary of Terms and Abbreviations		50
Appendix D – Independent Technical Valuation of the Exploration Assets held by Real Energy		53
Appendix E – Independent Technical Valuation of the Exploration Assets held by Strata-X		77
Appendix F – Assessment of Impact on Fair Value of the Potential Dilutive Impact of Real Energy Options.....		101
Appendix G – Assessment of Impact on Fair Value of the Potential Dilutive Impact of Strata-X Options		103
Appendix H – Industry Analysis		105

1 October 2020

The Shareholders
c/ Directors
Real Energy Corporation Limited
Level 3, 32 Walker Street
North Sydney, NSW 2060

Dear Shareholders

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

- 1.1 On 15 July 2020, Real Energy Corporation Limited ("Real Energy" or "the Company") announced that it had entered into a Scheme Implementation Agreement ("SIA") with Strata-X Energy Ltd ("Strata-X") in relation to a proposal by Strata-X to merge with Real Energy via a scheme of arrangement ("the Scheme") under Section 411 of the *Corporations Act 2001* (Cth) ("the Act" or "the Corporations Act").
- 1.2 Under the terms of the Scheme, Real Energy Shareholders ("Shareholders") will receive 1 Strata-X share for every 3 fully paid shares they hold ("Scheme Consideration"). If the Scheme is implemented, Real Energy and Strata-X will merge, and Real Energy will become a wholly owned subsidiary of Strata-X ("the Merged Group"). Real Energy and Strata-X have executed the SIA to give effect to the Scheme if all conditions precedent are satisfied.
- 1.3 The Scheme is subject to the Federal Court convening a meeting of Shareholders where they will consider a resolution seeking approval of the Scheme ("Scheme Meeting"). The Scheme Meeting is to be held on or about 4 December 2020 and, under the Act, it will be approved by Shareholders if the resolution is passed by a majority of Shareholders present (in person or by proxy) and voting at the Scheme Meeting, and by at least 75% of the votes cast on the resolution. If this occurs, a second Court hearing will be held to approve the Scheme which, if approved, will become binding on all Shareholders, irrespective of whether or not they voted for the Scheme.
- 1.4 The directors of Real Energy ("Directors") have requested RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, to express an opinion as to whether the Scheme is in the best interests of Shareholders.
- 1.5 Accordingly, we have prepared this Report for the purpose of stating, in our opinion whether or not the Scheme, and as such the offer under the Scheme, is in the best interests of Shareholders and to set out the reasons for that opinion. Our Report is to be included in the Scheme Booklet and Notice of Meeting to be sent to Shareholders in respect of the Scheme Meeting.
- 1.6 This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstances of Shareholders. The ultimate decision whether to approve the Scheme should be based on each Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders should read and have regard to the contents of the Scheme Booklet and Notice of Meeting which has been prepared by the Directors and management of Real Energy. Shareholders who are in doubt as to the action they should take with regard to the Scheme and the matters dealt with in this Report, should seek independent professional advice.

2. Summary and Conclusion

Opinion

- 2.1 In the absence of any other relevant information and/or a superior proposal, RSM considers the Scheme to be not fair but reasonable to Shareholders, and as such, that the Scheme is in the best interests of Shareholders. A summary of our reasons and the approach we have taken in assessing our opinion is set out in this Section of our Report.

Approach

- 2.2 In assessing whether the Scheme is “in the best interests” of Shareholders, we have considered Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 – Content of Expert Reports (“RG 111”), which provides specific guidance as to how an expert is to appraise a Scheme of Arrangement.
- 2.3 Schemes of Arrangement can be used as an alternative to a takeover bid under Chapter 6 of the Act to achieve substantially the same outcome. In these circumstances, RG 111 suggests that the form of analysis to be undertaken by the expert should be substantially the same as for a takeover bid with certain exceptions, such as in the case of a merger.
- 2.4 RG111.31 states that, in the case of a merger of entities of equivalent value, when control of the merged entity will be shared equally between the ‘bidder’ and the ‘target’, the expert may be justified in using an equivalent approach to valuing the securities of the ‘bidder’ and the ‘target’.
- 2.5 The Scheme is structured with the intention to form a ‘merger of equals’ and is not intended to effect a change of control or provide a premium for control to Shareholders. The level of ownership in the Merged Group of Shareholders and Strata-X shareholders, based on the total number of shares expected to be on issue immediately prior to the Scheme, is 53% and 47%, respectively.
- 2.6 The Scheme provides for equal representation of both Real Energy and Strata-X on the board of directors of the Merged Group, both having 2 representatives.
- 2.7 Consistent with the guidance set out in RG 111, and on the basis of the above and the further analysis as set out in Section 3, we have assessed the Scheme as a merger, and in assessing whether or not we consider the Scheme to be ‘in the best interests’ of Shareholders, we have considered whether the Scheme is “fair” to Shareholders by assessing and comparing:
- the assessed Fair Value of a share in Real Energy on a controlling basis prior to the Scheme; with
 - the assessed Fair Value of the Scheme Consideration offered for a share in Real Energy, also on a controlling basis.
- 2.8 We have also considered whether the Scheme is “reasonable” to Shareholders by undertaking an analysis of the other factors relating to the Scheme which are likely to be relevant to Shareholders, in their decision of whether or not, to approve the Scheme.
- 2.9 Further information on the approach we have used in assessing whether the Scheme is in “the best interests” of the Real Energy Shareholders is set out at Section 3 of this Report.

Is the Scheme Fair to Shareholders?

- 2.10 In assessing whether we consider the Scheme to be fair to Shareholders, we have assessed the Fair Value of a share in Real Energy prior to the implementation of the Scheme, and compared it to the assessed Fair Value of the Scheme Consideration offered per Real Energy share immediately after the Scheme, to determine whether a Real Energy Shareholder would be better or worse off should the Scheme be approved.

2.11 Our assessment of the Fair Value of a Real Energy share prior to the Scheme and the Scheme Consideration is set out in Table 1 below.

	Low \$	High \$	Preferred \$
Assessed Fair Value of Scheme Consideration	\$0.017	\$0.033	\$0.025
Assessed Fair Value of a Real Energy Share prior to Scheme	\$0.022	\$0.042	\$0.032
Amount by which the Fair Value of the Scheme Consideration exceeds the Fair Value of a Real Energy share prior to the Scheme	-\$0.005	-\$0.009	-\$0.007

Source: RSM Analysis

Table 1 : Assessed Fair Value of a Real Energy share prior to the Scheme and the Scheme Consideration

2.12 The above comparison is depicted graphically in Figure 1 below.

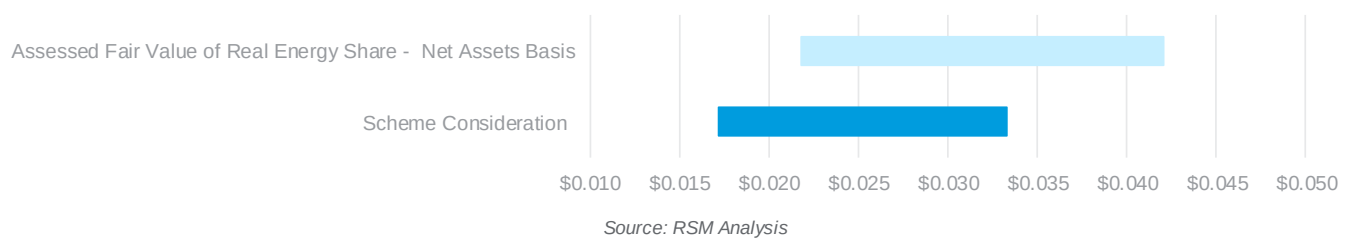


Figure 1: Assessed Fair Value of a Real Energy share prior to the Scheme and the Scheme Consideration

2.13 Given the relative contributions to the Scheme Consideration of Real Energy and Strata-X, the Scheme Consideration may exceed the Fair Value of a Real Energy Share prior to the Scheme where the Fair Value of a Real Energy Share is approximately \$0.024 or less and the corresponding Fair Value of Strata-X is at the high end of our assessed valuation range. This comparison is depicted graphically in Figure 2 below.

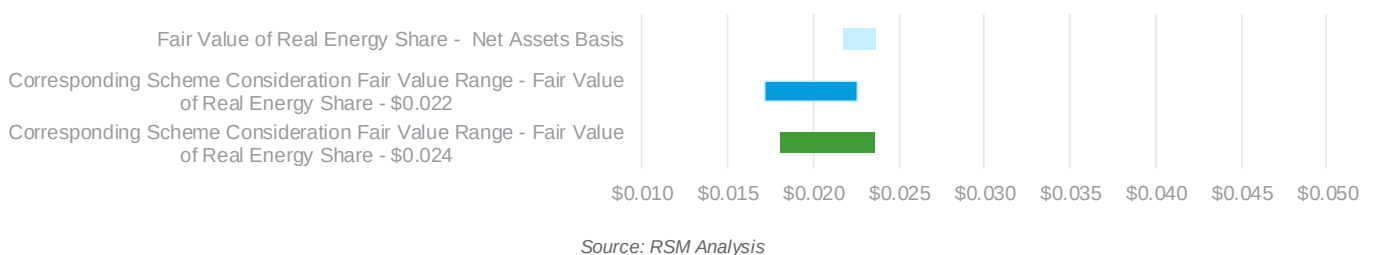


Figure 2: Fair Values of a Real Energy Share prior to the Scheme that may result in a Scheme Consideration in excess of the Fair Value of a Real Energy Share prior to the Scheme

2.14 In our opinion, due to the limited crossover in the valuation range, we consider the Scheme to be **not fair** to Shareholders.

2.15 Depending on Shareholders' views as to the prospects and operations of both Real Energy and Strata-X, some shareholders may form the view that the Fair Value of Real Energy is approximately \$0.024 or less per Share and that the Fair Value of Strata-X is at the higher end of our assessed valuation range. In these circumstances, Real Energy shareholders would conclude the Proposed Transaction is fair.

2.16 With regard to the above, utilising the net assets on a going concern basis, we have assessed the Fair Value of Strata-X to be in the range of \$4.6m to \$8.9m, with a preferred value of \$6.8m, resulting in an assessed Fair Value of a Strata-X share in the range of \$0.037 to \$0.071, with a preferred value of \$0.054. Notwithstanding Strata-X's low levels of liquidity (and noting that the quoted market price has been adopted as a secondary methodology), Strata-X's 30-day and 60-day volume weighted average prices ("VWAP") prior to the date of the announcement of the Scheme on 15 July 2020 were \$0.054 and \$0.060, respectively. The application of a

control premium to the 30-day and 60-day VWAP of 30% to 35% results in an implied value of a Strata-X share of \$0.070 to \$0.081 on a control basis, with a midpoint of \$0.076. The value range using the quoted market price is significantly higher than the net assets on a going concern methodology and reflects, in part, the inherent difficulties in valuing exploration assets as set out in paragraph 9.8 of our Report. Utilising the values under the quoted market price methodology for Strata-X results in an implied Scheme Consideration per share in the range of \$0.022 to \$0.035, with a midpoint of \$0.029, which would increase the crossover range for our assessed valuation of a Real Energy share prior to the Scheme.

Is the Scheme Reasonable to Shareholders?

Consideration of other factors relating to Scheme

2.17 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid. Section 11 of this Report sets out our consideration of other factors relating to the implementation of the Scheme which are likely to be relevant to the decision of Shareholders as to whether or not to approve the Scheme. We set out a summary of these factors below.

Advantages of approving the Scheme

2.18 The key advantages of the Scheme are:

- The Scheme will expose Shareholders to a more diversified potential gas portfolio as well as 100% ownership of Project Venus. There is a high level of risk associated with joint ventures and farmouts as the obligations of the other parties may not be fulfilled. Under the Scheme, the interest in permit APT 2051, which is held by a 50/50 joint venture ("JV") between Real Energy and Strata-X ("Project Venus"), will be 100% owned by the Merged Group, reducing the risk associated with the joint venture;
- The Merged Group will have the ability to better pursue the shared strategic focus of both Real Energy and Strata-X in the development of its collective gas resources, and the strategic plan to transition the focus of the Merged Group to building, owning and operating a hydrogen fuel plant in Queensland;
- The Merged Group will form a larger listed entity with pooled assets from which to fund future opportunities;
- The Directors of Real Energy consider that the merger will result in streamlined costs and lower overheads including listing fees;
- The Directors consider that the combined board representatives from Real Energy and Strata-X will contribute complementary industry experience and skills to the Merged Group;
- As set out in paragraph 2.15, to the extent that the Fair Value of Real Energy prior to the Scheme within our assessed valuation range is approximately \$0.024 or less per Share and the Fair Value of Strata-X is at the higher end of our assessed valuation range, the Scheme would be deemed fair; and
- As set out in paragraph 2.16, utilising the values under the quoted market price methodology for Strata-X results in an implied Scheme Consideration per share in the range of \$0.022 to \$0.035, with a midpoint of \$0.029, which would increase the crossover range for our assessed valuation of a Real Energy share prior to the Scheme.

Future Prospects of Real Energy if the Scheme is not approved

2.19 We consider that the future prospects of Real Energy are unlikely to be significantly impacted should the Scheme not be approved. We have formed this view after considering the following:

- In the event the Scheme is not approved, Real Energy will continue to operate as a listed company and continue to pursue its current strategy; and
- The Real Energy share price did not move significantly after the announcement of the Scheme and, all other things being equal, is unlikely to move significantly should the Scheme not be approved.

Disadvantages of approving the Scheme

2.20 The key disadvantages of the Scheme are:

- The Scheme is not fair;
- Shareholders will, collectively, whilst still maintaining a controlling ownership, have a diluted ownership of 53% in the Merged Group; and
- Changes in the risk profile of Real Energy with exposure to exploration assets outside of Australia, including geopolitical risk factors which increases the uncertainty around the development and commercialisation of the underlying exploration assets held in Botswana.

The price of Real Energy's shares after the announcement of the Scheme

- 2.21 The Scheme was announced to the ASX on 15 July 2020. Real Energy's opening share price on the date of the announcement was \$0.020 and the closing price was \$0.022.
- 2.22 The share price fluctuated between \$0.019 and \$0.027 over the period 16 July 2020 to 1 October 2020, closing at \$0.024 on 1 October 2020.
- 2.23 As at the date of this Report the Real Energy share price was \$0.024.
- 2.24 In the days following the announcement the volume of trading in Real Energy's shares was slightly higher than the same period prior to the announcement 0.9% of the issued capital was traded on the day following the announcement of the Scheme and 2.5% of the issued capital was traded in the 10 calendar days subsequent to the announcement. This is compared to 0.06% of the issued capital being traded on the day prior the announcement and only 0.41% of the issued capital being traded in the 10 calendar days prior to the announcement.
- 2.25 The VWAP of Real Energy's shares for the period after the announcement of the Scheme to 1 October 2020 of \$0.023 was 13% higher than the 10 day VWAP of \$0.020 prior to the announcement of the Scheme, 7% higher than the 30 day VWAP of \$0.021 prior to the announcement, and consistent with the 60 day VWAP of \$0.023 prior to the announcement of the Scheme.
- 2.26 Based on the above, we consider that, on the whole, the market has reacted reasonably favourably to the announcement of the Scheme.

Alternative proposals and likelihood of an alternative takeover offer

- 2.27 The Directors have advised us that no formal alternative offers or approaches by potential acquirers have been received prior to the announcement of the Scheme on 15 July 2020.
- 2.28 Since the announcement of the Scheme on 15 July 2020, we understand that no superior offers have been put forward as the date of this Report.

Liquidity

- 2.29 The Scheme provides Shareholders with an ability to convert their investment in Real Energy to an investment in the Merged Group. Strata-X has demonstrated low levels of liquidity with implied annualised liquidity over 30, 90, 182 and 365 days, prior to the announcement of the Scheme, ranging between 15% and 18%.
- 2.30 There is, therefore, a risk that share liquidity in the Merged Group will be lower than Real Energy's historical levels of liquidity, resulting in a less efficient market for Shareholders to realise their investments. Conversely however, the Merged Group as a result of its greater size, may experience improved liquidity and increased ability to attract investors and raise equity capital.

Conclusion

- 2.31 In the absence of any other relevant information and/or a superior proposal, RSM considers the Scheme to be reasonable to Shareholders and as such, that the Scheme is in the best interests of Shareholders.
- 2.32 An individual shareholder's opinion in relation to the Scheme may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

3. Scope of the Report

Purpose of this Report

- 3.1 There is no regulatory requirement, under either the Act or the Australian Securities Exchange ("ASX") Listing Rules, for an Independent Expert's Report ("IER") to be prepared in relation to the Scheme.
- 3.2 The Directors of Real Energy have requested RSM, being independent and qualified for the purpose, to express an opinion as to whether the Scheme is in the best interests of Shareholders.

Regulatory guidance

- 3.3 It is relevant to note that the expression "in the best interests" is not defined within either the Act or the Regulations. Therefore, in determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by the ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.
- 3.4 RG 111 prescribes that a key matter that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transactions is comparable to a takeover bid and is therefore representative of a change of control transaction. Where a Scheme would achieve substantially the same outcome as a takeover bid, RG 111 aligns "in the best interests" with the "fair and reasonable" test. While RG 111 does not define "fair and reasonable" it does provide some guidance as to how the terms should be interpreted in a range of circumstances. With respect to a takeover bid RG 111 applies the "fair and reasonable" test as two distinct criteria, stating:
- a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 3.5 RG111.31 states that in the case of a merger of entities of equivalent value, when control of the merged entity will be shared equally between the 'bidder' and the 'target', the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.
- 3.6 In line with the guidance provided in RG 111, where a transaction represents a merger, the key consideration of the independent expert is whether the relative value contributed by each of the merging entities to the value of the merged entity is consistent with the terms of the transaction proposed under the scheme.
- 3.7 Having regard to the terms and intention of the Scheme, it is our opinion that the Scheme should be assessed as a merger, rather than a change of control transaction (consistent with a takeover bid). Our opinion is based on the following:
- the Real Energy Shareholders' collective ownership in the Merged Group will be approximately 53% immediately after the Scheme;
 - Real Energy and Strata-X will have equal representation on the board of directors in the Merged Group; and
 - The intention of Real Energy and Strata-X to merge and pursue the shared strategic plan to transition the Merged Group into a process of building, owning, and operating a hydrogen fuel plant in Queensland.

- 3.8 We note that the relative Fair Value contribution of Real Energy and Strata-X to the Fair Value of the Merged Group (assessed at 66% and 34% for Real Energy and Strata-X, respectively at our preferred Fair Value), is not consistent with their respective collective ownership in the Merged Group. However, based on the other factors noted above, we consider that the Scheme should be assessed as a merger, rather than a control transaction.

Adopted basis of evaluation

- 3.9 Having regard to the above, it is our opinion that the Scheme should be assessed as a merger. Therefore, consistent with the guidance set out in RG 111 as summarised above, in assessing whether or not we consider the Scheme to be in “the best interests” of Shareholders we have considered whether the Scheme is “fair” by assessing and comparing:
- the assessed Fair Value of a share in Real Energy on a controlling basis prior to the Scheme; with
 - the assessed Fair Value of the Scheme Consideration offered per Real Energy share, also on a controlling basis immediately after the Scheme.
- 3.10 On this basis, if the assessed Fair Value of the Scheme Consideration offered per Real Energy share is equal to or greater than the assessed Fair Value of a Real Energy share prior to the Scheme, in our opinion, the Scheme would be “fair” and, as such, in the best interests of Shareholders.
- 3.11 In assessing whether the Scheme is in the “best interests” of Shareholders, in addition to considering whether or not the Scheme is “fair” to Shareholders, we have also considered whether the Scheme is “reasonable” by undertaking an analysis of the following factors:
- the potential advantages and disadvantages of the Scheme;
 - the price of a Real Energy share post the announcement of the Scheme;
 - the likelihood of an alternative takeover offer emerging;
 - the future prospects of Real Energy if the Scheme is not implemented; and
 - the liquidity the Scheme provides.
- 3.12 Our assessment of the proposed Scheme is based on economic, market and other conditions prevailing at the date of this Report.

4. Summary of the Scheme

Overview

- 4.1 On 15 July 2020, Real Energy and Strata-X announced they had entered into the SIA in relation to a proposed merger of the two companies via the Scheme.
- 4.2 Under the terms of the Scheme, Shareholders are offered 1 share in Strata-X for every 3 Real Energy shares held.
- 4.3 The Scheme is intended to form a merger of equals and is not intended to effect a change of control or provide a premium for control to Shareholders. The board of the Merged Group will have equal representation from Real Energy and Strata-X and the level of ownership in the Merged Group for Real Energy and Strata-X will be 53% and 47%, respectively. Upon the completion of the Scheme, the Merged Group will be renamed Pure Energy Corporation Limited.

Key conditions of the Scheme

- 4.4 The implementation of the Scheme is subject to a number of conditions precedent. The conditions precedent which must be satisfied or waived are:

-
- (a) **Shareholder approval:** Real Energy Shareholders approve the Scheme by the requisite majorities under the Corporations Act.
 - (b) **Court approval:** The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
 - (c) **Regulatory intervention:** no Court of Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.
 - (d) **No Material Adverse Effect:** no Material Adverse Effect (as defined in the SIA) occurs between the date of the announcement and 8.00am on the Second Court Date.
 - (e) **No Superior Proposal being made in respect of the Seller** occurs between the SIA date (being 15 July 2020) and the Second Court Date.
 - (f) **No takeover offer nor Superior Proposal has been made for the Buyer** (Strata-X as defined in the SIA) between the SIA date and the Second Court Date.
 - (g) **Delisting:** the Buyer shall have delisted its common shares from trading on the Toronto Stock Exchange Venture Exchange ("TSXV") as soon as possible but no later than completion.
 - (h) **Shareholder Approval:** the shareholders of the Buyer shall have approved the Proposed Transactions, if required pursuant to the applicable laws or the TSXV Policies.

Reimbursement Fee

- 4.5 In the event that Real Energy, or the majority of its directors, accept or recommend a superior proposal or fail to undertake the steps required to complete the proposed transaction, Real Energy will be liable to pay to Strata-X a termination fee of \$100,000 in cash. Further, should Strata-X no longer wish to proceed with the proposed transaction or the majority of Strata-X's directors fail to recommend the Scheme to their shareholders, Strata-X will be liable to pay to Real Energy a termination fee of \$100,000 in cash.

Strata-X Dual Listing

- 4.6 Strata-X has a dual listing on the TSXV and the ASX. The primary listing for Strata-X is on the TSXV and Australian investors are able to obtain a beneficial interest in Strata-X securities through a Chess Depository Interest ("CDI") with legal title to the securities held on behalf of the CDI holder through a nominee company. Under the terms of the Scheme, Strata-X is required to delist from the TSXV.

5. Profile of Real Energy

Overview

- 5.1 Real Energy was incorporated in 2009 and is based in North Sydney, New South Wales.
- 5.2 Real Energy engages in the exploration, evaluation and development of gas projects in Australia. Specifically, the Company holds a 100% interest in two permits in Queensland, ATP 927 (“Windorah Gas Project”) and ATP 1194PA (“Cooper Basin Project”) as well as a 50% interest in Project Venus which is to be developed as a Coal Seam Gas (“CSG”) Project. Real Energy is the operator under the JV.
- 5.3 Real Energy has recently commenced pursuing opportunities in hydrogen manufacturing, through its wholly-owned subsidiary, Pure Hydrogen Corporation Pty Ltd, with a view to constructing and operating large scale hydrogen fuel plants in Queensland.
- 5.4 A summary of the permits and interests held by Real Energy is set out in Table 2.

Project	Permit No.	Area	Location	Interest Held
Windorah Gas Project	ATP 927	1050 sq km	Cooper Basin	100%
Cooper Basin Project	ATP1194PA	1043 sq km	Cooper Basin	100%
Project Venus	ATP2051	154 sq km	Basin Surat	50%

Source: Real Energy's June 2020 Quarterly Report

Table 2: Summary of permits and interest held by Real Energy

- 5.5 A summary of the estimated gas resources for the Windorah Gas Project is set out in Table 3.

Resource Category	Billion Cubic Feet
1C	118
2C	330
3C	770

Source: Real Energy's June 2020 Quarterly Report

Table 3: Gross estimates of contingent resources for the Windorah Gas Project

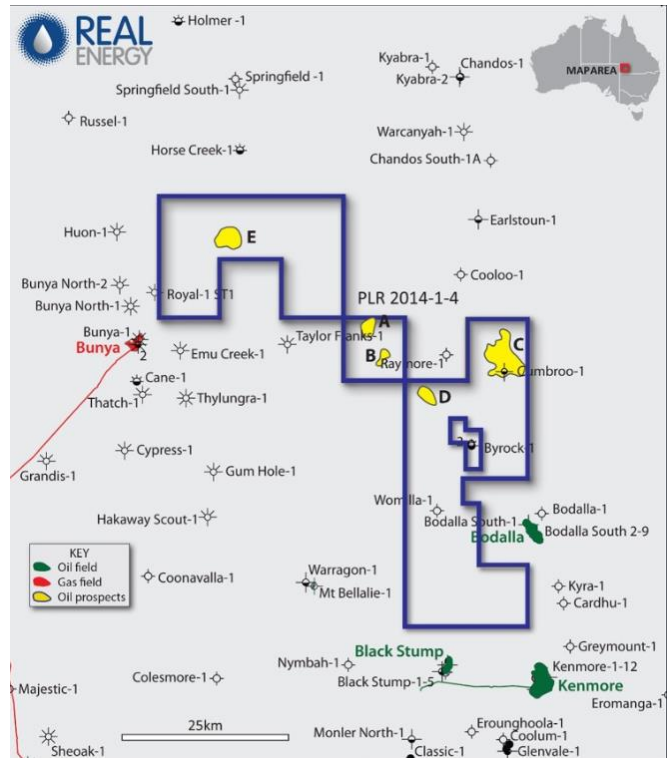
- 5.6 A summary of the prospective estimated gas resources for Project Venus is set out in Table 4.

Project Venus	Low	Best	High
ATP2051	555	694	833

Source: Real Energy's June 2020 Quarterly Report

Table 4: Estimate Gross (100%) Prospective Gas Resources (PJ)

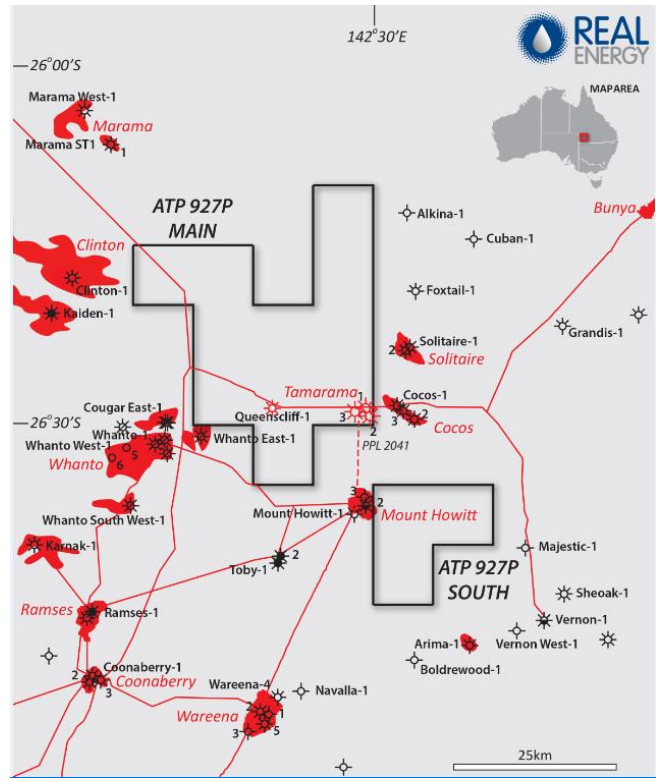
5.7 Figure 3 below shows the permit area for the Cooper Basin Project.



Source: Real Energy

Figure 3: Permit area map for the Cooper Basin Project

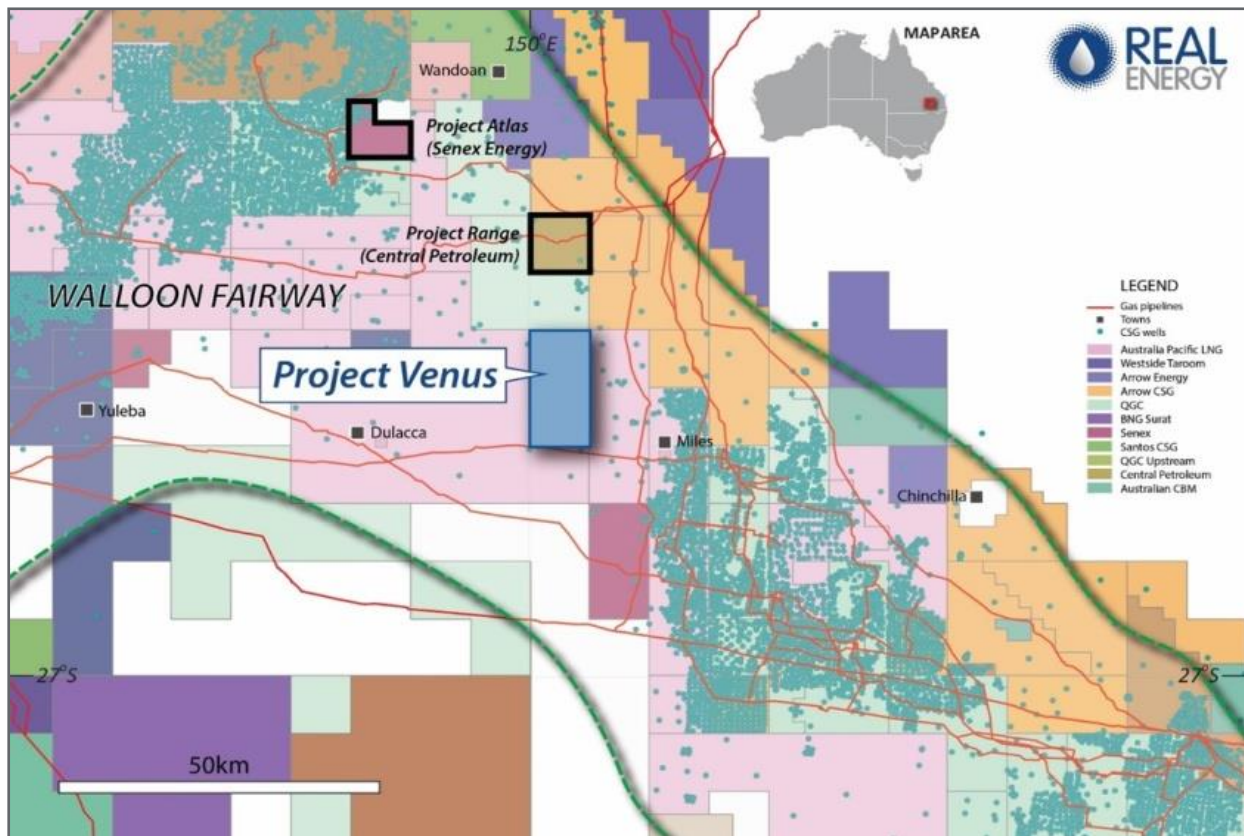
5.8 Figure 4 below shows the permit area for the Windorah Gas Project.



Source: Real Energy

Figure 4: Permit area map for the Windorah Gas Project

- 5.9 The Windorah Gas Project acreage is located in Western Queensland and forms part of the Cooper Basin.
- 5.10 The Cooper Basin Project is located in the Cooper-Eromanga Basins of South West Queensland, some 100km northwest of Quilpie and 10km north of Eromanga. It comprises 340 sub-blocks, an area of approximately 1,043 km².
- 5.11 Figure 5 below shows the permit area for Project Venus.



Source: Real Energy's June 2020 Quarterly Report

Figure 5: Permit area map for Project Venus

- 5.12 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 complete area of 154km².

Legal structure

- 5.13 Real Energy is incorporated in and domiciled in Australia. Real Energy has 3 wholly owned subsidiaries, being:
- Real Energy Queensland Pty Limited;
 - Pure Energy Corporation Pty Limited (formerly Queensland Oil Pty Ltd); and
 - Pure Hydrogen Corporation Pty Limited.

Directors and management

5.14 The details of the current directors of Real Energy are summarised below.

- **John Wardman (Non-Executive Chairman)**

B. Ec. (Macquarie University Sydney)

Company Directors Course Diploma (University of Sydney Graduate Business School)

Fellow of the Australian Institute of Company Directors (FAICD)

Mr John Howard Robert Wardman has been a Non-Executive Director at Real Energy since 6 September 2018 and Non-Executive Chairman of Real Energy since 2 March 2020.

John has been Chairman and Non-Executive Director of Shine Metals Limited (formerly Oriental Technologies Investment Limited) since 6 October 2017 and 27 September 2017, respectively. John is a Senior Investment Advisor in the wealth management industry with Shaw and Partners.

- **Scott Brown (Managing Director and CEO)**

B. Bus (University of Technology Sydney)

M. Com (University of New South Wales)

Member of the Institute of Chartered Accountants and the Petroleum Exploration Society of Australia

Mr Scott Brown is a Co-Founder of Real Energy and serves as its Chief Executive Officer and Managing Director.

Scott was previously Chief Financial Officer of Mosaic Oil NL (ASX: MOS), a listed oil and gas exploration and production company with interests in Queensland, New Zealand and offshore Western Australia. Scott was also formerly the CFO, Company Secretary, and chairman/director of a number of public companies including Objective Corporation Limited, Turnbull & Partners Limited, Allegiance Mining NL, FTR Holdings Limited, Garratt's Limited. Scott has also worked at accounting firms, Ernst Young and KPMG.

Scott is currently a non-executive director of Shine Metals Limited (ASX: SHI).

- **Peter Mangano (Non-Executive Director)**

B. Com. (University of Tasmania)

B. Sc (University of Western Australia)

Citigroup Leadership Program (Harvard University) and Certified Practising Accountant

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

Peter was appointed as a Non-Executive Director of Real Energy on 15 August 2019.

- **Dang Lan Nguyen (Non-Executive Director)**

B.Sc. (Baku, Azerbaijan)

M.Sc. - Geology (University of New England)

Member of the Petroleum Exploration Society of Australia and the Society of Petroleum Engineers

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

Lan is a 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.

Financial Performance

5.15 Table 5 below sets out a summary of the financial performance of Real Energy for the year ended 30 June 2018 ("FY18"), 30 June 2019 ("FY19"), and 30 June 2020 ("FY20").

\$'000	Reference	FY18 Audited	FY19 Audited	FY20 Audited
Revenue	5.16	162	67	27
Government incentive/R&D reverse payment	5.17	-	(850)	11
Depreciation & amortisation expenses		(4)	(2)	(1)
Share based payments	5.18	-	-	(114)
Employee benefits & expenses		(536)	(514)	(454)
Other operating expenses		(970)	(949)	(504)
Impairment of exploration and development assets	5.19	(51)	(39)	(2,212)
Total Expenses		(1,562)	(1,505)	(3,286)
Profit/(Loss) from continuing activities before income tax		(1,400)	(2,288)	(3,246)
Income tax expense		-	-	-
Profit/(Loss) from continuing activities after income tax	5.20	(1,400)	(2,288)	(3,246)

Source: Real Energy's audited financial statements

Table 5: Real Energy historical financial performance

- 5.16 Real Energy is yet to generate revenues from its exploration, evaluation and development assets. The revenue recognised in FY18 to FY20 reflects interest received on cash held in interest bearing accounts.
- 5.17 Real Energy received a research and development ("R&D") tax incentive from the Australian Government for the years ended 30 June 2014, 2015 and 2016 (FY14, FY15 and FY16) ("R&D Claim"). On 23 May 2019, Real Energy announced to the ASX that the Company had received an adverse finding in relation to its R&D Claim for FY14, FY15 and FY16. On 11 June 2019, Real Energy lodged a claim with the Administrative Appeals Tribunal. Real Energy reversed its R&D tax incentive claimed for FY17 in FY19. Further information regarding the R&D Claim is set out at paragraph 5.25.
- 5.18 In FY20, certain director's remuneration payable to Scott Brown, John Wardman, Dang Lan Nguyen and Peter Mangano were settled through the issue of new shares, to the value of \$74k recognised as a share based payment. Service fees payable to a supplier with a value of \$40k were settled through the issue of new shares.
- 5.19 The Company recognised impairment expenses of \$51k, \$39k and \$2.2m in relation to the general permit management expenditures for the Windorah Gas Project for FY18, FY19 and FY20, respectively.
- 5.20 Real Energy recorded net losses after income tax of \$1.4m, \$2.3m and \$3.2m in FY18, FY19 and FY20, respectively.

Financial Position

5.21 Table 6 below sets out a summary of the financial position of Real Energy as at 30 June 2018, 30 June 2019, and 30 June 2020.

		As at		
		30-Jun-18	30-Jun-19	30-Jun-20
\$'000	Reference	Audited	Audited	Audited
Current Assets				
Cash & cash equivalents		3,969	3,279	1,616
Deposits paid & prepayments		12	26	7
Trade & other receivables		1,346	114	74
Inventories		43	42	42
Total Current Assets		5,371	3,461	1,740
Non Current Assets				
Property, plant & equipment		3	1	1
Exploration, evaluation and development assets	5.22	25,549	32,045	30,504
Lease provision		-	-	109
Total Non current Assets		25,553	32,046	30,614
Total Assets		30,923	35,507	32,354
Current Liabilities				
Trade & other payables		2,556	964	311
Short term loan	5.23	-	-	500
Leave provision		110	102	117
Lease provision		-	-	25
Total Current Liabilities		2,666	1,066	953
Non Current Liabilities				
Leave provision		39	48	56
Rehabilitation provision		400	400	400
Lease provision		-	-	83
Other Provision		7	8	9
Total Non current Liabilities		446	456	548
Total Liabilities		3,112	1,522	1,501
Net Assets	5.24	27,811	33,985	30,853
Equity contribution		31,010	40,054	40,168
Accumulated costs of equity		(2,744)	(3,325)	(3,325)
Retained profits/(losses)		(455)	(2,743)	(5,990)
Total Equity	5.24	27,811	33,985	30,853

Source: Real Energy's audited financial statements

Table 6: Real Energy historical financial position

- 5.22 At 30 June 2020, the Company recognised exploration, evaluation, and development assets of \$30.5m, comprising capitalised costs in relation to the exploration assets detailed in paragraph 5.2 to 5.12.
- 5.23 The short term loan of \$500k as at 30 June 2020 is due to a related party of Scott Brown. The loan is interest bearing at 10% per annum, secured against the assets of Real Energy with a term to 30 March 2021.
- 5.24 As at 30 June 2020, Real Energy reported net assets of \$30.9m, which included \$1.6m in cash and cash equivalents.
- 5.25 As detailed in paragraph 5.17, Real Energy has received an adverse finding in relation to the R&D Claim totalling \$7.2m. As set out in the Real Energy half year report for the 6 months ended 31 December 2019, the directors of Real Energy are of the opinion that a provision in respect to the adverse finding is not necessary on the basis that it believes it has fully complied with the relevant requirements and is confident in its eligibility for the R&D

Claim. We are advised by the directors of Real Energy that there is no change to their view regarding the provision as at the date of this Report.

Capital Structure

5.26 At the date of this Report, Real Energy has 353,194,131 ordinary shares on issue. The top 20 shareholders of Real Energy as at 30 September 2020 are set out in Table 7 below.

Rank	Name	No. shares	%
1	Mr Scott Brown	27,510,839	8%
2	Mr Dang Lan Nguyen	17,900,000	5%
3	BNP Paribas Nominees Pty Ltd	17,727,025	5%
4	Sino Portfolio International Ltd	13,320,000	4%
5	National Nominees Limited	13,067,957	4%
6	J P Morgan Nominees Australia Pty Limited	6,676,117	2%
7	Hooks Enterprises Pty Ltd	6,600,000	2%
8	Leet Investments Pty Limited	6,050,000	2%
9	Mr Raymond Anthony Singh	6,046,289	2%
10	Ms Yueqiao Cheng	6,000,000	2%
11	Leet Investments Pty Limited	5,850,000	2%
12	Equity Trustees Limited	5,581,250	2%
12	Toronga Pty Ltd	5,000,000	1%
13	John Wardman & Associates Pty Ltd	4,239,490	1%
14	Sino Portfolio International Ltd	4,000,000	1%
15	Mr Andrew Bruce & Mrs Wendy Bruce	4,000,000	1%
16	Neweconomy Com Au Nominees Pty Limited	3,763,025	1%
17	Mr John Wardman	3,249,202	1%
17	Mr Hoai Nam Pham	3,000,000	1%
18	Trutec Pty Ltd	3,000,000	1%
19	Aranim Pty Ltd	2,970,000	1%
20	Hayes Investments Co Pty Ltd	2,801,804	1%
Total ordinary shares held by top 20		168,352,998	48%
All other shareholders		184,841,133	52%
Total ordinary shares on issue		353,194,131	100%

Source: Real Energy share register

Table 7: Real Energy top 20 shareholders

5.27 We set out in Table 8 a summary of the new shares in Real Energy issued over the 12 months ending on 15 July 2020.

Date	No. shares issued	Issue price	Consideration
18/12/2019 Payment of service fees	1,340,620	\$0.0298	\$40,004
18/12/2019 Payment of directors fees	2,434,307	\$0.0305	\$74,246

Source: Real Energy ASX lodgement Appendix 3B

Table 8: Real Energy share issues in the 12 months ending 15 July 2020

5.28 We note the following issues of Real Energy shares are expected to be completed prior to the Scheme:

- The SIA provides for the issue of 1,300,000 new ordinary shares as a payment to a supplier, S3 Consortium Pty Ltd, prior to the implementation of the Scheme;
- Under the terms of the SIA, Real Energy is to issue 6,710,000 shares to its directors, subject to shareholder approval, prior to the implementation of the Scheme in lieu of a cash remuneration payment;
- Under the terms of the SIA, and subsequent agreement, Real Energy and Strata-X may complete, without prior approval, a capital raising of up to \$1.2m and \$700,000, respectively. Real Energy completed a capital raising on 25 September 2020 raising \$800,000 through a share placement ("Real Energy Share Placement") and approximately \$200,000 through a share purchase plan ("Real Energy SPP"). The shares

are expected to be issued by 15 October 2020. The subscription price for the Real Energy Share Placement was \$0.020 per share and the subscription price for the Real Energy SPP issue is to be the lower of \$0.020 and the 10-day VWAP up to and including 8 October 2020.

- Real Energy intends to issue a further 10,000,000 shares under the share purchase plan prior to the implementation of the Scheme on the same terms as the Real Energy SPP, which would raise approximately \$200,000 before costs.

5.29 We set out in Table 9 below a summary of the total ordinary shares expected to be on issue immediately prior to the implementation of the Scheme.

Number of ordinary shares on issue as of 30 September 2020	353,194,131
Shares to be issued to S3 Consortium Pty Ltd in lieu of a cash payment	1,300,000
Shares to be issued to directors in lieu of a cash remuneration	6,710,000
Shares to be issued under Real Energy Share Placement	40,000,000
Shares to be issued under Real Energy SPP	10,000,000
Shares to be issued under Real Energy SPP	10,000,000
Total ordinary shares on issue immediately prior to the Scheme	421,204,131

Source: Real Energy share register, SIA, ASX announcement

Table 9: Number of Real Energy ordinary shares immediately prior to the Scheme

5.30 At the date of this Report, Real Energy has 65,379,622 unlisted options on issue. A summary of the top 20 option holders as at 1 September 2020 is set out in Table 10.

Rank	Name	No. Options	%
1	Top Class Holdings Pty Ltd	8,000,000	12%
2	Zenix Nominees Pty Ltd	7,500,000	11%
3	Mr Alexander Judzewitsch & Ms Patricia Ann Felstead	6,500,000	10%
4	Baowin Investments Pty Ltd	2,100,000	3%
5	Mr Hing Keung Lawrence Woo	2,096,737	3%
6	Jackie Au Yeung	2,000,000	3%
7	Marriott Printery Pty Limited	1,842,001	3%
8	Mr Robert George Makara	1,636,667	3%
9	Ms Samantha Smith	1,500,000	2%
10	HSBC Custody Nominees (Australia) Limited	1,469,397	2%
11	Ms Annette Frances Mullen	1,351,037	2%
12	Mr Hoai Nam Pham	1,150,000	2%
13	Philip Sewell & Associates Pty Ltd	1,117,674	2%
14	Mr John Wardman	1,000,000	2%
15	Citicorp Nominees Pty Limited	929,075	1%
16	Mr Garry Richard Marsden	905,000	1%
17	S G Shearer Pty Ltd	850,000	1%
18	Equity Trustees Limited	788,833	1%
19	Brispot Nominees Pty Ltd	778,412	1%
20	CS Third Nominees Pty Limited	727,083	1%
Total options held by top 20		44,241,916	68%
All other options		21,137,706	32%
Total options on issue		65,379,622	100%

Source: Real Energy option register

Table 10: Real Energy top 20 option holders

5.31 In addition to the options set out in Table 10, on 25 September 2020 Real Energy announced it would be issuing a further 20,000,000 options as part of the Real Energy Share Placement and a further 5,000,000 as part of the Real Energy SPP.

- 5.32 As noted in paragraph 5.28, Real Energy intends to issue a further 10,000,000 shares under the share purchase price, prior to the implementation of the Scheme, which will have 5,000,000 options attached.
- 5.33 Under the terms of the SIA, holders of Real Energy options, at the date of Scheme, may exercise their options and subscribe for a share in the Merged Group. We have therefore included the potential dilutionary impact of the options expected to be on issue in our assessment of the Fair Value of Real Energy immediately prior to the Scheme, as set out in Section 7 of this Report.
- 5.34 We have also included the potential dilutionary impact of the Real Energy and Strata-X Energy options on issue in our assessment of the Fair Value of the Merged Group post the Scheme as set out in Section 10 of this Report.
- 5.35 Further details of the assumptions and inputs we have used to value the potential dilutionary impact of the options are set out in Appendices F and G.
- 5.36 We set out in Table 11 the details of the options on issue.

	No. options	Exercise Price	Expiry Date
Listed Placement Options	55,879,622	14 cents	30/09/2020
Listed Broker Options	7,500,000	12 cents	26/09/2021
Unlisted Broker Options	2,000,000	14 cents	31/03/2021
Total	65,379,622		

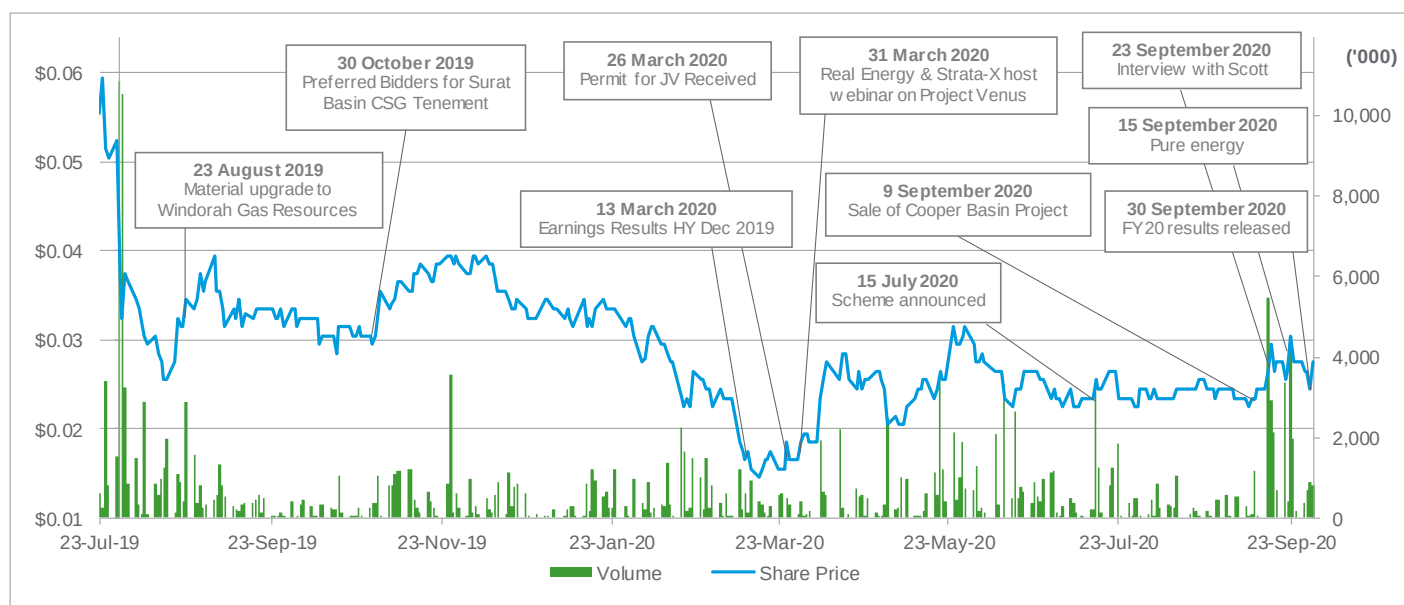
Source: Real Energy Option Register

Table 11: Real Energy option terms

- 5.37 As noted in paragraph 5.31 and 5.32, Real Energy announced it would be issuing a total of 30,000,000 options. The options have a nil issue price, an exercise price of 4 cents and expiry date of 30 September 2022. We have included these options in our assessment of the potential dilutionary impact of the options on issue.

Share price performance

- 5.38 A summary of Real Energy's recent share price movement is set out in Figure 6 below.



Source: Capital IQ

Figure 6: Real Energy's recent share trading history

5.39 We make the following comments with regard to Real Energy's recent share price performance:

1. On 23 August 2019, Real Energy announced a material upgrade to contingent gas resources in relation to Project Windorah. The estimates of contingent gas resources in ATP927 were significantly upgraded following the drilling, stimulation and testing of the Tamarama 2 and 3 wells. Contingent gas resources of the Tamarama area have been independently certified by Aeon Petroleum Consultants. The estimates of contingent resources are based on the area surrounding the four successful gas wells, Queenscliff and Tamarama 1, 2 & 3, located within the exploration permit ATP927. The share price increased to \$0.0310 on the date of the announcement from \$0.028 on the prior day of trading.
2. On 30 October 2019, the Queensland premier announced that Real Energy and Strata-X were the preferred bidders in relation to Project Venus. Project Venus is located within the main Walloon CSG fairway in the Surat Basin, Queensland. Real Energy and Strata-X announced that they would be forming a 50:50 joint venture for Project Venus where Real Energy will be the administrative and commercial operator while Strata-X, at least for the initial phase to predictable reserves certification, will be the technical operator. Real Energy's share price increased from \$0.0260 on 29 October 2019 to \$0.0270 on the date of the announcement and \$0.0320 on 1 November 2019.
3. On 13 March 2020, Real Energy released its earnings result for the half year ended 31 December 2019. For the half year, Real Energy announced revenues of \$20k, a net loss of \$1.83m and basic loss per share of \$0.0052. The share price fell from \$0.014 on the 12 March 2020 to \$0.012 following the announcement.
4. On 26 March 2020, Real Energy and Strata-X announced that they had been officially granted title to the Project Venus permit ATP2051. Given the location of Project Venus permit, being immediately adjacent to gas infrastructure, the JV is aiming to expedite the progressive conversion of prospective gas resources to gas reserves with the goal being to fast-track development of the project, thereby potentially achieving early cash flows. Real Energy's share price increased from \$0.012 on 25 March 2020 to \$0.015 on 26 March 2020 following the announcement.
5. On 31 March 2020, Real Energy and Strata-X hosted a webinar providing an update on Project Venus. The Real Energy share price increased from \$0.013 on 30 March 2020 to \$0.015 on 31 March 2020 following the webinar.
6. On 15 July 2020, Real Energy announced that it had entered into the SIA with Strata-X. The Real Energy share price increased from \$0.020 on 14 July 2020 to \$0.022 on 15 July 2020 following the announcement.
7. On 9 September 2020, Real Energy announced that it has executed a term sheet for the sale of the Cooper Basin Project. The Real Energy share price increased from \$0.019 on 8 September 2020 to \$0.020 on 9 September 2020 following the announcement.
8. On 15 September 2020, Real Energy and Strata-X provided the market with an update on Project Venus. The Real Energy share price increased from \$0.021 on 14 September 2020 to \$0.023 on 15 September 2020 following the update.
9. On 23 September 2020, Scott Brown gave an interview regarding operations for Project Venus. The Real Energy share price increased from \$0.023 on 22 September 2020 to \$0.027 on 23 September 2020 following the interview.
10. On 30 September 2020, Real Energy release its annual financial report for the year ended 30 June 2020. The Real Energy share price decreased from \$0.023 on 29 September 2020 to \$0.021 on 30 September 2020 following the release of the annual financial report.

6. Profile of Strata-X

Overview

- 6.1 Strata-X was incorporated in 2007 and has a dual listing on the ASX and the TSVX (the Toronto Stock Exchange Venture Exchange) and is headquartered in Denver, Colorado in the United States of America.
- 6.2 Strata-X acquires, explores for, and develops oil and gas properties in the United States and Africa. Strata-X currently holds a 100% interest in a permit for an area of approximately 1,129,000 acres located in the Kalahari Basin CSG fairway in the Republic of Botswana ("Serowe Gas Project").
- 6.3 Strata-X also holds a 100% interest in the Illinois Basin Oil Project that covers an area of approximately 1,400 net acres located in Illinois ("Illinois Project"). Strata-X intends to dispose of the Illinois Project in the near future for nil consideration.
- 6.4 On 27 April 2020, Strata-X entered into a revised heads of agreement with Botsgas Pty Ltd ("Botsgas"), replacing the previously agreed heads of agreement announced on 5 March 2020 ("Revised Heads of Agreement"). Under the terms of the Revised Heads of Agreement, Botsgas and Strata-X will enter into a joint operating agreement in relation to the Serowe Gas Project which may result in Botsgas acquiring a 49% interest in the Serowe Gas Project, subject to certain conditions precedent being met ("JOE"). The conditions precedent to the JOE are:
- Botsgas entering into a subscription agreement for the placement of 5,000,000 units issued by Strata-X at a price of \$0.06 per unit. Each unit consists of 1 CDI and half an option. The placement was completed by Botsgas prior to 2 June 2020;
 - Botsgas making a payment of \$300,000 to Strata-X which was received by Strata-X by 30 June 2020; and
 - The JOE must be entered into no later than 30 November 2020.
- 6.5 Botsgas is to be solely responsible for \$4.6m of the joint operating expenditure in the first 2 years. To the extent that Botsgas does not fulfill its obligations for expenditures, the ownership interest it will receive in the Serowe Gas Project will be reduced proportionally.
- 6.6 We are advised by the directors of Strata-X that as at the date of this Report the JOE will be executed in line with the terms set out above.
- 6.7 A summary of permits and interests held by Strata-X is set out in Table 12.

Project	Permit No.	Area	Location	Interest Held
Serowe CSG	Various	1.12m net acres	Kalahari Basin	51%
Illinois Oil	Various	1400 net acres	Illinois Basin	100%
Project Venus	ATP2051	19,000 net acres	Basin Surat	50%

Source: Fluid Strata- X Report and Strata-X FY20 Annual Report

Table 12: Summary of permits and interest held by Strata-X

6.8 Figure 7 below shows the permit areas for the Serowe Gas Project below.

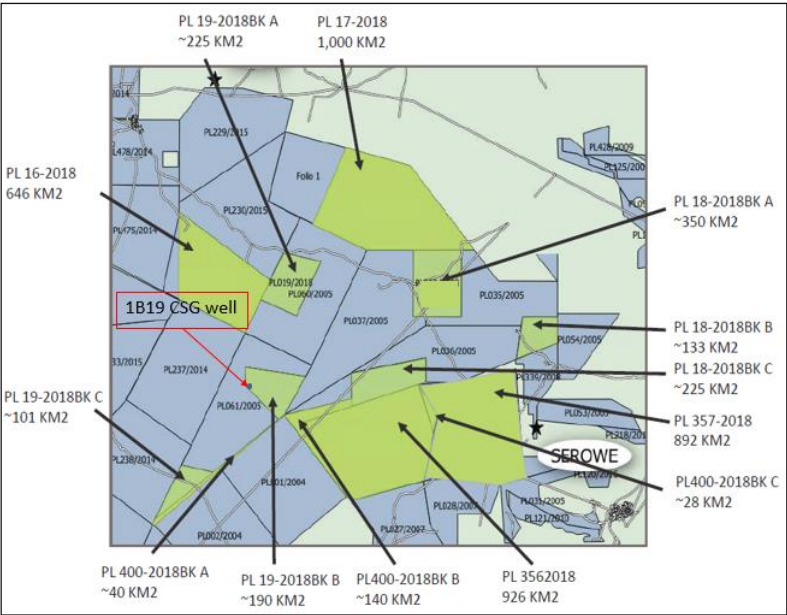


Figure 7: Permit area map for Serowe Gas Project

6.9 The area map for Project Venus is provided at paragraph 5.11.

Legal structure

6.10 Strata-X is incorporated in British Columbia, Canada. Figure 8 below sets out the current group structure.

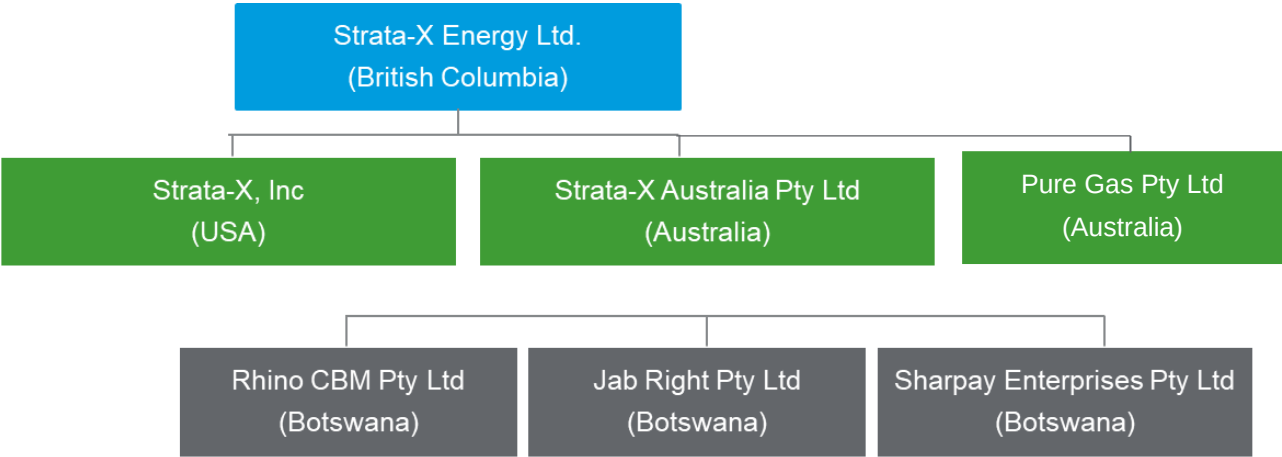


Figure 8: Strata-X group structure

Directors and management

6.11 The details of the current directors of Strata-X are summarised below:

- **Ronald Prefontaine (Executive Chairman & Managing Director)**

B. Sc Geophysics (University of British Columbia)

Mr Ronald Prefontaine has been the Chairman of Strata-X since August 2010 and appointed Executive Chairman & Managing Director at Strata-X in November 2019.

Ronald is a Geophysicist with over 41 years of exploration and production experience in the petroleum industry. Ronald has held senior and management positions as well as acted as a consultant to the oil and gas industry since 1994. Ronald has also been involved in private companies with several petroleum permits which were sold or farmed out to larger players in the industry.

- **Duncan Patrick Cornish (Company Secretary & Non-Executive Director)**

Bachelor of Business Accounting

Member of Australian Institute of Chartered Accountants

Mr Duncan Patrick Cornish has been Non-Executive Director of Strata-X since 31 December 2019.

Duncan has many years' experience in management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange. Duncan has extensive experience in company financial reporting, company regulatory, secretarial and governance areas, business acquisition and disposal due diligence, and has worked with Ernst & Young and PricewaterhouseCoopers both in Australia and the UK.

- **Bohdan Stephan Romaniuk (Independent Non-Executive Director)**

BA (Hon.) in Economics (University of Alberta)

MA and Ph.D. (a.b.d.) in Economics (Queen's University)

LL. B (University of Toronto)

Mr Bohdan Romaniuk has been an Independent Non-Executive Director of Strata-X since 24 August 2010. Bohdan has held several senior executive positions in both small and very large enterprises over a business career spanning nearly 30 years. He has extensive Board and Audit Committee experience with both public and private companies and continues to serve as Chairman of the Board and Audit Committee of Acceleware Corp., a TSXV-listed company.

- **Gregory George Hancock (Independent Non-Executive Director)**

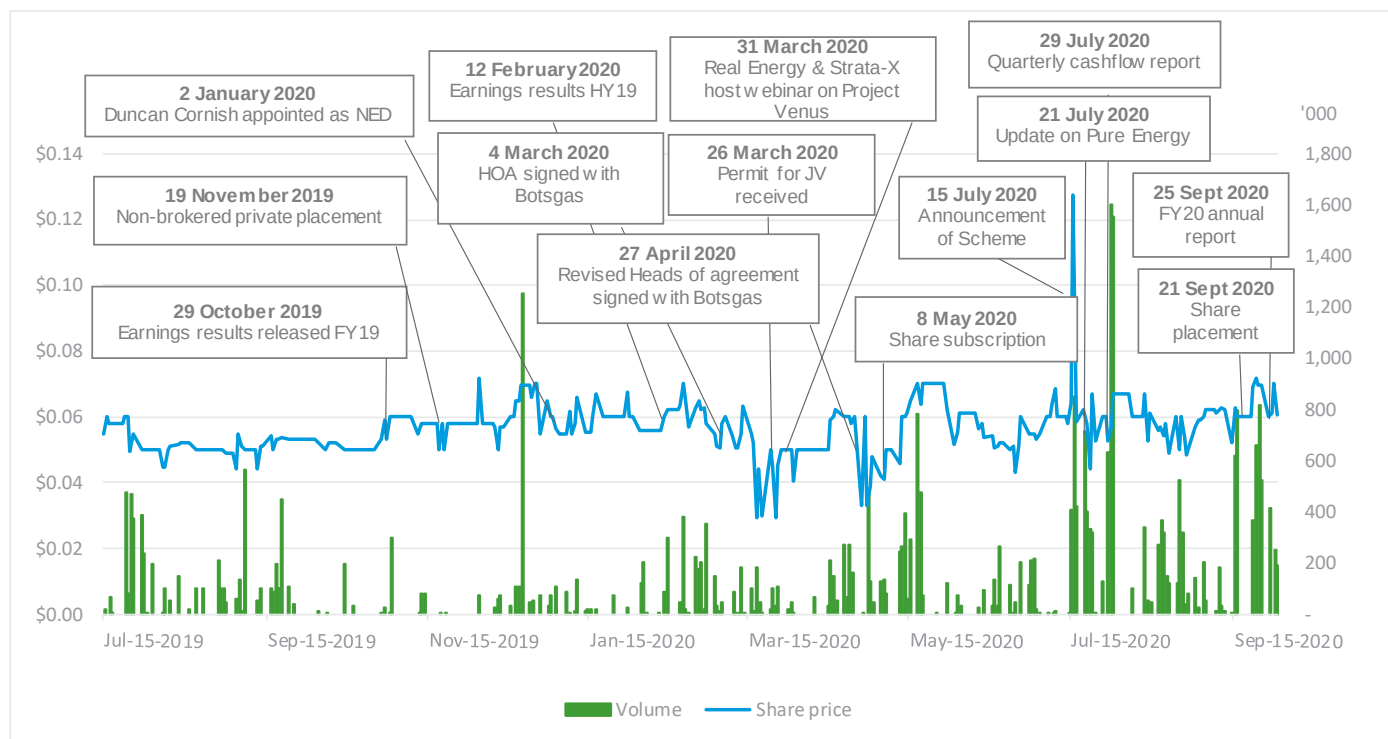
BA (Economics)

BEd (Honours), F Fin

Mr Gregory Hancock has been an Independent Non-Executive Director of Strata-X since 2 July 2015. Greg has extensive experience in corporate finance, capital markets and stockbroking in both Australia and the United Kingdom. In this time, Greg has specialised in mining and natural resources and has a background in the finance and management of small companies.

Share price performance

6.12 A summary of Strata-X's recent share price movement on both the TSXV and ASX, in AUD, is set out in Figure 9 below.



Source: Capital IQ

Figure 9: Strata-X recent share trading history

6.13 We make the following comments with regard to Strata-X's recent share price performance:

1. On 29 October 2019 Strata-X released its earnings results for the quarter ended 30 September 2019. Strata-X announced an operating loss of US\$114k and a net loss of US\$67k. The Strata-X share price moved from \$0.050 on 28 October 2019 to \$0.061 on the TSXV the day of the announcement. There was no change in the share price on the ASX following the announcement.
2. On 19 November 2019 Strata-X announced a non-brokered private placement of 18,000,000 units at a price of \$0.05 per unit for gross proceeds of \$900k. Each unit consists one CDI and one half of one option. Each option is exercisable into one CDI at an exercise price of \$0.07 with an expiry date of 31 December 2019. The Strata-X share price dropped to \$0.050 on the TSXV on the day of the announcement from \$0.061 on 18 November 2019. There was no change in the share price on the ASX following the announcement.
3. On 2 January 2020, Strata-X announced the appointment of Duncan Cornish as a Non-Executive Director. The Strata-X share price increased from \$0.055 to \$0.065 on the TSXV on the day of the announcement. The share price on the ASX decreased from \$0.060 to \$0.055 following the announcement.
4. On 12 February 2020 Strata-X released its earnings results for the quarter (and half-year) ended 31 December 2019. Strata-X announced an operating loss of US\$137k and a net loss of US\$130k for the December 2019 quarter. For the half year ended 31 December 2019 Strata-X announced an operating loss of US\$252k, a net loss of US\$190k. There was no movement in the Strata-X share price following this announcement. The share price on the ASX increased from \$0.056 on 11 February 2020 to \$0.060 following the announcement.
5. On 4 March 2020 Strata-X announced it had executed a Heads of Agreement with Botsgas to accelerate the appraisal and development of Strata-X's Serowe Gas Project. The executed Heads of Agreement allows for the drilling of one firm vertical well with staged options for an additional 18 vertical wells, which includes 6 additional appraisal wells and up to 3 production pilots designed to prove commercial gas flows and add material reserves.

Strata-X will retain operational control of the project for the foreseeable future and expects to commence field operations early in the second quarter of 2020. Strata-X's share price on the TSXV increased from \$0.045 from \$0.050 on the day following the announcement. The share price on the ASX increased from \$0.055 on the day of the announcement to \$0.60 on the following day.

6. On 26 March 2020, Real Energy and Strata-X announced that they had been officially granted title to the Project Venus permit ATP2051. The Strata-X share price on the TSXV increased from \$0.025 on 25 March 2020 to \$0.035 following the announcement. There was no change in the share price on the ASX following this announcement.
7. On 31 March 2020, Real Energy and Strata-X hosted a webinar to provide an update on the Project Venus. There was no change in the share price on either the TSXV or the ASX following this announcement.
8. As detailed at paragraph 6.4, on 27 April 2020, Strata-X announced it had entered into the Revised Heads of Agreement, resulting in Botsgas being eligible to acquire a 49% interest in the Serowe Gas Project. There was no change in the Strata-X share price on either the TSXV or the ASX following this announcement.
9. On 8 May 2020, Strata-X announced that it has entered into share subscription agreement to issue 5,000,000 units at a price of \$0.06 per unit for gross proceeds of \$300k on April 27, 2020. The transaction will include participation from Botsgas. Each unit consists of one CDI and one half of one option. Strata-X will issue 2,500,000 options, exercisable into one CDI at an exercise price of \$0.07 up until May 22, 2022. Each chess depository interest will represent one common share of Strata-X and will rank equally with existing interests. The share price on the TSVX increased from \$0.030 on 8 May 2020 to \$0.040 on the next trading day, 11 May 2020. The share price on the ASX increased to from \$0.050 to \$0.055 over the same period.
10. On 15 July 2020, Strata-X announced that it had entered into the SIA with Real Energy. There was no change in the share price on the TSXV following the announcement. The share price on the ASX increased from \$0.060 on 14 July 2020 to \$0.070 following the announcement.
11. On 21 July 2020, Strata-X provided the market with an update on the Scheme. There was no change in the share price on the TSXV following the announcement. The share price on the ASX decreased from \$0.062 on 20 July 2020 to \$0.058 following the announcement.
12. On 29 July 2020, Strata-X released its quarterly cashflow report. There was no change in the share price on the TSXV following the announcement. The share price on the ASX increased from \$0.060 on 28 July 2020 to \$0.064 following the announcement.
13. On 21 September 2020, Strata-X announced a share placement, raising \$700,000 before costs. There was no change in the share price on either the TSXV or the ASX following the announcement.
14. On 25 September 2020, Strata-X released its annual report for the year ended 30 June 2020. There was no change in the share price on either the TSXV or the ASX following the release of the annual report.

Financial Performance

6.14 Table 13 below sets out a summary of the financial performance of Strata-X for FY18, FY19 and FY20.

\$'000	Reference	FY18 Audited	FY19 Audited	FY20 Audited
Revenue (net of royalties)	6.16	69	47	10
Production and operating		(55)	(79)	(8)
General and administrative	6.17	(787)	(1,025)	(842)
Depletion, depreciation and amortisation	6.18	(1,334)	(711)	(18)
Impairment of oil and gas properties	6.19	-	(13,920)	(1,011)
Total expenses		(2,176)	(15,735)	(1,879)
Operating Income/(loss)		(2,106)	(15,688)	(1,869)
Gain/(loss) on revaluation of derivative liabilities	6.20	-	5	12
Gain/(loss) on lease termination		-	-	10
Gain on sale of asset		-	-	69
Gain on write off of accounts payable				51
Net finance expense		(11)	(6)	(14)
Loss for period	6.21	(2,117)	(15,689)	(1,740)
Exchange differences in translating foreign operations		(2)	501	212
Net loss and comprehensive loss		(2,120)	(15,188)	(1,528)

Source: Strata-X audited financial statements

Table 13: Strata-X historical financial performance

- 6.15 On 1 January 2020, Strata-X changed its functional currency to Australian dollars. The audited financial statements for FY20 includes financial performance for FY19 restated in Australian dollars. The financial performance of Strata-X for FY18 has been converted into AUD at the average historical foreign exchange rate, being \$0.775.
- 6.16 Strata-X generates revenues through the sale of gas and oil extracted from its oil and gas properties held in the United States.
- 6.17 General and administrative expenses include payroll expenses, accounting fees, dues and subscriptions and other general expenses.
- 6.18 Strata-X depletes its oil and gas resources by applying the units of production method. The depletion, depreciation and amortisation expense relate to the assessed levels of units for the gas and oil properties held.
- 6.19 The impairment expense in FY19 relates to the impairment assessment of the recoverable amounts for the oil and gas properties in Illinois and California (Illinois Project). The impairment indicators identified comprised management's intent to no longer develop these properties and limited capital activities in the exploration and development of oil and gas properties within the United States.
- 6.20 The gain from the revaluation of derivative liabilities relates to the revaluation of options that have been classified as derivative financial liabilities since the exercise price is denoted in AUD\$ but the functional currency of Strata-X was, prior to 1 January 2020, CAD\$.
- 6.21 Strata-X recorded net losses after income tax of \$2.1m, \$15.7m and \$1.7m in FY18, FY19 and FY20, respectively.

Financial Position

6.22 Table 14 below sets out a summary of the financial position of Strata-X as at 30 June 2018, 30 June 2019, and 30 June 2020.

		As at		
\$'000	Reference	30-Jun-18 Audited	30-Jun-19 Audited	30-Jun-20 Audited
Current Assets				
Cash and equivalents		400	381	854
Accounts receivable		24	3	1
Other assets		25	32	-
Total Current Assets		450	416	855
Non Current Assets				
Other assets		291	307	167
Exploration and evaluation assets	6.24 to 6.28	838	1,260	1,501
Property & equipment	6.24 to 6.28	14,963	944	1
Total non-current assets		16,093	2,511	1,669
Total assets		16,542	2,926	2,524
Current liabilities				
Accounts payable & accrued liabilities		369	271	173
Derivative warrant liabilities		-	134	-
Note payable, related party		200	70	-
Amounts due to related parties		11	67	64
Total current Liabilities		580	542	237
Non current Liabilities				
Accrued liabilities		85	90	91
Notes payable, bank		-	-	74
Decommissioning liabilities	6.29	689	806	829
Total non current liabilities		775	896	994
Total Liabilities		1,355	1,437	1,231
Net Assets	6.30	15,187	1,489	1,293
Common Stock		50,397	52,030	52,744
Retained Earnings		(39,125)	(54,313)	(55,853)
Reserves		3,915	3,772	4,401
Total Equity	6.30	15,187	1,489	1,293

Source: Strata-X audited financial statements

Table 14: Strata-X historical financial position

- 6.23 On 1 January 2020, Strata-X changed its functional currency to Australian dollars. The audited financial statements for FY20 includes financial position as at 30 June 2018 and 30 June 2019 restated in Australian dollars.
- 6.24 At 30 June 2020, assets primarily comprised capitalised exploration and evaluation assets, and property and equipment ("P&E"), being amounts capitalised in relation to Strata-X's oil and gas properties.
- 6.25 The exploration and evaluation assets relate to costs incurred in acquiring licences, exploratory drilling, geological and geophysical activities, acquisition of mineral surface rights and technical studies as well as general and administrative and overhead costs directly related to exploration activities. These assets are recognised at cost and are assessed for impairment when the facts and circumstances suggest that the carrying amount exceeds the recoverable amount.
- 6.26 P&E assets represent the capitalised costs associated with the development of Strata-X's oil and gas interests. Costs are capitalised if they extend or enhance the recoverable reserves of the underlying assets. The P&E assets are measured at cost less accumulated depletion and depreciation and net of impairment losses.

- 6.27 At 30 June 2020, all capitalised exploration and evaluation assets and P&E assets related to amounts capitalised in relation to the Serowe Gas Project and Project Venus. Both the exploration and evaluation assets and the P&E are reviewed annually for impairment indicators.
- 6.28 During the year ended 30 June 2019, oil and gas assets held in relation to the Illinois Project and an interest in a permit in California were reviewed for impairment and, based on a number of factors, including management's intentions to no longer develop the oil and gas properties, were impaired with a total impairment expense of AUD \$13.9m (US\$ \$9.96m) recognised in FY19.
- 6.29 Strata-X recognises decommissioning liabilities in relation to its oil and gas interests. As at 30 June 2020, Strata-X had recognised liabilities totalling \$829k in relation to future decommissioning and restoration obligations.
- 6.30 As at 30 June 2020, Strata-X reported net assets of \$1.3m.

Capital Structure

- 6.31 At the date of this Report, Strata-X has 112,538,318 ordinary shares on issue. The top 20 shareholders of Strata-X as at 25 August 2020 are set out in Table 15 below.

Rank	Name	Shares	% Shares
1	CDS & Co	14,634,258	13.00%
2	Mr Ronald Prefontaine & Mrs Annabel Frances Prefontaine	13,621,775	12.10%
3	Sixth Erra Pty Ltd	10,849,999	9.64%
4	Berenes Nominees Pty Ltd	6,258,369	5.56%
5	Botsgas Pty Ltd	5,000,000	4.44%
6	Kabila Investments Pty Limited	3,716,667	3.30%
7	Mike Collins Super Pty Ltd	3,702,983	3.29%
8	Exchanges Control For Class C01	3,511,223	3.12%
9	Claymore Capital Pty Ltd	3,441,737	3.06%
10	Scintilla Strategic Investments Limited	2,200,000	1.95%
11	Mr Timothy Lee Hoops	2,199,222	1.95%
12	Mr James Joseph Crozier	1,920,172	1.71%
13	Moore And Badgery Pty Ltd	1,600,000	1.42%
14	Ms Lorraine Joy Cherry & Mr Jason Robert Cherry	1,383,180	1.23%
15	Finn Air Holdings Pty Ltd	1,260,000	1.12%
16	Mr Robert John Annells & Mrs Kimberley Jane Hodge	1,200,000	1.07%
17	Guy Jones Pty Ltd	1,200,000	1.07%
18	R & M Oil And Gas LLLP	1,200,000	1.07%
19	Mr Craig Graeme Chapman	1,191,400	1.06%
20	Lagana Family Super Pty Ltd	1,102,181	0.98%
Total top 20 shareholders		81,193,166	72.1%
Others		31,345,152	27.85%
Total		112,538,318	100.0%

Source: Strata-X share register

Table 15: Strata-X top 20 shareholders

- 6.32 Under the terms of the SIA, Strata-X is to issue 1,000,000 shares to its directors, subject to shareholder approval, prior to the implementation of the Scheme.
- 6.33 As detailed in 5.28, the SIA, and subsequent agreement, provides for Strata-X to conduct a capital raise of up to \$700,000 without prior approval. On or around 15 September 2020, Strata-X completed a capital raise for \$700,000 and will issue 11,666,667 CDI's on the ASX on or around 7 October 2020. As part of the capital raise, Strata-X will also issue 5,833,333 options, with an exercise price of 12 cents and expiration date of 30 September 2022.

- 6.34 We set out in Table 16 below a summary of the total ordinary shares expected to be on issue at the implementation of the Scheme.

Number of ordinary shares on issue as of 25 August 2020	112,538,318
Shares to be issued to directors	1,000,000
Shares to be issued in capital raise	11,666,667
Total ordinary shares on issue immediately prior to the Scheme	125,204,985

Source: Strata-X share register, SIA, Strata-X capital raise

Table 16: Number of ordinary shares in Strata-X immediately prior to the Scheme

- 6.35 At the date of this Report, Strata-X has 21,905,677 options on issue. The top 20 option holders of Strata-X as at 25 September 2020 are set out in Table 17 below.

Rank	Name	No. Options	%
1	Mr Timothy Lee Hoops	2,700,000	12.33%
2	Botsgas Pty Ltd	2,500,000	11.41%
3	Mr Ronald Prefontaine & Mrs Annabel Frances Prefontaine	1,990,000	9.08%
4	David Hettich	1,283,000	5.86%
5	Sixth Erra Pty Ltd	1,675,000	7.65%
6	Claymore Capital Pty Ltd	1,133,334	5.17%
7	Bam Opportunities Fund Pty Ltd	1,000,000	4.57%
8	Berenes Nominees Pty Ltd	916,667	4.18%
9	Kabila Investments Pty Limited	858,334	3.92%
10	MB Advisors	700,000	3.20%
11	Citymetro Pty Ltd	500,000	2.28%
12	Telane Pty Limited	500,000	2.28%
13	Duncan Cornish	413,000	1.89%
14	Shaun Maskerine	413,000	1.89%
15	Angora Lane Pty Ltd	416,667	1.90%
16	Arc De Triomphe Securities Pty Ltd	416,667	1.90%
17	Albiano Holdings Pty Ltd	408,334	1.86%
18	Greg Hancock	370,000	1.69%
19	Mr Robert John Annells & Mrs Kimberley Jane Hodge	300,000	1.37%
20	Ayman Muhor Investments Pty Ltd	250,000	1.14%
Total top 20 option holders		18,744,003	85.57%
Others		3,161,674	14.43%
Total option holders		21,905,677	100.00%

Source: Strata-X Option Register

Table 17: Strata-X top 20 option holders

- 6.36 Under the terms of the SIA, holders of Strata-X options at the date of the SIA, may exercise their options and subscribe for a share in Strata-X. We have therefore included the potential dilutionary impact of the options on issue in our assessment of the value of the Merged Group post the Scheme as set out in Section 10 of this Report.
- 6.37 Further details of the assumptions and inputs we have used to value the potential dilutionary impact of the options are set out in Appendix G.
- 6.38 As detailed in paragraph 6.33, on 15 September 2020 Strata-X completed a capital raising totalling \$700k which included 5,833,333 options. The options will be issued on or around 7 October 2020 and are not included in Table 17.

6.39 We set out in Table 18 the details of the options on issue as at 25 September 2020.

Grant Date	No. options	Exercise Price	Exercise Price Currency	Expiry Date
22/09/2011	240,000	\$1.500	CAD	22/09/2021
5/01/2012	30,000	\$1.500	CAD	5/01/2022
25/09/2012	140,000	\$1.700	CAD	25/09/2022
21/05/2013	90,000	\$1.500	CAD	21/05/2023
19/10/2015	800,000	\$0.060	CAD	19/10/2020
19/12/2017	2,040,000	\$0.080	CAD	19/12/2022
23/10/2018	1,849,000	\$0.070	CAD	23/10/2023
6/12/2018	1,050,000	\$0.075	CAD	6/12/2023
25/02/2019	4,166,667	\$0.070	AUD	28/02/2021
3/01/2020	9,000,000	\$0.070	AUD	31/12/2022
2/06/2020	2,500,000	\$0.070	AUD	22/05/2022
Total	21,905,667			

Source: Strata-X Option Register

Table 18: Strata-X option terms

6.40 The 5,833,333 options to be issued on 7 October 2020 have an exercise price of \$0.12 and will expire on 30 September 2022. We have included the potential dilutionary impact of options to be issued in our assessment of the value of the Merged Group post the Scheme as set out in Section 10 of this Report.

7. Valuation Approach

Valuation methodologies

7.1 In assessing the Fair Value of an ordinary Real Energy share on a control basis, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market Based Methods

7.3 Market based methods estimate Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities; and
- industry specific methods.

7.4 The recent quoted price for listed securities method provides evidence of the Fair Value of a company’s securities where they are publicly traded in an informed and liquid market.

-
- 7.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the Fair Value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

- 7.6 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:
- discounted cash flow methods; and
 - capitalisation of future maintainable earnings.
- 7.7 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 7.8 The capitalisation of maintainable earnings methodology estimates the Fair Value of a business as being the product of a company's Future Maintainable Earnings ("FME") multiplied by an appropriate earnings multiple. The methodology is commonly applied where earnings are stable and an FME stream can be established with a degree of confidence. Capitalisation multiples can be applied to either estimates of future maintainable operating cash flows, EBITDA, EBIT, or net profit after tax. The earnings from any non-trading surplus assets are excluded from the estimate of FME and the value of such assets is separately added to the value of the business in order to derive the total value of the company. The appropriate multiple to be applied is usually derived from an analysis of stock market trading multiples of comparable companies (which do not include a control premium) and the implied multiples paid in comparable transactions (which include a control premium).

Asset based methods

- 7.9 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 7.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.11 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.
- 7.12 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Valuation of the exploration assets

- 7.13 Fluid Energy Consultants ("Fluid") has prepared two reports providing independent technical valuations of Real Energy's exploration and evaluation assets ("Fluid Real Energy Report") and Strata-X's exploration and evaluation assets ("Fluid Strata-X Report"). For the purpose of this Report, we have relied upon the Fair Market Value of the exploration assets provided by Fluid in our assessment of the Fair Value of Real Energy and Strata-X. Copies of Fluid's reports are set out in Appendices D and E.

Selection of Valuation Methodologies

Valuation of a Real Energy Share prior to the Scheme

Net assets on a going concern basis

- 7.14 In assessing the Fair Value of a share in Real Energy prior to the Scheme, we have utilised the net assets on a going concern methodology and relied upon the net book value of assets and liabilities as set out in Real Energy's audited statement of financial position as at 30 June 2020, and the Fair Market Value of the exploration, evaluation and development assets as set out in the Fluid Real Energy Report (refer Appendix D).
- 7.15 We have also adjusted the balance sheet as at 30 June 2020 for pro forma transactions expected to take place prior to the Scheme.

Quoted Price of Listed Securities

- 7.16 Prices at which a company's shares have been traded on the ASX (or other stock exchange) can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.
- 7.17 As a cross-check, we have considered the quoted market price by considering the historical VWAP of Real Energy's shares and the volatility of the share price prior to the announcement of the Scheme. In accordance with RG 111, we have assessed the Fair Value of Real Energy's shares on the basis of a 100% controlling interest.

Valuation of the Consideration offered per Real Energy Share

Valuation of Real Energy prior to the Scheme

- 7.18 We have utilised the net assets on a going concern basis in our assessment of the Fair Value of a share in Real Energy prior to the implementation of the Scheme based on the audited consolidated statement of financial position at 30 June 2020.

Valuation of Strata-X

- 7.19 In order to assess the Fair Value of a Real Energy share immediately following the Scheme, it is necessary to assess the Fair Value of a 100% equity interest in Strata-X.
- 7.20 In assessing the Fair Value of a share in Strata-X, we have selected the net assets on a going concern basis and relied upon the net book value of assets and liabilities as set out in Strata X's audited statement of financial position as at 30 June 2020, and the Fair Market Value of the exploration assets as set out in the Fluid Strata-X Report (refer Appendix E). As a cross-check, we have also had regard to the quoted market price of Strata-X's shares prior to the announcement of the Scheme.

Valuation of the Merged Group

- 7.21 To assess the fairness of the Scheme, we have assessed the Fair Value of a share of the Merged Group immediately after the implementation of the Scheme. The Fair Value of the Merged Group is based on the combined Fair Values of Real Energy and Strata-X immediately following the Scheme.

- 7.22 On the basis that the Real Energy Shareholders are being offered 1 Strata-X share per 3 ordinary Real Energy shares, the assessed Fair Value per share in the Merged Group has been adjusted by this ratio in the calculation of the Fair Value of the Scheme Consideration offered per Real Energy share.

8. Valuation of Real Energy

- 8.1 As stated in paragraphs 7.14 to 7.17, we have assessed the Fair Value of Real Energy prior to the Scheme on the basis of the Fair Value of its underlying assets and have also considered the recent quoted price of its listed securities.

Net Assets on a Going Concern Basis

- 8.2 We set out in Table 19 our assessment of the Fair Value of Real Energy's net assets, based on the audited financial position as at 30 June 2020, adjusted to reflect the Fair Market Value of the exploration and evaluation assets, as valued by Fluid, as well as the pro forma transactions set out below.

\$'000	As at 30 June 2020 Audited	Reference	Fair Value Low	Fair Value High	Fair Value Preferred
Current Assets					
Cash & cash equivalents	1,616	8.3	2,316	2,316	2,316
Deposits paid & prepayments	7		7	7	7
Trade & other receivables	74		74	74	74
Inventories	42		42	42	42
Total Current Assets	1,740		2,440	2,440	2,440
Non Current Assets					
Property, plant & equipment	1		1	1	1
Exploration, evaluation and development assets	30,504	8.4	7,787	16,313	12,050
Right of use assets	109		109	109	109
Total Non current Assets	30,614		7,897	16,423	12,160
Total Assets	32,354		10,337	18,863	14,600
Current Liabilities					
Trade & other payables	311	8.7	196	196	196
Short term loan	500	8.8	-	-	-
Leave provision	117		117	117	117
Lease provision	25		25	25	25
Total Current Liabilities	953		338	338	338
Non Current Liabilities					
Leave provision	56		56	56	56
Rehabilitation provision	400		400	400	400
Lease provision	83		83	83	83
Other Provision	9		9	9	9
Potential dilutionary impact of options	-	8.9	275	275	275
Total Non current Liabilities	548		823	823	823
Total Liabilities	1,501		1,161	1,161	1,161
Net Assets	30,853		9,176	17,702	13,439
Number of ordinary share on issue ('000)	353,194	8.11	421,204	421,204	421,204
Assessed Fair Value of a Real Energy share (controlling basis)	\$0.09	8.12	\$0.022	\$0.042	\$0.032

Source: Real Energy audited financial statement, Fluid Real Energy Report, RSM analysis

Table 19: Assessed Value of Real Energy on a Net Assets Basis (Prior to the Scheme)

8.3 As set out in paragraph 5.28, Real Energy completed a capital raise on 25 September 2020 raising a total of \$1m and expect to raise a further \$200k prior to the implementation of the Scheme. As set out in paragraph 8.8 the short term loan outstanding as at 30 June 2020 of \$500k was repaid in full in July 2010 which reduced the cash balance.

8.4 Fluid has assessed the Fair Market Value of the exploration, evaluation and development assets to be in the range of \$7.8m to \$16.3m (refer Appendix D). We set out in Table 20 a summary of the assessed Fair Market Value of exploration and evaluation and development assets as extracted from the Fluid Real Energy Report.

\$'000	Low	High	Preferred
<i>Fair Value of exploration acreage</i>			
ATP927	6,298	12,602	9,450
ATP1194 PA	200	500	350
ATP2051	1,289	3,211	2,250
Fair Market Value of exploration acreage	7,787	16,313	12,050

Source: Fluid Real Energy Report

Table 20: Summary of assessed Fair Market Value of exploration, evaluation and development assets

8.5 In assessing the Fair Market Value of the exploration, evaluation and development assets, Fluid has utilised premium value estimates from recent market transactions to define low and high ranges in permit values. Fluid further states in its report:

- rarely do any permits have the same prospectivity;
- there are relatively few market transactions in the Cooper and Eromanga Basins since the oil price crisis in 2014 significantly curtailed exploration and appraisal drilling activity in the petroleum sector;
- the size of and chance of discovering and commercialising resources has high uncertainty; and
- as a result of the above valuation ranges can be very wide.

8.6 On 9 September 2020, Real Energy executed a term sheet with Venator 1194 Pty Ltd to sell the Cooper Basin Project for cash consideration of \$225,000 and a royalty of 1.5% on gross sales. A completion date is yet to be agreed in relation to this transaction. The cash consideration of \$225k is within the Market Value range provided in the Real Energy Fluid Report. While we are unable to estimate the value of the royalty fee, given there has not been any development undertaken in relation to the Cooper Basin Project, we consider the potential value from the royalty fee is reflected in the high end of the Market Value range provided in the Real Energy Fluid Report. We have therefore not made any adjustment to the balance sheet in relation to the Market Value of the Cooper Basin Project asset.

8.7 As detailed in paragraph 5.28, Real Energy is expecting to issue approximately 1,300,000 new ordinary shares as a payment to a supplier, S3 Consortium Pty Ltd, prior to the Scheme as well as 6,710,000 new ordinary shares to its directors, subject to shareholder approval, prior to the implementation of the Scheme in lieu of a cash remuneration payment. As at 30 June 2020, Real Energy had accrued \$114,663 in relation to the supplier payment and directors' shares. We have included the total number of shares to be issued in the total number of shares expected to be on issue immediately prior to the implementation of the Scheme and therefore have excluded the accrual of \$114,663 in assessing the Fair Value.

8.8 The Directors have advised that the short loan outstanding as at 30 June 2020 of \$500k was repaid in full in July 2010 which reduced the cash balance held.

8.9 As detailed in Section 5, Real Energy has 65,379,622 options on issue. We have included the dilutionary impact of the options in our assessment of the Fair Value of a Real Energy share prior to the Scheme. Details on the assumptions and inputs we have used to value the potential dilutionary impact of the options is set out in Appendix F.

8.10 We are not aware of any indicators that the book value of assets and liabilities of Real Energy, not addressed above, differ materially from their Fair Value.

- 8.11 As detailed in paragraph 5.29, at the date of the Scheme, Real Energy is expected to have 411,204,131 ordinary shares on issue including those shares issued as a result of the issue of new shares to a supplier, S3 Consortium Pty Ltd, its Directors and a further capital raise of \$1m. These share issues are not dependent on the approval of the Scheme, however the shares to be issued to the Directors are subject to the Company obtaining shareholder approval. We have included the shares issues expected to be completed prior to the Scheme in our assessment of the Fair Value of a Real Energy Share prior to the Scheme.
- 8.12 Our assessed Fair Value of a Real Energy share prior to the Scheme is therefore in the range of \$0.022 to \$0.042, with a preferred Fair Value of \$0.032.
- 8.13 The net assets on a going concern methodology represents the Fair Value of a controlling shareholding. Accordingly, no further premium is considered necessary to assess the Fair Value of Real Energy on a controlling basis.

Quoted Price of Listed Securities

- 8.14 In order to provide a cross check to the valuation of a Real Energy share under the net assets on a going concern basis, we have also assessed the Fair Value based on the quoted market price.
- 8.15 The assessment only reflects trading prior to the announcement of the Scheme in order to avoid the influence of any movement in price that occurred as a result of the announcement.

Analysis of recent trading in Real Energy shares

- 8.16 Figure 10 below sets out a summary of Real Energy's closing share prices and traded volumes in the year to 14 July 2020, being the last day Real Energy shares traded prior to the announcement of the Scheme.



Source: Capital IQ

Figure 10: Real Energy share trading 12 months to 14 July 2020

- 8.17 RG 111.69 indicates that in order for the quoted market share price methodology to represent a reliable indicator of Market Value, there needs to be an active and liquid market for the securities. The following characteristics may be considered to be representative of a liquid and active market:
- regular trading in the company's securities;
 - approximately 1% of a company's securities traded on a weekly basis;
 - the bid/ask spread of a company's shares must not be so great that a single majority trade can significantly affect the market capitalisation of the company; and
 - there are no significant but unexplained movements in the share price.

- 8.18 To provide further analysis of the quoted market prices for Real Energy's shares, we have considered the VWAP for the 1, 5, 10, 30, 60, 90, 120, 180 and 365 calendar days prior to 15 July 2020, as summarised in Table 21 below.

Calendar days	Share price Low \$	Share price High \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
1 days	\$0.020	\$0.020	1	226,370	\$4,527	\$0.020	0.06%
5 days	\$0.020	\$0.020	3	436,990	\$8,740	\$0.020	0.12%
10 days	\$0.019	\$0.021	6	1,441,020	\$28,832	\$0.020	0.41%
30 days	\$0.019	\$0.023	21	12,388,360	\$262,059	\$0.021	3.51%
60 days	\$0.019	\$0.028	39	33,737,810	\$767,478	\$0.023	9.55%
90 days	\$0.017	\$0.028	59	42,697,790	\$940,931	\$0.022	12.09%
120 days	\$0.012	\$0.028	77	52,010,310	\$1,112,200	\$0.021	14.73%
180 days	\$0.011	\$0.031	117	75,799,930	\$1,643,936	\$0.022	21.46%
365 days	\$0.011	\$0.065	244	173,728,990	\$4,934,987	\$0.028	49.41%

Source: Capital IQ and RSM analysis

Table 21: Share price and VWAP of Real Energy Share

- 8.19 As set out in Table 21 above, Real Energy's closing share price fluctuated between \$0.011 and \$0.065 over the past 12 months, and the VWAP ranged from \$0.020 and \$0.023 in the 60 day period before the announcement of the Scheme.
- 8.20 During the 12 months leading up to 14 July 2020, 49.4% of the issued capital was traded.
- 8.21 Of the 255 trading days in the 12 months leading up to the announcement of the Scheme shares in Real Energy were traded on 244 of the days.
- 8.22 Real Energy also complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Real Energy.

Valuation of a Real Energy share (Quoted price of listed securities methodology)

- 8.23 Based on the analysis of the recent trading in Real Energy's shares, we have assessed the Fair Value of a Real Energy share on a minority interest basis, to be in the range of \$0.021 and \$0.023, having regard to the 30-day and 60-day VWAP prior to the announcement of the Scheme.

Premium for control

- 8.24 Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:
- access to potential synergies;
 - control over decision making and strategic direction;
 - access to underlying cash flows; and
 - control over dividend policies.
- 8.25 In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. Consequently, earnings multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).

8.26 As we have assessed the Scheme as a 'merger of equals' and our assessment of the Fair Value of a Real Energy share using the net assets basis includes a premium for control, we have applied a premium for control in our assessment of the Fair Value of Real Energy and Strata-X using the Quoted price of listed securities methodology.

8.27 In selecting the control premium to apply we have considered RSM Australia Pty Limited's survey of control premiums paid over a 5-year period to 30 June 2016 in 463 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSM Control Premium Study 2017"). A summary of the key findings is set out in Table 22 below, showing the average control premiums paid 20, 5 and 2 days prior to the announcement of a transaction. The RSM Control Premium Study 2017 concluded that the average control premiums in takeovers and schemes of arrangements involving Australian companies were broadly in the range of 25% to 35%. The average control premiums for the energy sector were found to be in the range of 25% to 40%.

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium - all industries	463	34.5%	28.3%	26.4%
Average control premium - Energy	58	37.6%	29.7%	25.0%

Source: RSM Control Premium Study 2017

Table 22: Average control premium

8.28 On the basis of the above we believe that a premium for control in the range of 30% to 35% is appropriate in assessing the Fair Value of a controlling interest in Real Energy.

8.29 Table 23 below sets out our assessment of the Fair Value in a Real Energy share on a controlling basis utilising the quoted price of listed securities methodology.

	Low	High	Preferred
Quoted share price	\$0.021	\$0.023	\$0.022
Control Premium	30.0%	35.0%	32.5%
Assessed Fair Value of a Real Energy Share	\$0.027	\$0.031	\$0.029

Source: Capital IQ and RSM Analysis

Table 23: Assessed Fair Value of a Real Energy share – Quoted Price of Listed Securities

Valuation summary and conclusion

8.30 A summary of our assessed Fair Values of a Real Energy share on a controlling basis prior to implementation of the Scheme, derived under the two methodologies, is set out in Table 24 below.

	Reference	Low	High	Preferred
Net assets on a going concern basis - primary method	Table 19	\$0.022	\$0.042	\$0.032
Quoted price of listed securities - secondary method	Table 23	\$0.027	\$0.031	\$0.029

Source: RSM Analysis

Table 24: Assessed Fair Value of a Real Energy share prior to the Scheme

8.31 We consider that the Fair Value of a Real Energy share on a controlling basis is in the range of \$0.022 to \$0.042, with a preferred Fair Value of \$0.032 which has been derived using the net assets on a going concern basis.

8.32 Based on our analysis of the recent volume of trading in Real Energy shares, we consider the Fair Values assessed under the quoted market price to be reasonably reflective of our primary valuation methodology, and provide a reasonable cross check to our assessment of the Fair Value of a share in Real Energy.

9. Valuation of Strata-X

9.1 As stated in paragraph 7.20, we have assessed the Fair Value of Strata-X prior to the Scheme on the basis of the Fair Value of its underlying assets and have also considered the recent quoted price of its listed securities.

9.2 In order to determine the Fair Value of Strata-X, we have utilised the net assets on a going concern methodology and relied upon the net book value of assets and liabilities as set out in Strata-X's audited statement of financial position as at 30 June 2020. We have also adjusted the balance sheet for various pro forma transactions expected to take place prior to the Scheme.

9.3 As a secondary method of valuing a share prior to the Scheme we have also considered the quoted price for listed securities methodology.

Valuation of Strata-X prior to the Scheme

Net Assets on a Going Concern Basis

9.4 We set in Table 25 our assessment of the Fair Value of Strata-X's net assets, based on the audited financial position as at 30 June 2020, adjusted to reflect the Fair Market Value of the exploration and evaluation assets, as valued by Fluid, and the pro forma transactions as detailed below.

	As at 30 June 2020		Fair Value Low	Fair Value High	Fair Value Preferred
\$'000	Audited	Reference			
Current Assets					
Cash and equivalents	854	9.5	1,554	1,554	1,554
Accounts receivable	1		1	1	1
Total Current Assets	855		1,555	1,555	1,555
Non Current Assets					
Other assets	167		167	167	167
Exploration and evaluation assets	1,501	9.6 to 9.8	4,488	8,009	6,249
Property & equipment	1	9.6 to 9.8			
Total non-current assets	1,669		4,655	8,176	6,416
Total assets	2,524		6,210	9,731	7,971
Current liabilities					
Accounts payable & accrued liabilities	173		173	173	173
Amounts due to related parties	64		64	64	64
Total current Liabilities	237		237	237	237
Non current Liabilities					
Accrued liabilities	91		91	91	91
Notes payable, bank	74		74	74	74
Decommissioning liabilities	829	9.9	829	-	414
Potential dilutionary impact of options	-	9.10	380	380	380
Total non current liabilities	994		1,374	546	960
Total Liabilities	1,231		1,611	782	1,197
Net Assets	1,293		4,599	8,949	6,774
Number of ordinary share on issue ('000)	112,538	9.12	125,205	125,205	125,205
Assessed Fair Value of a Strata-X share (controlling basis)	\$0.011	9.13	\$0.037	\$0.071	\$0.054

Source: Strata-X audited financial statements, Fluid Strata-X Report and RSM analysis

Table 25: Assessed Fair Value of Strata-X on a Net Assets Basis (Prior to the Scheme)

9.5 As set out in paragraph 6.33, Strata-X completed a capital raise on 15 September 2020 totalling \$700,000, before costs, increasing the cash balance by \$700,000.

9.6 Fluid has assessed the Fair Market Value of Strata-X's 50% interest in Project Venus (ATP2051) and 51% interest in the Serowe Gas Project to be in the range of \$4.5m to \$8.0m, with a preferred Fair Market Value of \$6.2m as set out in the Fluid report (refer Appendix E) and summarised in Table 26 below. Fluid has valued

Strata-X's interest in Serowe Gas Project at 51% on the basis that Botsgas has the right to acquire a 49% interest under the JOE (refer paragraphs 6.4 to 6.6).

\$'000	Low	High	Preferred
<i>Fair Value of exploration acreage</i>			
Serowe Gas Project	3,199	4,798	3,999
ATP2051	1,289	3,211	2,250
Fair Market Value of exploration acreage	4,488	8,009	6,249

Source: Fluid Strata-X Report

Table 26: Summary of assessed Fair Market Value of exploration, evaluation and development assets

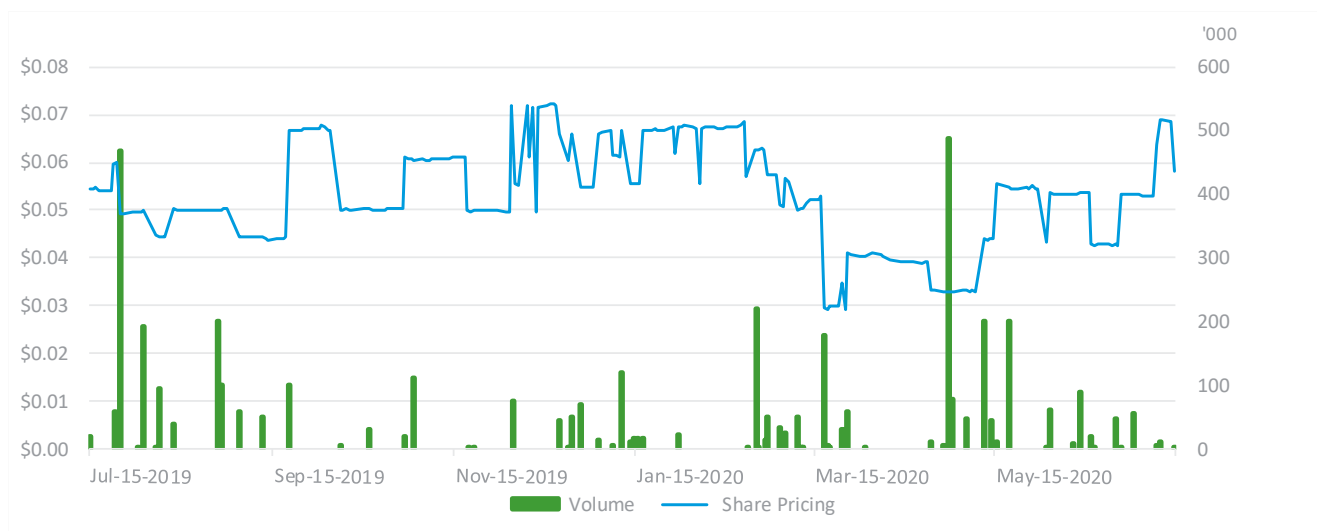
- 9.7 As set out in paragraph 6.27, all capitalised exploration and evaluation assets and P&E assets related to amounts capitalised in relation to the Serowe Gas Project and Project Venus
- 9.8 In assessing the Fair Market Value of Strata-X's interests in the Serowe Gas Project and Project Venus, Fluid has utilised premium value estimates from recent market transactions to define low and high ranges in permit values. Fluid further states in its report:
- rarely do any permits have the same prospectivity;
 - there are relatively few market transactions in the Cooper and Eromanga Basins since the oil price crisis in 2014 significantly curtailed exploration and appraisal drilling activity in the petroleum sector;
 - the size of and chance of discovering and commercialising resources has high uncertainty; and
 - as a result of the above valuation ranges can be very wide.
- 9.9 The decommissioning liabilities of \$829k relate to Strata-X's estimate of the future costs to reclaim and abandon the wells associated with the Illinois Project. We understand it is the intention of Strata-X to dispose of the Illinois Project for nil consideration. If Strata-X is able to dispose of the Illinois Project for nil consideration, Strata-X would no longer be liable for the decommissioning costs. Having regard to the above, we have applied a Fair Value range of nil to \$829k for the decommissioning liabilities.
- 9.10 As detailed in Section 6, Strata-X has 21,905,677 options on issue. We have included the dilutionary impact of the options in our assessment of the Fair Value of a Strata-X share prior to the Scheme. Details on the assumptions and inputs we have used to value the potential dilutionary impact of the options is set out in Appendix G.
- 9.11 We are not aware of any indicators that the book value of assets and liabilities of Strata-X, not addressed above, differ materially from their Fair Value.
- 9.12 As detailed in paragraph 6.34, at the date of the Scheme, Strata-X is expected to have 125,204,985 ordinary shares on issue including those shares issued as a result of the issue of new shares to its Directors and a further capital raise of \$700,000. These share issues are not dependent on the approval of the Scheme, however the shares to be issued to the Directors are subject to the Company obtaining shareholder approval. We have included the shares issues expected to be completed prior to the Scheme in our assessment of the Fair Value of a Strata-X Share prior to the Scheme.
- 9.13 Our assessed Fair Value of a Strata-X share prior to the Scheme is therefore in the range of \$0.037 to \$0.071, with a preferred Fair Value of \$0.054.

Quoted Price of Listed Securities

- 9.14 In order to provide a cross check to the valuation of a Strata-X share under the net assets on a going concern basis, we have also had regard to Strata-X's quoted market price.
- 9.15 The assessment only reflects trading prior to the announcement of the Scheme in order to avoid the influence of any movement in price that occurred as a result of the announcement.

Analysis of recent trading in Strata-X shares

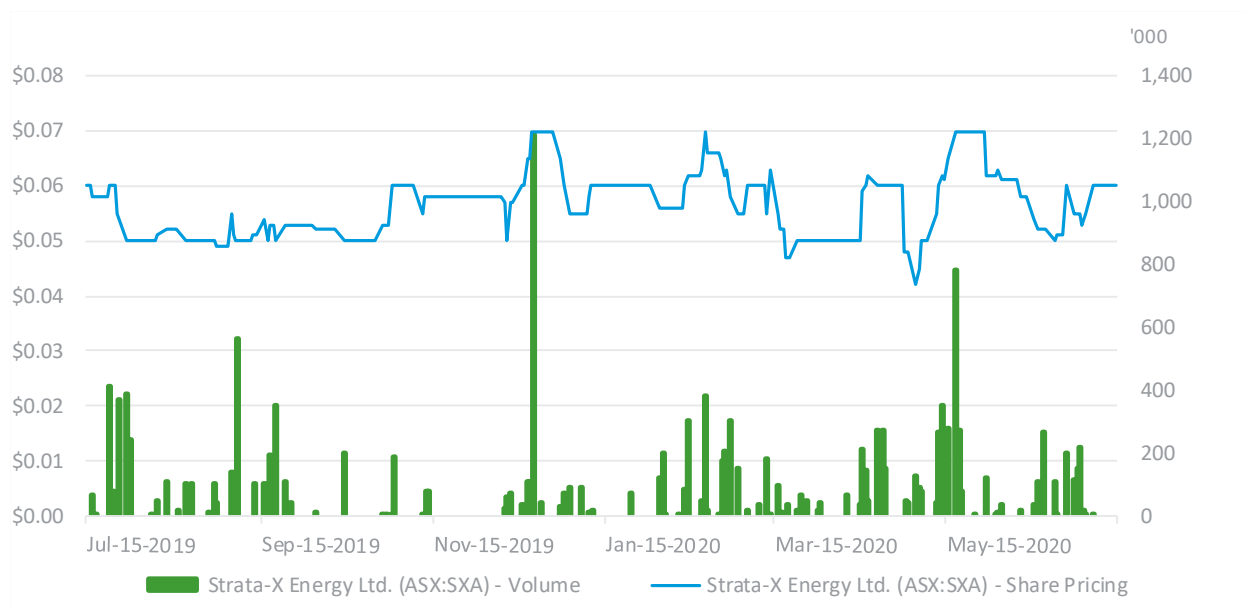
- 9.16 As Strata-X is listed on both the TSXV and the ASX we have undertaken an analysis of the traded volumes for the year to 14 July 2020, being the last day Strata-X shares traded prior to the announcement of the Scheme, on both exchanges.
- 9.17 The Figure 11 below sets out a summary of Strata-X closing share prices, in AUD, and traded volumes in the year to 14 July 2020, being the last day Strata-X shares traded prior to the announcement of the Scheme, on the TSXV.



Source: Capital IQ

Figure 11: Strata-X share trading on the TSXV for the 12 months to 14 July 2020

- 9.18 The Figure 12 below sets out a summary of Strata-X closing share prices and traded volumes in the year to 14 July 2020, being the last day Strata-X shares traded prior to the announcement of the Scheme, on the ASX.



Source: Capital IQ

Figure 12: Strata-X share trading on the ASX for the 12 months to 14 July 2020

- 9.19 To provide further analysis of the quoted market prices for Strata-X's shares, we have considered the VWAP for the 1, 5, 10, 30, 60, 90, 120, 180 and 365 calendar days prior to 15 July 2020, on both the TSXV and the ASX, as summarised in Table 27.

Calendar days	Share price Low AUD	Share price High AUD	No. of days traded	Volume traded	Value traded AUD	VWAP AUD	Percentage of issued capital %
1 days	\$0.058	\$0.060	1	1,700	\$99	\$0.058	0.002%
5 days	\$0.058	\$0.069	1	1,700	\$99	\$0.058	0.002%
10 days	\$0.053	\$0.069	4	26,370	\$1,706	\$0.065	0.02%
30 days	\$0.043	\$0.069	17	1,407,290	\$75,848	\$0.054	1.3%
60 days	\$0.043	\$0.070	27	3,086,760	\$186,163	\$0.060	2.7%
90 days	\$0.033	\$0.070	45	6,313,910	\$355,251	\$0.056	5.7%
120 days	\$0.029	\$0.070	59	7,171,690	\$394,479	\$0.055	6.5%
180 days	\$0.029	\$0.070	87	10,023,640	\$567,279	\$0.057	9.2%
365 days	\$0.029	\$0.072	155	18,411,660	\$1,039,804	\$0.056	18.2%

Source: Capital IQ and RSM analysis

Table 27: Share price and VWAP of Strata-X shares

- 9.20 As set out in Table 27 above, the closing price of Strata-X shares fluctuated between \$0.029 and \$0.072 over the past 12 months and the VWAP ranged from between \$0.054 and \$0.065 in the 60 day period before the announcement of the Scheme.
- 9.21 During the 12 months leading up to 14 July 2020, only 18.2% of the issued capital was traded.
- 9.22 Of the 255 trading days in the 12 months leading up to the announcement of the Scheme shares in Strata-X were traded on 155 of the days. Based on the level of trading in Strata-X shares over the 12 months to 14 July 2020, we consider the market for Strata-X's shares to have low levels of liquidity.
- 9.23 The Strata-X shares have recently traded at a premium to NTA, indicating that the market is currently pricing in the potential of the exploration assets held by Strata-X.
- 9.24 Notwithstanding the low levels of liquidity, Strata-X also complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Strata-X.

Valuation of a Strata-X share (Quoted price of listed securities methodology)

Value of a Strata-X share on a minority basis

- 9.25 Based on the analysis of the recent trading in Strata-X shares, we have assessed the value of a Strata-X share on a minority interest basis, to be in the range of \$0.054 to \$0.060, having regard to the 30-day and 60-day VWAP of Strata-X prior to the announcement of the Scheme.
- 9.26 Consistent with our valuation of Real Energy prior to the Scheme, we have assessed a premium for control in the range of 30% to 35% in assessing the value of a controlling interest in Strata-X.
- 9.27 Table 28 below sets out our assessment of the value in a Strata-X share on a controlling basis utilising the quoted price of listed securities methodology.

	Low	High	Preferred
Quoted share price	\$0.054	\$0.060	\$0.057
Control Premium	30.0%	35.0%	32.5%
Assessed implied Fair Value of a Strata-X share	\$0.070	\$0.081	\$0.076

Source: Capital IQ and RSM Analysis

Table 28: Assessed implied Fair Value of a Strata-X share – Quoted Price of Listed Securities

- 9.28 We consider the variance between valuation derived under the net assets on a going concern basis and quoted price of listed securities methodology to be reflective of the comments set out in 9.8. We further note that Strata

-X shares have traded at a low of \$0.029 and a high of \$0.072 over the 365 days prior to the announcement of the Scheme, and only 5.7% and 18.2% of the weighted issued share capital was traded in the 90-day and 365-day period prior to the announcement of the Scheme.

- 9.29 Whilst the recent quoted market price can provide a useful cross check to our primary methodology, based on our analysis of the recent volume of trading in Strata-X's shares, we do not consider the market to be sufficiently liquid to provide a reliable assessment of Fair Value on a standalone basis.

Valuation summary and conclusion

- 9.30 A summary of our assessed Fair Values of a Strata-X share on a controlling basis prior to the Scheme, derived under the net assets on a going concern basis, is set out in Table 29 below.

	Reference	Low	High	Preferred
Net assets on a going concern basis - primary method	Table 25	\$0.037	\$0.071	\$0.054
Quoted price of listed securities - secondary method	Table 28	\$0.070	\$0.081	\$0.076

Source: RSM Analysis

Table 29: Assessed Fair Value of a Strata-X share prior to the Scheme

- 9.31 We consider that the Fair Value of a Strata-X share on a controlling basis is in the range of \$0.037 to \$0.071, with a preferred value of \$0.054 which has been derived using the net assets on a going concern basis.

10. Valuation of the Merged Group

Valuation of the Scheme Consideration offered per Real Energy share

- 10.1 As required by RG 111, in order to provide an indication of the Fair Value to Shareholders immediately after the Scheme, we have calculated the theoretical Fair Value of Strata-X and Real Energy immediately after the implementation of the Scheme, as the Merged Group.
- 10.2 Table 30 below sets out our assessment of the Fair Value per share of the Merged Group (on a controlling basis) and has been calculated based on the combined Fair Values of Real Energy and Strata-X immediately following the Scheme utilising the net assets on a going concern basis, after deducting the estimated Scheme expenses.

\$'000	Reference	Low	High	Preferred
Assessed Fair Value of Real Energy	Table 19	9,176	17,702	13,439
Assessed Fair Value of Strata-X	Table 25	4,599	8,949	6,774
Combined Fair Value of Real Energy & Strata-X - controlling basis		13,775	26,651	20,213
Estimated Scheme expenses		(100)	(100)	(100)
Assessed Fair Value of Merged Group - controlling basis		13,675	26,551	20,113
Total ordinary shares in Merged Group ('000)		265,606	265,606	265,606
Assessed Fair Value of a share in the Merged Group		\$0.051	\$0.100	\$0.076

Source: RSM Analysis

Table 30: Assessed Fair Value of the Merged Group immediately after the Scheme

- 10.3 The Fair Value of Real Energy's net assets and Strata-X's net assets utilised in assessing the Fair Value of the Merged Group is consistent with our valuations set out in Table 19 and Table 25.
- 10.4 Table 31 below sets out our assessment of the Fair Value of a share in the Merged Group on a controlling basis immediately after the Scheme, and the Fair Value of the Scheme Consideration offered per Real Energy share.

	Reference	Low	High	Preferred
Assessed value per share in the Merged Group	Table 30	\$0.051	\$0.100	\$0.076
Multiply by Merger Ratio		0.33	0.33	0.33
Assessed Fair Value of Scheme Consideration		\$0.017	\$0.033	\$0.025

Source: RSM Analysis

Table 31: Fair Value of Scheme Consideration

10.5 Based on the above, our assessed Fair Value of the Scheme Consideration offered per Real Energy share immediately after the Scheme (on a controlling basis) is in the range of \$0.017 to \$0.033, with a preferred value of \$0.025.

Is the Scheme Fair to Shareholders

10.6 In assessing whether we consider the Scheme to be fair to Shareholders, we have valued a share in Real Energy prior the implementation of the Scheme, and compared it to the Fair Value of the Scheme Consideration offered per Real Energy share. The consideration offered represents the Fair Value of the equivalent ownership interest per Real Energy share in the Merged Group.

10.7 Our assessed Fair Values are summarised in Table 32 below.

	Low \$	High \$	Preferred \$
Assessed Fair Value of Scheme Consideration	\$0.017	\$0.033	\$0.025
Assessed Fair Value of a Real Energy Share prior to Scheme	\$0.022	\$0.042	\$0.032
Amount by which the Fair Value of the Scheme Consideration exceeds the Fair Value of a Real Energy share prior to the Scheme	-\$0.005	-\$0.009	-\$0.007

Source: RSM Analysis

Table 32: Assessed Fair Value of a Real Energy share prior to the Scheme and the Scheme Consideration

10.8 The above comparison is depicted graphically in Figure 13 below.

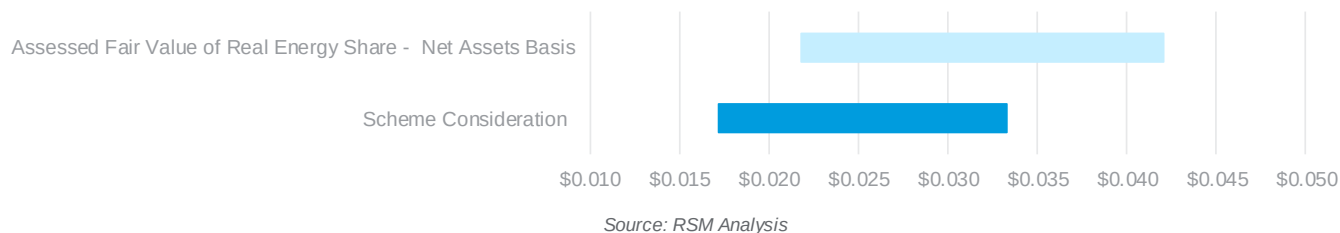


Figure 13: Assessed Fair Value of a Real Energy share prior to the Scheme and the Scheme Consideration

10.9 Given the relative contributions to the Scheme Consideration of Real Energy and Strata-X, the Scheme Consideration may exceed the Fair Value of a Real Energy Share prior to the Scheme where the Fair Value of a Real Energy Share is approximately \$0.024 or less and the corresponding Fair Value of Strata-X is at the high end of our assessed valuation range. This comparison is depicted graphically in Figure 2 below

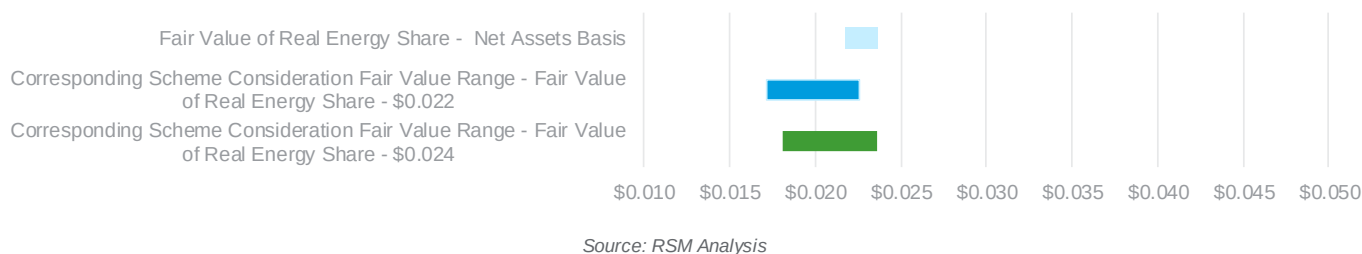


Figure 14: Fair Values of a Real Energy Share prior to the Scheme that may result in a Scheme Consideration in excess of the Fair Value of a Real Energy Share prior to the Scheme

10.10 In our opinion, due to the limited crossover in the valuation range, we consider the Scheme to be **not fair** to Shareholders.

10.11 Depending on Shareholders' views as to the prospects and operations of both Real Energy and Strata-X, some shareholders may form the view that the Fair Value of Real Energy is approximately \$0.024 or less per Share and that the Fair Value of Strata-X is at the higher end of our assessed valuation range. In these circumstances, Real Energy shareholders would conclude the Proposed Transaction is fair.

10.12 With regard to above, utilising the net assets on a going concern basis, we have assessed the Fair Value of Strata-X to be in the range of \$4.6m to \$8.9m, with a preferred value of \$6.8m, resulting in an assessed Fair Value of a Strata-X share in the range of \$0.037 to \$0.071, with a preferred value of \$0.054. Notwithstanding Strata-X's low levels of liquidity (and noting that the quoted market price has been adopted as a secondary methodology), Strata-X's 30-day and 60-day VWAP prior to the date of the announcement of the Scheme on 15 July 2020 were \$0.054 and \$0.060, respectively. The application of a control premium to the 30-day and 60-day VWAP of 30% to 35% results in an implied value of a Strata-X share of \$0.070 to \$0.081 on a control basis, with a midpoint of \$0.076. The value range using the quoted market price is significantly higher than the net assets on a going concern methodology and reflects, in part, the inherent difficulties in valuing exploration assets as set out in paragraph 9.8 of our Report. Utilising the values under the quoted market price methodology for Strata-X results in an implied Scheme Consideration per share in the range of \$0.022 to \$0.035, with a midpoint of \$0.029, which would increase the crossover range for our assessed valuation of a Real Energy share prior to the Scheme.

11. Consideration of other factors relating to the Scheme

11.1 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid. We consider and outline in this Section of the Report an analysis of other factors which are likely to be relevant to Shareholders in their assessment of the Scheme.

Advantages of approving the Scheme

11.2 The key advantages of the Scheme are:

- The Scheme will expose Shareholders to a more diversified potential gas portfolio as well as 100% ownership of Project Venus. There is a high level of risk associated with joint ventures and farmouts as the obligations of the other parties may not be fulfilled. Under the Scheme, Project Venus will be 100% owner by the Merged Group, reducing the risk associated with the JV;
- The Merged Group will have the ability to better pursue the shared strategic focus of both Real Energy and Strata-X in the development of its collective gas resources, and the strategic plan to transition the focus of the Merged Group to building, owning and operating a hydrogen fuel plant in Queensland;
- The Merged Group will form a larger listed entity with pooled assets from which to fund future opportunities;
- The Directors consider that the merger will be able to streamline costs and reduce overheads including listing fees and other governance and compliance costs;
- The Directors consider that the combined board representatives from Real Energy and Strata-X will contribute complementary industry experience and skills to the Merged Group;
- As set out in paragraph 10.11, to the extent that the Fair Value of Real Energy prior to the Scheme within our assessed valuation range is approximately \$0.024 or less per Share and the Fair Value of Strata-X is at the higher end of our assessed valuation range, the Scheme would be deemed fair; and
- As set out in paragraph 10.12, utilising the values under the quoted market price methodology for Strata-X results in an implied Scheme Consideration per share in the range of \$0.022 to \$0.035, with a midpoint of \$0.029, which would increase the crossover range for our assessed valuation of a Real Energy share prior to the Scheme.

Future Prospects of Real Energy if the Scheme is not approved

- 11.3 If the Scheme is not approved by Shareholders, the Directors have indicated that Real Energy will continue to operate as an ASX listed entity.
- 11.4 We consider that the future prospects of Real Energy are unlikely to be significantly impacted should the Scheme not be approved. We have formed this view after considering the following:
- In the event the Scheme is not approved, Real Energy will continue to operate as a listed company and continue to pursue its current strategy; and
 - The Real Energy share price did not move significantly after the announcement of the Scheme and is unlikely to move significantly should the Scheme not be approved, all other things being equal.

Disadvantages of approving the Scheme

- 11.5 The key disadvantages of the Scheme are:
- The Scheme is not fair;
 - Shareholders will, collectively, whilst still maintaining a controlling ownership, have a diluted ownership of 53% in the Merged Group; and
 - Changes in the risk profile of Real Energy with exposure to exploration assets outside of Australia, including geopolitical risk factors which increases the uncertainty around the development and commercialisation of the underlying exploration assets held in Botswana.

The price of Real Energy's shares after the announcement of the Scheme

- 11.6 The Scheme was announced to the ASX on 15 July 2020. Real Energy's opening share price on the date of the announcement was \$0.020 and the closing price was \$0.022.
- 11.7 The share price fluctuated between \$0.019 and \$0.027 over the period 16 July 2020 to 1 October 2020, closing at \$0.024 on 1 October 2020.
- 11.8 As at the date of this Report the Real Energy share price was \$0.024.
- 11.9 In the days following the announcement the volume of trades in the Real Energy shares was slightly higher than the same period prior to the announcement with 0.9% of the issued capital being traded on the day following the announcement of the Scheme and 2.5% of the issued capital being traded in the 10 calendar days subsequent to the announcement compared to 0.06% of the issued capital being traded on the day prior the announcement and only 0.41% of the issued capital being traded in the 10 calendar days prior to the announcement.

11.10 The VWAP of Real Energy's shares for the period after the announcement of the Scheme to 1 October 2020 of \$0.023 was 13% higher than the 10 day VWAP of \$0.020 prior to the announcement of the Scheme, 7% higher than the 30-day VWAP of \$0.021 prior to the announcement, and consistent with the 60 day VWAP of \$0.023 prior to the announcement of the Scheme.

11.11 Based on the above, we consider that, on the whole, the market has reacted reasonably favourably to the announcement of the Scheme.

Alternative proposals and likelihood of an alternative takeover offer

11.12 The Directors have advised us that no formal alternative offers or approaches by potential acquirers have been received prior to the announcement of the Scheme on 15 July 2020.

11.13 Since the announcement of the Scheme on 15 July 2020, we understand that no superior offers have been put forward as the date of this Report.

Liquidity

11.14 The Scheme provides Shareholders with an ability to convert their investment in Real Energy to an investment in the Merged Group. Strata-X has demonstrated a low level of liquidity with implied annualised liquidity over 30, 90, 182 and 365 days, prior to the announcement of the Scheme, ranging between 15% and 23%.

11.15 There is, therefore, a risk that share liquidity in the Merged Group will be lower than Real Energy's historical levels of liquidity, resulting in a less efficient market for Shareholders to realise their investments. Conversely however, the Merged Group as a result of its greater size, may experience improved liquidity and increased ability to attract investors and raise equity capital.

Conclusion

11.16 In the absence of any other relevant information and/or a superior proposal, RSM considers the Scheme to be not fair but reasonable to the Shareholders and as such, that the Scheme is in the best interests of the Shareholders.

11.17 An individual shareholder's opinion in relation to the Scheme may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



Glyn Yates
Director



Andrew Clifford
Director



APPENDICES

APPENDIX A - DECLARATIONS AND DISCLOSURES

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our Report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM Australia) a large national firm of chartered accountants and business advisors.

Glyn Yates and Andrew Clifford are directors of RSM Corporate Australia Pty Ltd. Both Glyn Yates and Andrew Clifford are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This Report has been prepared solely for the purpose of assisting Shareholders in considering the Scheme. We do not assume any responsibility or liability to any party as a result of reliance on this Report for any other purpose.

Reliance on Information

Statements and opinions contained in this Report are given in good faith. In the preparation of this Report, we have relied upon information provided by the Directors and management of Real Energy and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this Report, none of RSM Corporate Australia Pty Ltd, RSM, Glyn Yates, Andrew Clifford, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM Australia has any interest in the outcome of the Scheme, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of \$25,000 plus GST based on time occupied at normal professional rates for the preparation of this Report. The fees are payable regardless of whether Real Energy receives Shareholder approval for the Scheme, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this Report in the form and context in which it is included with the Notice of Scheme Meeting and Scheme Booklet to be issued to Shareholders. Other than this Report, none of RSM Corporate Australia Pty Ltd, RSM Australia and RSM Australia Partners has been involved in the preparation of the Notice of Scheme Meeting or Scheme Booklet. Accordingly, we take no responsibility for the content of the Notice of Scheme Meeting or the Scheme Booklet.

APPENDIX B – SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- The Scheme Implementation Agreement dated 15 July 2020;
- The Scheme Booklet;
- Real Energy audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- Strata-X audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- Real Energy shareholders and option holder registries;
- Strata-X shareholders and option holder registries;
- Independent Technical Valuation report prepared by Fluid Consultants
- ASX announcements of Real Energy and Strata-X
- S&P Capital IQ database;
- Connect4 database;
- IBISWorld Industry Reports;
- Information provided to us during correspondence with Directors and management of Real Energy and Strata-X; and
- Real Energy and Strata-X websites.

APPENDIX C – GLOSSARY OF TERMS AND ABBREVIATIONS

Term or Abbreviation	Definition
AUD or \$	Australian Dollar
Act or Corporations Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollars
Botsgas	Botsgas Pty Ltd
CAD	Canadian dollar
CDI	Chess depository interest
Control	The power to direct the management and policies of an entity or business enterprise
Control basis or controlling basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Control premium	An amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in an entity or business enterprise, to reflect the power of control
Cooper Basin Project	Permit ATP 1194 PA located in the Cooper-Eromanga Basin in South West Queensland
CSG	Coal seam gas
Directors	Directors of Real Energy
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
Fair Market Value	The amount of money (or cash equivalent of some other consideration) for which the asset should change hands an open and unrestricted market between a

Term or Abbreviation	Definition
	willing buy and willing seller in an arm's length transaction, prudently and without compulsion
Fluid	FMB Holdings Pty Limited, trading as Fluid Energy Consultants
Fluid Real Energy Report	Independent Technical Valuation Report's prepared by Fluid in respect of the exploration and evaluation assets held by Real Energy
Fluid Strata-X Report	Independent Technical Valuation Report's prepared by Fluid in respect of the exploration and evaluation assets held by Strata-X
FME	Future maintainable earnings
FSG	Financial Services Guide
FY18	Financial year ended 30 June 2018
FY19	Financial year ended 30 June 2019
FY20	Financial year ended 30 June 2020
IER or the Report	This Independent Expert's Report prepared by RSM
Illinois Project	Oil interest in Illinois in the United States of America held by Strata-X with a nil book value
JOE	Joint operating agreement between Strata-X and Botsgas
JV	The 50/50 Joint Venture between Real Energy and Strata-X in relation to permit ATP 2051
Merged Group	The combined entities of Real Energy and Strata-X post the Scheme
Non-controlling basis	An assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of the entity in which the equity is held
NTA	Net tangible assets
P&E	Property and Equipment held by Strata-X
Project Venus	Permit APT 2051 located in the Surat Basin in Queensland, to be developed under the JV
R&D	Research and development
R&D Claim	Research and development claim for the years ended 30 June 2014, 2015 and 2016 made under the Industry Research and Development Act 1986
Real Energy, the Company	Real Energy Corporation Limited
Real Energy Placement Shares	40,000,000 shares to be issued by Real Energy on or around 28 September
Real Energy SPP	10,000,000 shares to be issued by Real Energy on or around 15 October 2020
Regulations	Corporations Regulations 2001 (Cth)

Term or Abbreviation	Definition
Revised Heads of Agreement	Revised heads of agreement entered into between Strata-X and Botsgas on 27 April 2020 in relation to the JOE
RG 111	ASIC Regulatory Guide 111 Content of Expert's Reports
RSM	RSM Corporate Australia Pty Ltd
RSM Australia Control Premium Study 2017	Control premium study conducted by RSM Australia Pty Ltd in 2017
Scheme	The proposed scheme of arrangement under s411 of the Act, effecting the merge of Real Energy and Strata-X.
Scheme Consideration	Under the terms of the SIA, should the Scheme be approved and implemented, each Real Energy Shareholder will receive 1 share in Strata-X for every 3 shares held.
Scheme Meeting	A meeting of Shareholders convened by the Court, where Shareholders will consider a resolution seeking the approval of the Scheme
Second Court Hearing Date	The day on which the application is made to the Court for an order pursuant to section 411(4)(b) of the Act approving the Scheme
Serowe Gas Project	Permit located in the Kalahari Basin in the Republic of Botswana
Shareholders	The shareholders of Real Energy as at the Record Date
SIA	Scheme Implementation Agreement executed by Real Energy and Strata-X on 15 July 2020
Strata-X	Strata-X Energy Ltd
TSVX	Toronto Stock Exchange Venture Exchange
US\$	United States dollar
VWAP	Volume weighted average share price
Windorah Gas Project	Permit ATP 927P located in Western Queensland

APPENDIX D – INDEPENDENT TECHNICAL VALUATION OF THE EXPLORATION ASSETS HELD BY REAL ENERGY



20 August 2020

RSM Corporate Australia Pty Ltd
Level 13
60 Castlereagh Street
Sydney NSW 2000
Attn: Glyn Yates
Director

Dear Mr Yates,

RE: Valuation of Oil and Gas Permit Interests Held by Real Energy

1.0. INTRODUCTION

In correspondence dated 28 July 2020, and after further discussions, RSM Australia (RSM) and Real Energy Corporation Limited (Real Energy) requested that Fluid Energy Consultants (Fluid) prepare a Valuation Report of Real Energy's petroleum exploration and development assets in Australia for use by Real Energy and Strata-X Energy Limited (Strata-X Energy) for their planned merger to form a new company, Pure Energy Limited (Pure Energy).

RSM has requested that Fluid determine a value for the exploration permits for Real Energy's assets being ATP 927P, ATP 1194A and ATP 2051P.

Real Energy is an energy company listed on the Australian Stock Exchange (ASX). Strata-X Energy is also an energy company listed on the ASX.

2.0. SUMMARY

Fluid's fair market valuation of Real Energy's exploration acreage is between **A\$7.787 million** and **A\$16.313 million**, with the middle and preferred value being **A\$12.050 million** as determined on 20 August 2020 (Table 1). The valuation does not include any other assets or liabilities that Real Energy may or may not have. The scope of our valuation is limited to assets listed in Table 1.

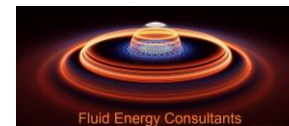


Table 1: Estimated Exploration Acreage Valuation of Real's Interests

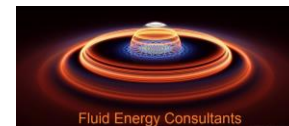
Permit	Basin	Current Total Interests	Permit Surface Area (km ²)	Valuation Method	Exploration Value (A\$m)*	
					Low	High
ATP927P	Cooper-Eromanga Basin	100%	1050	Farmin to other permits	6.298	12.602
ATP1194P A	Cooper-Eromanga Basin	100%	1043	Farmin to other permits	0.200	0.500
ATP2051P	Bowen-Surat Basin	50%	154	Farmin to other permits	1.289	3.211
TOTAL					7.787	16.313

Figures are subject to rounding

* \$Am = millions of Australian dollars.

Fluid has applied an exchange rate of A\$1 to US\$0.70.

Fair Market Value: The fair market value of a mineral or petroleum asset or security is the amount of money (or cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the Valuation of Mineral and Petroleum Assets and Securities (VALMIN) Code, 2015 for which the mineral or petroleum asset or security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arms-length” transaction, prudently and without compulsion. A number of valuation methods were investigated (Section 4.0). Fluid prefers to use farm-in deals and sales to gauge value in exploration permits and only departs from this method on occasions where a better value can be determined by another method, or in the absence of relevant and recent farm-ins and sales.



3.0. ACREAGE ASSET REVIEW AND VALUATION

The Cooper Basin and Eromanga Basin

The Permian to Triassic Cooper Basin and Jurassic to Cretaceous Eromanga Basin of south-west Queensland and South Australia form Australia's premier onshore petroleum province. Exploration within these basins has occurred over a 50-year period.

The Cooper Basin covers approximately 95,000 km² in Queensland. It is subdivided into several troughs and depressions bounded by anticlines. It conformably overlies the Warburton Basin and is disconformably overlain by the Cretaceous-Jurassic Eromanga Basin. Sediment thickness for the Cooper Basin is up to 2,250 m in the central part of the basin in Queensland.

The Eromanga Basin covers approximately 567,000km² of western Queensland, and extends into the Northern Territory, South Australia and New South Wales. Sequences comprise Jurassic non-marine and Cretaceous non-marine and marine sediments which are up to 2,600m thick. In the Early Jurassic to Early Cretaceous lower non-marine succession, large sand-dominated, braided fluvial systems drained into lowland lakes and swamps. The Early Cretaceous marine succession is dominated by thick transgressive shales, with thin sandstone units reflecting regressive cycles.

The Cooper Basin is gas-dominant with a considerable light liquid component, while the Eromanga Basin is predominantly oil bearing with minor gas. It is generally believed that the Cooper Basin sequence has been the dominant source for both the Eromanga and Cooper Basin hydrocarbons.

The exploration effort in the Eromanga Basin has, until recent years, been directed mainly towards drilling conventional anticlinal traps with four-way dip and three-way dip closures coupled with fault control.

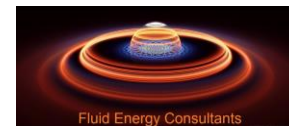
3.1.1. ATP 927P

3.1.1.1. ATP 927P Interests

ATP 927P in the onshore Cooper-Eromanga Basin, QLD, was first awarded on 1 October 2013 to Drillsearch Energy Limited and transferred to Real Energy subsequently through a Sales and Purchase Agreement between Drillsearch and Real Energy dated 9 May 2012 (Figure 1). Currently, Real Energy is Operator and 100% licence holder (Table 2).

Table 2: ATP 927P Interests

Company	Current Interest
Real Energy (Operator)	100%
Total	100%



3.1.1.2. ATP 927P Government Work Program

The Period 2 Later Work Program approved on 4 December 2019 by the Queensland Department of Natural Resources Mining and Energy (DNRME) for ATP 927P is presented in Table 3 (four-year term). The permit is currently in good standing.

Table 3: ATP 927P Permit Later Work Program

Permit Year	Permit Year Start	Activity Unit(s)	Activity Description	Indicative Cost (A\$m)
One	1 October 2019		Geological studies Production Testing	0.500
Two	1 October 2020	1 well	Drill 1 well to 2,500 metres Hydraulic Fracture Stimulation Production testing	5.000
Three	1 October 2021	Seismic	2D Seismic Survey Geological Studies	1.000
Four	1 October 2022	1 well	Drill 1 well to 2,500 metres Hydraulic Fracture Stimulation Production Testing	5.000

The permit can be surrendered at any stage.

3.1.1.3. ATP 927P Farm-in Deal

There are no farmin deals that have been consummated in the permit at the current date.

3.1.1.4. Recent and Relevant Sale and Farm-in Deals in Cooper/Galilee/Eromanga

Fluid notes that there are relatively few recent market transactions in the Cooper and Eromanga Basins since the oil price crisis in 2014 significantly curtailed exploration and appraisal drilling activity in the petroleum sector. A further blow was dealt in early 2020 due to the COVID-19 Pandemic that has stalled global travel, causing a glut of transport fuels and renewed oil price uncertainty.

The spot gas price at the Wallumbilla Hub has declined from about A\$10/giga-joule (Gj) at around the start of 2019 to about A\$3.50/Gj in June 2020 (Figure 2) although the majority of gas is sold under term contracts and most term contracts for 2021 are being struck at prices above \$7/Gj. At the same time, there is pressure on petroleum companies, both producers and explorers, to increase the volumes of gas entering the domestic East Coast gas market.

The Queensland and Federal governments have and are providing incentives and grants for expansion of the available gas volumes. One of the reasons for this is a number of old gas fields in Eastern Australia are in steep decline (notably offshore Victoria), which is expected to significantly reduce gas supply in the absence of new supply, in coming years and therefore put upward pressure on gas prices.

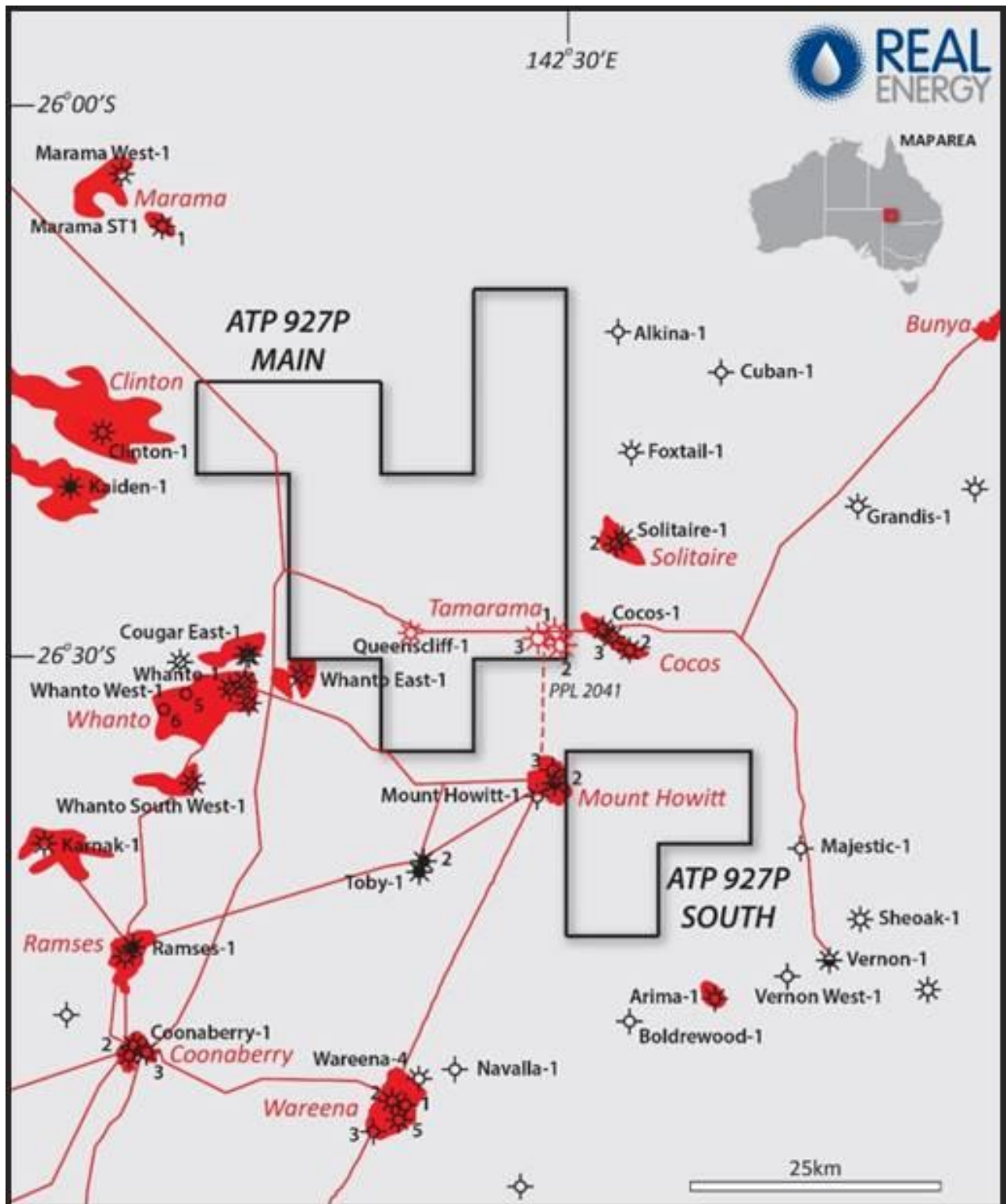


Figure 1: Location of ATP 927P

Cooper-Eromanga Basin

1) Bengal/Santos

On 28th July 2020, Bengal Energy Ltd. (Bengal) announced it has agreed the terms of a Farming Agreement with Santos QNT Pty Ltd. (Santos) covering a portion of Bengal's ATP 934 oil and gas



exploration tenement in south western Queensland. Under the terms of the Farmin Agreement, Santos will pay 100% of the well costs of a one well work program with an estimated cost of A\$2.7 million. Drill timing is expected in calendar Q3/4 2021.

Under the Farmin Agreement, Santos has the right to earn a 60% interest in approximately 420 km² in the southern portion of the ATP 934 tenement (the "Farmin Lands"), offsetting recent successful Santos operated exploration wells. The remainder of Bengal's ATP 934P (1,729 km²) exploration and development portfolio is not subject to, or affected by, this Farmin Agreement.

Under the terms of the Farmin Agreement, Santos will be named operator of the Farmin Lands.

The premium value (40% interest for A\$1.08 Million) is calculated to be A\$0.027m per percentage point.

2) Oilex/Armour

On 15th June 2020 Armour Energy Ltd., executed the acquisition of all of Oilex Ltd.'s exploration acreage in the Cooper/Eromanga basins of South Australia.

The deal comprises the acquisition of all the issued capital of CoEra Ltd., the Oildex subsidiary that held the Cooper Basin permit interests.

Armour will issue to Oilex a minimum of 24.5 million and a maximum of 34.5 million Armour shares depending on the Armour share price for 90 days from execution. The variance is designed to deliver a figure of A\$906,500 in Armour shares to Oilex. Oilex is expected to hold 4% to 5.5% of Armour's issued share capital. Armour will pay Oilex A\$125,000 in cash for past exploration costs within 60 days.

CoEra's Cooper Basin assets include 79.33% interest in two permits (PEL112 on the Western Flank oil and wet gas fairway and PEL444 on the Northern Flank wet oil and gas fairway), which cover 1,086km² and 1,166 km², respectively, together with an option to acquire the remaining 20.66% in each permit.

Armour also will acquire 100% of 27 petroleum retention leases covering a total of 2,445 km², along with 792 km² of 3D seismic data by assuming Oilex's obligations under pre-existing arrangements between Oilex and Senex Energy Ltd.

The acreage is a complex holding. The total cost is about A\$1,031,500 for 79.33% interest in 2 permits, PEL112 and PEL444 (excludes any value for retention leases). That works out to be A\$515,750 for each permit.

So, a purchase value is calculated to be only A\$0.007m per percentage point per permit.

3) Oilex/Doriemus (deal did not go through)

On 30th January 2020, via the Oilex agreement, Doriemus will acquire 27 PRLs in the Cooper-Eromanga Basin from Senex Energy. Under the agreement, Doriemus was to acquire all the issued capital of Oilex's subsidiary CoEra Ltd, which will own all of Oilex's direct and indirect interests in the Cooper-Eromanga Basin. Once Doriemus had acquired CoEra, it would have had a 79.33% direct interest in petroleum licences PEL112 and 444, which comprise 2,252 square kilometres. It would also have had an option to secure the remaining 20.66%.

Additionally, Doriemus would have had the right to acquire 27 petroleum retention licences from Senex Energy Ltd, with the licences collectively known as the Northern Fairway PRLs and spanning 2,445sq km.

Upon completion of the transaction, Doriemus would have issued Oilex 28.3 million CHESSE depositary interests, which is equivalent to the same number of shares. At the time, investors reacted positively to the news pushing Doriemus' share price up more than 16% to A\$0.035 in early morning trade. This was equivalent to about A\$990,500 in value.

Doriemus would also have assumed Oilex's obligations under the Senex agreement to acquire the Northern Fairway PRLs, which includes a A\$1.1 million payment upon transfer of ownership from Senex to CoEra. It would also take on payment of future PRL fees and work obligations, including well commitments in PEL 112 and 444. Doriemus estimated that the PRL fees for 2020 will amount to A\$1 million.

In addition to due diligence and shareholder approvals, the acquisition was also contingent on Doriemus completing a minimum A\$3.5 million capital raising, with a target of A\$5 million. On 30th March, Doriemus announced that it would not be proceeding with the capital raising, and the priority offer which was made available to both Oilex and Doriemus shareholders.

The acreage is a complex holding and the deal did not proceed, so no value has been calculated by Fluid.

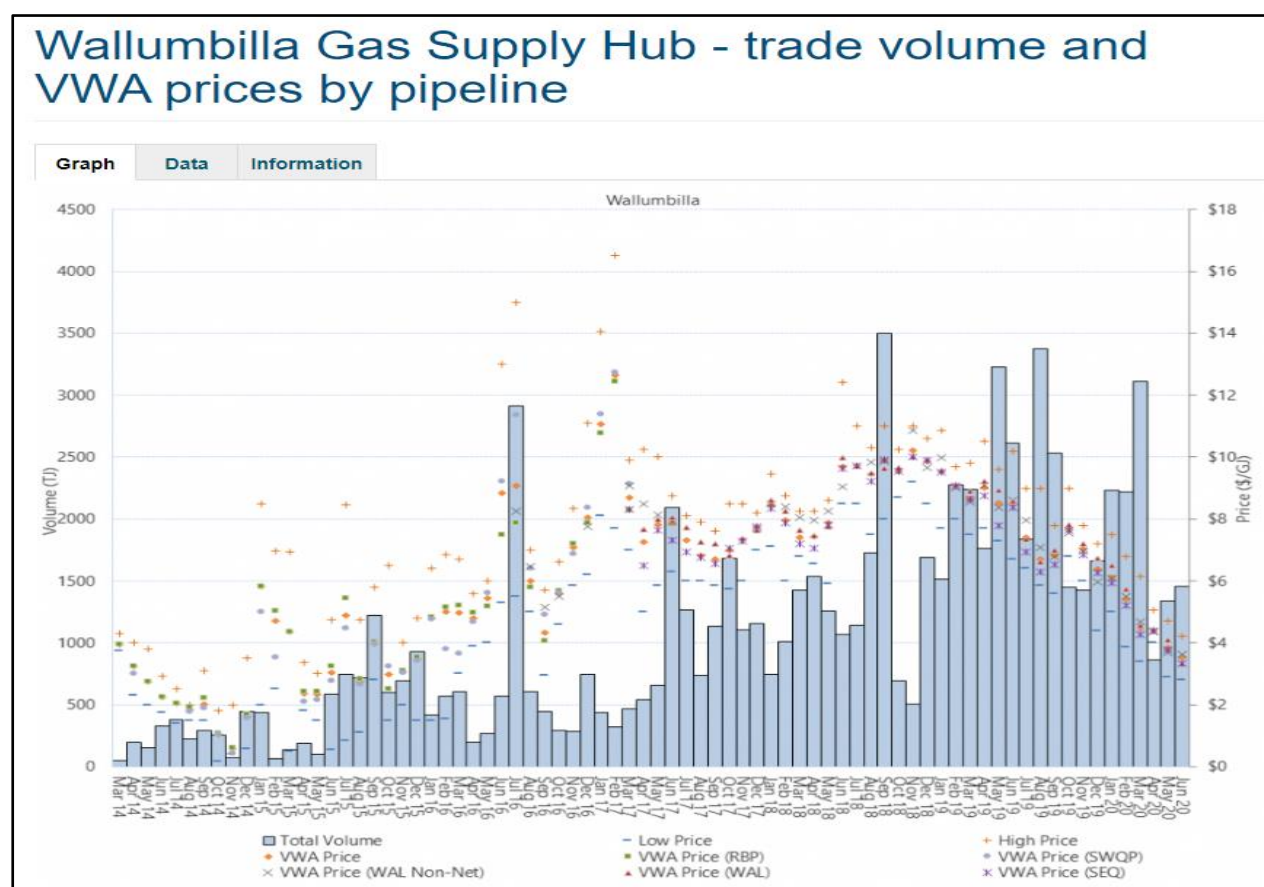


Figure 2: Wallumbilla Gas Hub Historical Spot Price

(<https://www.aer.gov.au/wholesale-markets/wholesale-statistics/wallumbilla-gas-supply-hub-trade-volume-and-vwa-prices-by-pipeline>, accessed on 4 August 2020)

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4) Vintage Energy Ltd (Vintage)/Metgasco

On 22nd May 2019, Vintage entered into a Heads of Agreement (HOA) with Metgasco in ATP 2021. Vintage can earn 50% interest and operatorship by funding 65% of the first exploration well, up to a maximum gross cost of A\$5.300 million (with Vintage's share being up to A\$3.445 million). In addition, Vintage will contribute a further A\$527,800 which reflects 65% of the past licence back-costs/farm-out costs incurred by Metgasco to date. Vintage will also fund a full carry of A\$70,000 of 2D/3D seismic reprocessing. Final farm-out documentation was executed in June, 2019.

The premium value is calculated to be A\$0.019m per percentage point.

5) Bridgeport (Cooper Basin) Pty Ltd (Bridgeport)/Metgasco

On 29th August 2019, Bridgeport entered into a Farmin Agreement with Metgasco in ATP 2021. Bridgeport can earn a 25% interest by funding 32.5% of the first exploration well, up to a maximum gross cost of A\$5.300 million (with Bridgeport's share being up to A\$1.72 million). In addition, Bridgeport will contribute up to a further A\$0.263 million, which reflects 32.5% of the total permit future expenditure (capped at A\$0.812 million) to be incurred by Metgasco.

The premium value is calculated to be A\$0.018m per percentage point.

6) Bengal Energy Ltd

On 23rd January 2018, Bengal Energy Ltd (Bengal) announced the acquisition of an additional 28.57% working interest in its operated natural gas permit ATP934. The purchase consideration was A\$311,221 cash and potential future cash payments of up to A\$1,000,000 subject to certain conditions and commercial benchmarks being achieved. There have been no further announcements.

The low-side premium value is calculated to be A\$0.011m per percentage point and the unrealised and contingent high-side premium value is calculated to be A\$0.046m per percentage point.

Galilee-Eromanga Basin

1) Vintage/Comet Ridge Pty Ltd (Comet)

On 1st November 2017, Comet announced that an Agreement to farm-out the sandstone reservoir sequence of ATP 744, ATP 743 and ATP 1015 (3 permits) was executed with Vintage.

The farm-out relates only to the 'Deeps Area' (Deeps) within each of the Petroleum blocks, which is defined as including all strata commencing underneath the Permian coals (Betts Creek Beds or Aramac coals) with the main target being the Galilee Sandstone sequence, which has previously flowed gas to surface during formation testing at the Lake Galilee 1 (1964) and Carmichael 1 (1995) wells.

Stage 1 of the Agreement to farm-in is divided into steps.

- Stage 1a requires the drilling and post well production testing of one conventional gas appraisal well on the Albany sandstone structure, close to where the Carmichael 1 well flowed gas in 1995. Drilling is complete.
- Vintage will fund the first A\$3.35 million of the Stage 1a expenditure to earn a 15% interest in the Deeps across the three Galilee Permits.



- The total cost of Albany 1 and the associated production testing has been estimated to be approximately A\$3.5 to A\$3.8 million and each party will pay its proportional share (15%/85%) of the difference between the A\$3.35 million cap and the actual well drilling and testing costs.
- Stage 1b is the provision for well stimulation and subsequent production testing of the Albany 1 well. The decision to proceed with this stage will be determined by the gas flow rate of the Albany well once completed. The cost of this stage has been estimated at A\$1.2 million. If Vintage Energy and Comet both agree to proceed with Stage 1b, the cost will be shared on a 25% (Vintage) and 75% (Comet) basis.
- If Comet elects not to participate in this stage, but Vintage decides to do so, it may carry out the stage at its sole cost which will entitle it to a further 3.5% interest in the Deeps bringing its total interest to 18.5%.

Stage 2 of the Agreement to farm-in requires both parties will spend up to A\$5 million each (for a A\$10 million total programme) for Vintage to earn a further 15% equity to go to 30%.

The Stage 1 low-side premium value is calculated to be A\$0.063m per percentage point per permit (3 permits) and the contingent high-side premium value is calculated to be A\$0.066m per percentage point per permit.

The contingent Stage 2 premium value is calculated to be A\$0.111m per percentage point per permit.

If the main focus of the deal is the conventional sandstone, then the value could be ascribed to just two permits, being ATP 743 and 744. The Stage 1 value would be between A\$0.095 and A\$0.099 million per percentage point per permit and the contingent Stage 2 would be A\$0.166 million per percentage point per permit.

The sandstone play at Albany discovery is 56PJ 1C, 153PJ 2C, and 417PJ 3C.

The Gunn CSG project has 67PJ2C, 1870PJ 3C and 597PJ Prospective Resource.

3.1.1.5. ATP 927P Exploration History

Real Energy, during the first permit term, has undertaken the drilling of 4 exploration wells to determine the extent of gas charge in the sandstones of the Permian Patchawarra Formation. This was carried out in two (2) rounds of drilling:

1. Round 1 being the drilling of Tamarama 1 and Queenscliff 1; and
2. Round 2 being the drilling of Tamarama 2 and Tamarama 3

Tamarama 2 recorded initial flow rates of 2 mmcf/d and Tamarama 3 recorded initial flow rates of 2.5 mmcf/d. The Contingent Gas Resources were on 30 June 2015 classified by DeGolyer & MacNaughton and significantly upgraded by Aeon Petroleum Consultants following the drilling, stimulation and testing of the Tamarama 2 and 3 wells, and as described in Table 4.

**Table 4: ATP 927 Gas Resource Classification**

Contingent Gas Recoverable Resource Summary			
Estimates (MMcf)³			
Prospect	1C	2C	3C
Queenscliff-1 ¹	48,154	173,960	425,608
Tamarama-1, -2, -3 ²	<u>69,821</u>	<u>156,349</u>	<u>344,578</u>
Arithmetic Summation	117,975	330,309	770,186

1. Estimate prepared by DeGolyer & MacNaughton, June 2015.
2. Estimated prepared by Aeon Petroleum Consultants in August 2019.
3. 1 Bcf (Billions Cubic Feet) is equal to 1,000 MMcf

3.1.1.6. ATP 927P Prospectivity

Toolachee and Patchawarra formations contain significant gas charge in sandstone reservoirs. Real Energy expects that designs of future wells are likely to be horizontal (or near horizontal) wells with multi-staged fracs in the upper and middle Patchawarra Formation sandstone units.

3.1.1.7. ATP 927P Joint Venture Forward Program and Budget

There is no final budget at this stage. However, Real Energy plans to drill two horizontal wells into the Patchawarra Formation sandstones at an estimated cost of A\$6 million (A\$3 million each well). These will be stimulated in some manner, either by jetting, or by fracture stimulation. The cost of jetting is estimated to be A\$0.5 million per well. The total estimate is about A\$7 million.

3.1.1.8. Estimated Value of Real Energy's Interest in ATP 927P

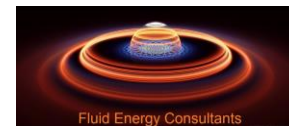
Fluid may sometimes consider an evaluation based upon expenditure for permit (ATP or PCA or PL) application and ongoing maintenance. The minimum value of a permit can be estimated to be A\$0.5 to A\$1.0 million for the application, grant and 4-year maintenance period, carrying out only minimal work, such as desktop studies and farmout.

Fluid's preferred valuation approach is to utilise premium value estimates for recent market transactions to define low and high-side ranges in permit value.

Rarely do any permits have the same prospectivity and often there are quite limited deals spread over several years. The size of and the chance of discovering and commercialising Resources has high uncertainty. This means that valuation ranges, high value to low value, can be very wide. Therefore, Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client, or investor/auditor that is requesting a valuation.

The tight gas play at the Albany field has similarities to the tight gas play in ATP 927P.

A fair market exploration value of Real Energy's 100% interest in ATP 927P is assessed, using the premium value estimates for the market transactions in Comet Ridge and Vintage (Galilee Basin, sandstone tight gas play at Albany) (A\$0.095m/%) as the middle value, and with the high side being 2.0 times the low side, to be **A\$6.298 million to A\$12.602 million**.



3.1.2. ATP 1194PA

3.1.2.1. ATP 1194PA interests

ATP 1194PA in the onshore Eromanga Basin, Qld (Figure 3). Real Energy is the preferred tenderer for the application block. Final work on Native title and the Environmental Authority is being completed so that the permit can be granted.

Table 5: ATP 1194PA Interests

Company	Current Interest	After Farm-in
Real Energy (Operator)	100%	
Total	100%	

3.1.2.2. ATP 1194PA Government Work Program

The Proposed Work Program submitted as part of the permit application for ATP 1194PA is presented in Table 6 (four-year term). The permit is yet to be granted.

Table 6: ATP 1194PA Proposed Permit Work Program

Permit Year	Permit Year Start	Activity Unit(s)	Activity Description	Indicative Cost (A\$m)
One	Upon permit granted	600 line km 1000 line km	2D Seismic Acquisition Seismic Reprocessing Geological Review	6.000 0.300 0.350
Two		2 wells 100km ²	2 Exploration Wells 3D Seismic Acquisition Geological Review	6.500 2.500 0.500
Three		2 wells	2 Exploration Wells Geological Review	6.000 0.600
Four		1 Well	Exploration Well Geological Review	3.000 0.400

The permit can be surrendered at any stage.

3.1.2.3. ATP 1194PA Farm-in Deal

On 11th August 2020, Venator 1194 Pty Ltd (Venator 1194) has signed a Term Sheet with Real Energy, though Real Energy's Board approval is still pending. Venator will pay the Seller \$25,000 within 14 days of the execution of this Term Sheet (First Payment) and the balance of \$200,000 (Second Payment) will be payable at completion of the Listing. Royalty.

The Real Energy also agrees to pay Venator 1194 a royalty of 1.5% of the value of the gross petroleum produced from the permit, or any sequent licence issued by the Queensland Government over the same area to the Venator 1194. The royalty would be subject to a separate



Royalty Agreement which would be calculated in the same manner as the Queensland State Government Royalty.

The value of the permit will be the value of the sale, if it goes ahead and which is A\$225,000.

3.1.2.4. ATP 1194PA Exploration History

Exploration cannot be carried out until the permit is granted. The only expenditure has been the cost to apply for the application area.

3.1.2.5. ATP 1194PA Prospectivity

ATP1194PA Prospective for conventional oil in the Jurassic-Cretaceous Eromanga Basin sequence and Permian Toolachee Formation. Upside potential in Permian Toolachee-Patchawarra basin centred gas play.

3.1.2.6. ATP 1194PA Joint Venture Forward Program and Budget

Real Energy is actively progressing the grant of the permit, o there is no planned budget beyond that activity at this time.

3.1.2.7. Estimated Value of Real Energy's Interest in ATP 1194PA

Fluid may sometimes consider an evaluation based upon expenditure for permit (ATP or PCA or PL) application and ongoing maintenance. The minimum value of a permit can be estimated to be A\$0.5 to A\$1.0 million for the application, grant and 4-year maintenance period, carrying out only minimal work, such as desktop studies and farmout.

Fluid's preferred valuation approach is to utilise premium value estimates for recent market transactions to define low and high-side ranges in permit value.

Rarely do any permits have the same prospectivity and often there are quite limited deals spread over several years. The size of and the chance of discovering and commercialising Resources has high uncertainty. This means that valuation ranges, High value to Low value, can be very wide. Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client, or investor/auditor that is requesting a valuation.

The outcome of the term sheet is unknown at the time of writing. The permit has not yet been granted and there is still expenditure required to reach grant of an ATP by the DNRM. Given that, a reasonable value for any granted permit is about A\$0.5m, a fair market exploration value of Real Energy's 100% interest in the application area, ATP 1194PA, based on A\$0.5m as the high-side and a range of 2.5 times, is assessed to be **A\$0.200 million to A\$0.500 million.**

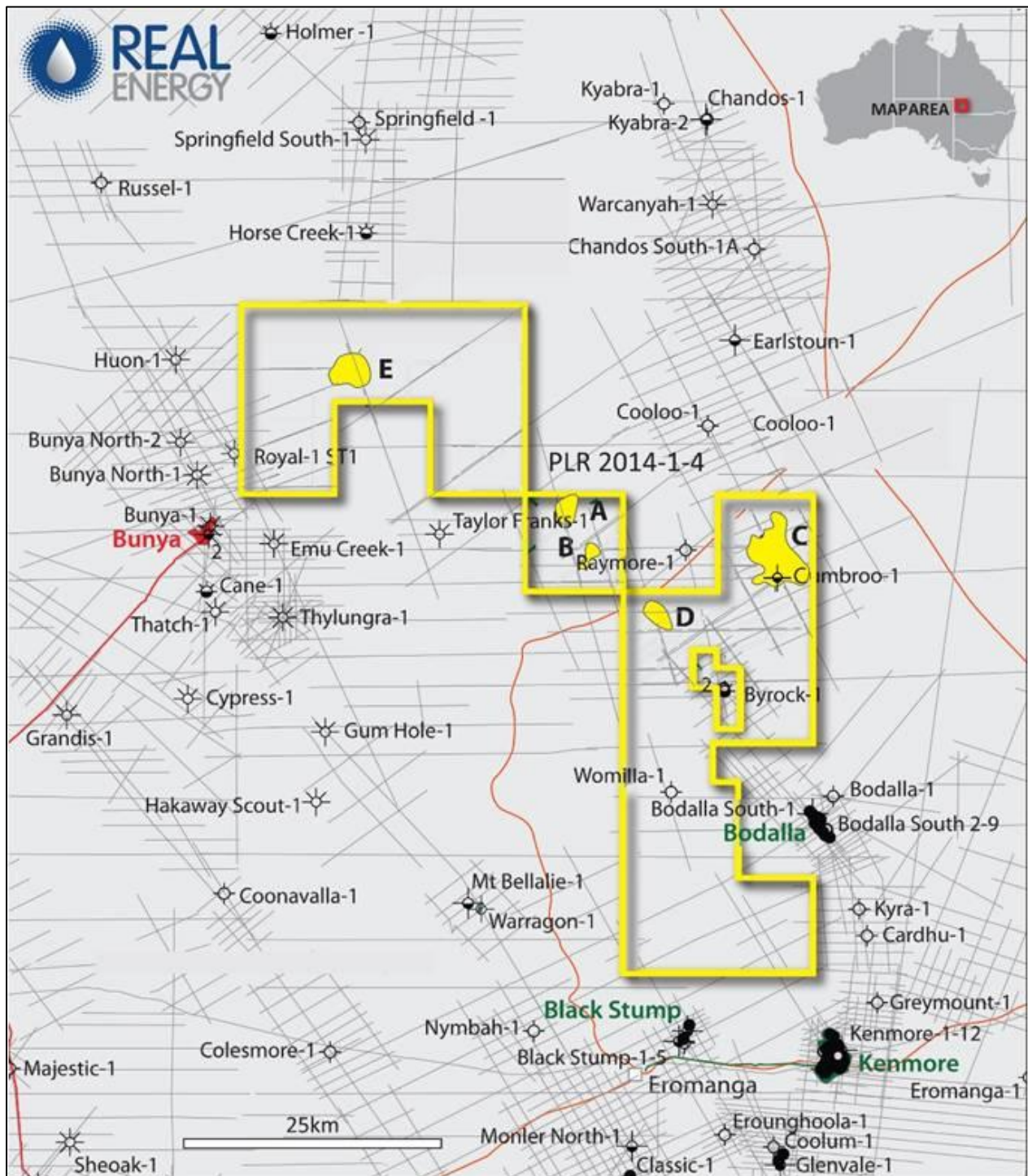
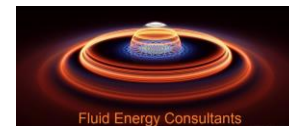


Figure 3: Location of ATP 1194PA (Previously PLR2014-1-4)

3.2. SURAT BASIN, AUSTRALIAN ONSHORE ACREAGE

The basin forms part of the larger Great Artesian Basin, and inter-fingers westward across the Nebine Ridge with the Eromanga Basin, and eastward across the Kumbarilla Ridge with the Clarence-Moreton Basin. Blocks consisting of the Central West Fold Belt and the New England Fold Belt limit the basin to the south, while in the north the basin has been eroded and unconformably overlies Triassic and Permian sediments of the Bowen Basin.



The Surat Basin contains up to 2,500m of sedimentary rocks deposited during the latest Triassic to Early Cretaceous periods. The latest Triassic to earliest Cretaceous succession in the basin consists of five fining-upwards sedimentary cycles dominated by fluvio-lacustrine deposits. The lower part of each cycle typically comprises coarse-grained mature sandstone, grading up into more labile sandstone and siltstone, with mostly siltstone, mudstone and coal in the upper part. In the Cretaceous, inundation of the land by a rise in sea level led to deposition of predominantly coastal plain and shallow marine sediments in two cycles.

Structurally the Surat Basin is relatively simple, with the area of maximum deposition, the Mimosa Syncline, overlying the thickest Permian-Triassic rocks in the Taroom Trough of the underlying Bowen Basin. Major faulting within the basin predominantly mirrors basinal boundary faults of the underlying Bowen Basin. There is substantial folding across the basin, which is due to compaction and draping, as well as some rejuvenation of older pre-Jurassic structures and faults. Formations outcrop along the northern erosional boundary and dip gently to the south and southwest at less than 5°.

3.2.1. ATP 2051P

3.2.1.1. ATP 2051P Interests

ATP 2051P in the onshore Surat Basin, QLD. The Department of Natural Resource Mines and Energy announced that Real Energy and Strata-X Energy as preferred bidders for the tender acreage in a 50:50 Joint Venture on 24 October 2019 and the permit was officially granted on March 2020 (Figure 4). The current joint venture (JV) interests are listed in Table 7.

Table 7: ATP 2051P Interests

Company	Current Interest	After Farm-in
Real Energy (Operator)	50%	
Strata-X Energy	50%	
Total	100%	

3.2.1.2. ATP 2051P Government Work Program

The Work Program submitted as part of the permit application for ATP 2051P is presented in Table 8 (four-year term). The permit is currently in good standing.

Table 8: ATP 2051P Permit Work Program

Permit Year	Permit Year Start	Activity Unit(s)	Activity Description	Indicative Cost (A\$m)
One	23 February 2020	2 wells	Geological, geophysical & engineering studies Drill 2 wells Production Testing 2 wells Production Enhancement	3.750
Two	23 February 2021	2 wells	Geological, geophysical & engineering studies Drill 2 wells Production Testing 2 wells Production Enhancement	3.700.
Three	23 February 2022	4 wells	Geological, geophysical & engineering studies Drill 4 wells Production Testing 4 wells Production Enhancement	6.950
Four	23 February 2023	4 wells	Geological, geophysical & engineering studies Drill 4 wells Production Testing 4 wells Production Enhancement	6.950

The permit can be surrendered at any stage.

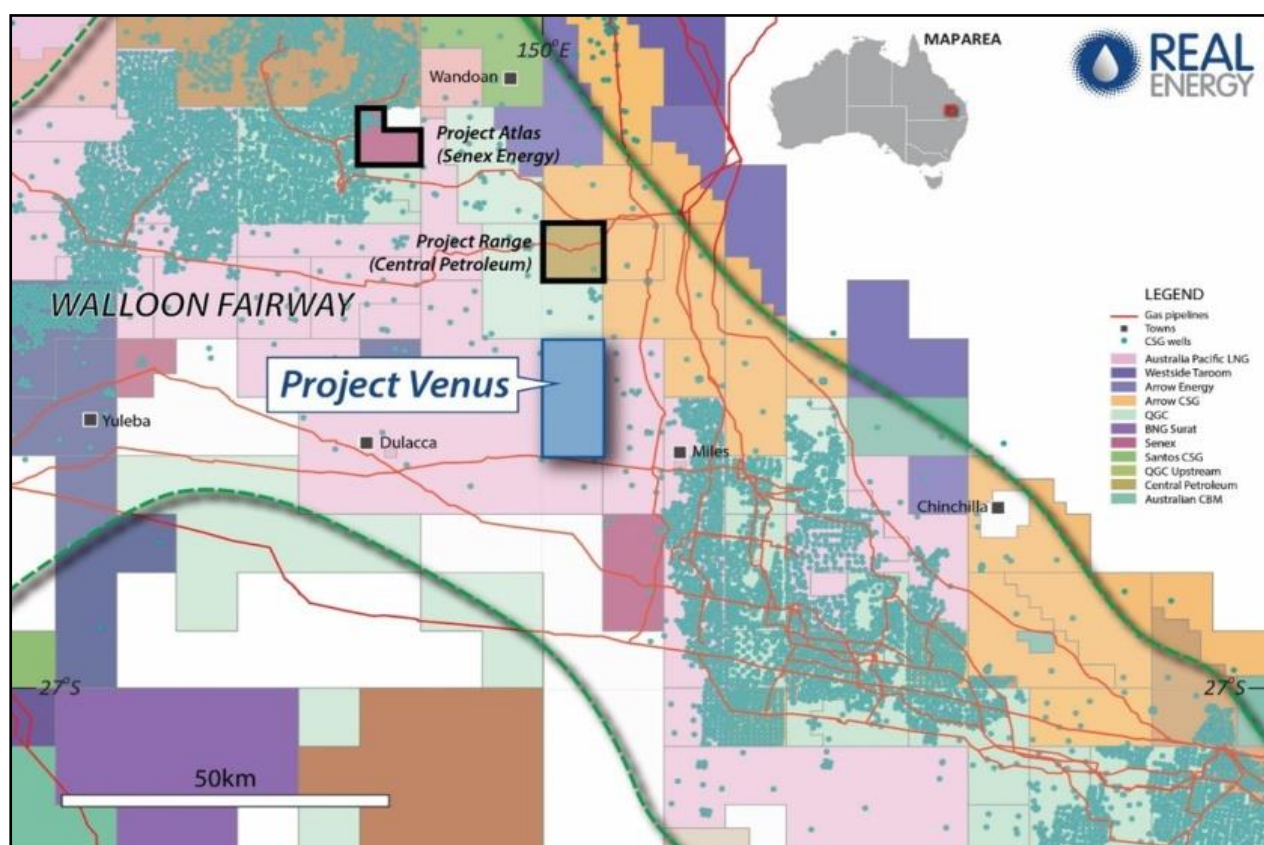


Figure 4: Location of ATP 2051P

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3.2.1.3. ATP 2051P Farm-in Deal

There are no farm-in deals in the permit. The Permit was originally granted at 50:50 to JV between Real Energy and Strata-X Energy.

3.2.1.4. Recent and Relevant Sale and Farm-in Deals in Bowen/Surat

1) APLNG/Armour

On 18 Jun 2020, Armour Energy announced that a sale and purchase agreement has been entered into with Australia Pacific LNG Pty Ltd (APLNG) for the sale of Armour's 10% interest in Petroleum Lease 1084, known as the Murrungama block, in the Surat Basin for a total of A\$4 million. Under the terms of the Agreement, APLNG paid an initial deposit of \$0.5 million within 5 business days of execution of the Agreement with a further A\$3.5 million payable to Armour upon satisfaction of certain customary completion conditions. In the event that completion does not occur within 6 months, Armour must refund the deposit to APLNG, if APLNG is not in default, the transfer of the 10% interest will not occur and the joint venture will remain as it is.

Armour and APLNG were awarded ATP 2046 in July 2019 by the DNRME, after a successful joint tender bid. The award saw Armour gain a 10% non-operated interest and APLNG a 90% operated interest in the exploration licence. DNRME subsequently granted PL1084 over the former ATP 2046 in March 2020.

PL1084 is an 18 square kilometre coal seam gas exploration tenure that adjoins APLNG's Talinga Project. It is surrounded by currently producing CSG fields and is anticipated to have similar sweet-spot reservoir properties and production as the Talinga Gas Field. Fluid has previously calculated about 60 to 80 Peta Joules (PJ) of gas Resource under PL1084. This would be mostly 1P.

This suggests a value of A\$4 million for 6PJ of gas resource, which equates to A\$0.500 to 0.667million/PJ, or A\$0.50 to 0.67/Giga Joule (GJ) in the ground.

2) Origin/APLNG

On 19 February 2019, Origin Energy struck a deal to sell its undeveloped Ironbark coal seam gas project in Queensland to its partly owned Australia Pacific LNG project for A\$231 million. Origin holds a 37.5 per cent share of APLNG.

Ironbark reports 129 petajoules of 2P CSG Reserve and 192 PJ of 3P category (includes 2P). This values the discovered gas in the ground as:

A\$1.79/GJ on a 2P basis or

A\$1.20/GJ on a 3P basis

3.2.1.5. ATP 2051P Exploration History

To Date, geological studies have been undertaken and planning for the re-entry of Connor-1, or drill a new twin well. Depending on the results of this well and the subsequent completion and testing, the JV would consider going directly to a 3-well pilot late in the first year and early in the second year with two additional wells offsetting the new well. This program should meet the first-year government commitment and part of the year 2 commitment in Table 8.



3.2.1.6. ATP 2051P Prospectivity

The coal seams of the Walloon Subgroup Coal Measures extend throughout the permit. These coals contain gas as Coal Seam Gas (CSG). The Walloon Coal Measures is a super-giant gas field with over 4,000 wells drilled, and significant gas production is underway (Figure 3). Real Energy and its JV partner, Strata-X Energy will test the productivity in the coals where permeability is low by applying innovative drilling and completion techniques.

A Best Estimate Prospective Gas Resource of 694 PJ has been determined MHA Petroleum Consultants in December 2019.

3.2.1.7. ATP 2051P Joint Venture Forward Program and Budget

The JV had planned to re-entry Connor-1 well which could initially produce gas and prove sustained commercial gas flow rates with the goal of classifying gas resources and reserves. The cost is proposed to be A\$0.50 million. It now appears that the re-entry is problematic and more likely, the JV will drill and subsequently enhance and complete for production testing a new well at a proposed cost of A\$1.0 million.

3.2.1.8. Estimated Value of Real Energy's Interest in ATP 2051P

Fluid may sometimes consider an evaluation based upon expenditure for permit (ATP or PCA or PL) application and ongoing maintenance. The minimum value of a permit can be estimated to be A\$0.5 to A\$1.0 million for the application, grant and 4-year maintenance period, carrying out only minimal work, such as desktop studies and farmout.

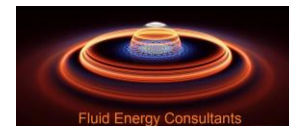
Fluid's preferred valuation approach is to utilise premium value estimates for recent market transactions to define low and high-side ranges in permit value.

Rarely do any permits have the same prospectivity and often there are quite limited deals spread over several years. The size of and the chance of discovering and commercialising Resources has high uncertainty. This means that valuation ranges, high value to low value, can be very wide. Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client, or investor/Auditor that is requesting a valuation.

Fluid has considered the proposed investment into Connor-1, or a new well at A\$0.50 to A\$1.0 million and the commitment to the Permit Year 1 program of A\$3.75 million (Table 8).

Although this area contains CSG resources, there is no similar level of CSG resource exploration that has been farmed into, or sold in recent years. Though, a different resource type, the farmin deals that have been undertaken in the Bengal/Santos (Cooper Basin, exploration) and Vintage/Comet (Galilee Basin, including CSG and contingent resources) provide a guide to value of exploration gas resources.

The Bengal/Santos (A\$0.027m/1%) deal and Vintage/Comet (A\$0.063m/1%) deal provide a good guide. ATP2051P is considered to be at an exploration level between the undiscovered exploration of the Cooper permit and the discovered Contingent Resources of the Galilee permit. The average value of these deals is A\$0.045m/1%.



A fair market exploration value of Real Energy's 50% interest in ATP 2051P, using the average of the premium values above (A\$0.045m/%) as the middle value and a range of 2.5 times, is assessed to be **A\$1.289 million to A\$3.211 million**.

4.0. VALUATION METHODS

The principles conveyed in the VALMIN Code 2015 and in the Australian Securities and Investment Commission (ASIC) Regulatory Guide 111 and 112 have been applied by Fluid. Reserve and Resource concepts follow the definitions as laid down by the Society of Petroleum Engineers (SPE) Inc. Petroleum Resources Management System Project Resource Management System (SPE PRMS, 2018).

There are several methods that can be used to estimate the fair market value of exploration and production assets. These include and are not limited to the methods described below, which are:

- Production and reserve information leading to cash flow analysis – present value (NPV);
- Production estimates and cash flow analysis (NPV) based on current prospects (undrilled) and incorporating expected chances of success (COS) – expected monetary value (EMV); and
- Recent farm-in Actual Costs (value of work to be undertaken) and premiums or promotes (amounts above the Actual Cost of the work) paid in the permit or similar nearby permits; and Estimated Actual Cost of committed work programs (deal between permit holder and the governing authority) and operator budgets.

EMV valuation is not applied by Fluid to exploration assets as it is unreliable and unlikely to be accepted by stock exchanges. A market analysis is required for exploration assets.

Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client that is requesting a valuation.

a. NPV

For an oil or gas field a value can be determined from the proven (1P), proven plus probable (2P) and proven plus probable plus possible (3P) reserve. Calculation of the net present value (NPV) can be made on the reserve. Various combinations of reserve categories may be made to obtain the best valuation outcome, such as:

2P by itself; OR

1P plus 50% of the 2P; OR

$(0.9 \times \text{proved } (P1 \text{ or } 1P) + 0.5 \times \text{probable } (P2) + 0.1 \times \text{possible } (P3))$; OR

others.

The NPV is equivalent to the value of the producing asset. An NPV calculation based on only the P90 Resource Estimate can constitute a low-side value.

b. EMV

It is possible to value an exploration permit by firstly selecting the prospect (not a lead) most likely to be drilled in the near future. By calculating the NPV on the mean potential Resource case (Best estimate), and the chance of success (COS) for discovery on a Reserve (economic resource), the expected monetary value (EMV) can be determined. The mean potential Resource is often



estimated as $0.3 \times P90 + 0.4 \times P50 + 0.3 \times P10$ (Swanson's Mean), or more accurately calculated using a Monte-Carlo simulator.

- EMV is calculated as:

$(NPV \times COS) - [\text{exploration Actual Cost (eg: dry well)} \times (1 - COS)]$

The EMV is equivalent to the value of the prospect.

However, EMV valuation is not applied by Fluid to exploration assets as it is unreliable and unlikely to be accepted by stock exchanges. A market analysis is required for exploration assets.

c. Purchase/Farm-in/Work Program

A reliable value of an exploration permit may be estimated based on farm-in/farm-out or purchase transactions within the permit or in adjacent permits with comparable geological prospectivity and operating constraints. This is achieved by comparing the acreage with similar acreage and the farm-in/farm-out deals that have been consummated, or are in progress in various permits. Also, the immediate, committed expenditure and/or the estimated Actual Cost of committed forward work programs on the permits provide additional information.

Fluid finds that reducing values to a common denominator, expressly value per percentage point of interest in an asset (A\$/1%), is a very helpful way to compare asset values.

Some methods are described in more detail below.

i. Purchase of Asset

An asset or part of it may be purchased by a Company or Joint Venture (JV). Valuation is not difficult where cash transactions are involved. Where shares are involved, either as the total payment or partial payment, the share component may be ignored, or it may be necessary to make a separate value of the shares as a first step.

ii. Full Value and Premium within Farm-in Deals

The farminee (purchaser) agrees to fund a significant exploration program, which is often agreed to be a particular dollar value or, sometimes, capped at a particular dollar value. This work usually takes the form of either drilling and/or seismic, in return for the farmor (seller) transferring a significant equity to the farminee. Where the farminee pays the normal exploration Actual Costs of the work being done for the interest being acquired and then also covers some or all of the Actual Costs of the farmor. This extra Actual Cost is called a Premium (or Promote).

A value for the permit can be considered based on:

- 1) the total Actual Cost of the farm-in, that is the agreed Actual Cost of exploration plus the Premium; or, more conservatively,
- 2) based on just the Actual Cost of the Premium.

Both methods are valid.

In estimating the worth of a permit using the farm-in method, Fluid usually calculates the Premium and sets that as the middle value with a range being determined as a percentage either side. At other times the premium value may be set as either the High or Low value, depending on market conditions and other circumstances and so on.



Rarely do any permits have the same prospectivity and often there are quite limited deals spread over several years. The size of and the chance of discovering and commercialising Resources has high uncertainty. This means that valuation ranges, high value to low value, can be very wide. Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client, or investor/Auditor that is requesting a valuation.

The full Actual Cost of the farm-in is not often applied by Fluid. Any combinations may be employed. Fluid nearly always applies the Premium Value of a deal when determining exploration asset values.

iii. Committed Work Programs

In cases where a permit has a committed work program, one that cannot usually be varied, a third method can be considered where the value of the permit is the Actual Cost required to retain it and explore for hydrocarbons. This is similar to the total Actual Cost of a farm-in. The government can be considered to have farmed out the permit, so this is treated in a similar way to method ii(1), above.

d. Company Expenditure

A Company or Joint Venture (JV) has often expended money on exploration of a permit. These back costs, as they are often called, can be viewed as an investment in the asset, which can then form part of a valuation.

e. Company Forward Budgets

A Company or JV will often have a budget for the expenditure in any particular year. This would usually have Board approval. The forward approved budget that applies to the asset being valued may be used to assist with the valuation.

5.0. STATEMENTS

5.1. Limitations

Fluid has primarily relied on data supplied by Real Energy and on Company websites. Other references were compiled and written by various industry and Government bodies, as well as consultants. The material was reviewed for its quality, accuracy and validity and was considered to be acceptable. In addition, Farm-in Agreements and other material pertinent to the permits was sourced from ASX releases, either in full or in part.

It is believed that the information received is reliable and there is no reason to believe that any material facts have been withheld. However, the level of review of the information provided to us does not amount to an audit, verification or due diligence, save to the extent necessary to satisfy ourselves that it is reasonable for us to rely on that information, and no warranty can be given that this review has analysed all of the matters which a more extensive examination might reveal. Fluid has not been required to check the status of Real Energy's interests in the permits.

No warranty can be given that this review has analysed all of the matters, which an extensive examination might reveal.



This report or any reference thereto, may not be included in any other document or distributed for any other purpose without the prior written consent of Fluid to the purpose of such distribution and to the form and context in which the report or reference appears.

The opinions and statements in this report are made in good faith and in the belief that such opinions and statements are not misleading.

5.2. Declaration

5.2.1. Independence

This report is our genuine opinion and the product of our professional judgment. Fluid has not had and, at the date of this report, does not have any relationship with Real Energy or it's related bodies corporate that could be regarded as capable of affecting Fluid's ability to provide an unbiased opinion in relation to this report. In particular, neither the author of this report, or any Director or senior employee of Fluid involved in preparing the report has a substantial interest in, or is a substantial creditor of, or has any material financial interest in the transaction.

5.2.2. Fees and other benefits

A fee will be received for the preparation of this report. Payment of the fee is not contingent on any matter. Fluid will receive no other benefit for the preparation of the report. The author of this report has no pecuniary or other interest which could be regarded as capable of affecting his ability to provide an unbiased opinion in relation to this report.

5.2.3. Changes in facts or circumstances

Advance copies of this report were provided to Real Energy and minor changes were made as a consequence. There have been no material changes made to the report. The author confirms that there has been no material change of circumstances, or of available information that Fluid is aware of since this report was compiled, and Fluid is not aware of any significant matters arising from this evaluation that are not covered by this report, which might be of a material nature.

5.2.4. Currency of Report

This report has been prepared based on information available up to and including 20 August 2020. It has been prepared in accordance with the VALMIN Code applicable to the Valuation of Mineral and Petroleum Assets and Securities.

5.2.5. Consent for use

Fluid has given and not withdrawn its written consent to the inclusion of this report in the Auditor's report.



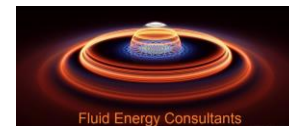
6.0. Qualifications of the Authors

Doug Barrenger (Director of Fluid and Principal Geologist)

Doug Barrenger received a BSc degree (geology) from the Australian National University and a Graduate Diploma in computing Science from the Queensland University of Technology. He has more than 35 years of experience in the petroleum industry and has undertaken all facets of geological work, from wellsite and operations geology to prospect evaluation, risk analysis, reserve assessment, basin analysis, portfolio valuation and project management for both operated permits and new-venture roles and for development and exploration projects. He has worked on all Australian petroleum basins, including coal seam gas (CSG, CBM) and Shale Gas, and has overseas experience in SE Asia and Europe as an employee and as a consultant. He has written numerous Independent Expert Reports, Resource Reports and Acreage and Resource Valuations, for IPO on several stock exchanges. Doug is a founding partner of MBA Petroleum Consultants (2001), which merged with AWT in 2009 and which was later sold to Nautic in 2013. He was the General Manager Subsurface at Exoma Energy Pty Ltd through 2012, and is a founding partner of Fluid Energy Consultants (2013). He is a member of the Petroleum Exploration Society of Australia (PESA), the Society of Petroleum Engineers (SPE).

Doug Barrenger

(Director of Fluid and Principal Geologist)



7.0. ABBREVIATIONS

A\$	Australian dollars
BCFG	Billion Cubic Feet of Gas
BO	Barrels of oil.
BOPD	Barrels of oil per day
CAD\$	Canadian Dollars
C1 or 1C	Equivalent to Proven (P90) category of a recoverable hydrocarbon volume
C2	Equivalent to Probable (P90 to P50) category of a hydrocarbon volume
2C	P90 plus (P90-P50)
C3	Equivalent to Possible (P50-P10) category of a hydrocarbon volume
3C	P90 plus (P90-P50) plus (P50-P10)
COSg	Geological Chance of Success
COSe	Economic Chance of Success
°C	degrees Celsius
EMV	Expected monetary value
Ft, OR, ‘	Foot / feet
GIP	Gas in Place
JV	Joint Venture
km	Kilometre
km ²	Square kilometre
Lead	Potential hydrocarbon trap that requires further work to become a prospect
m	Metre
ma	million ago (years)
\$m	millions of dollars
m ³ /t	cubic meters of gas per tonne of coal
mmCFD	million cubic feet a day
mmBO	million barrels of oil
MW	mega-watt
NPV	Net Present Value
OOIP	Original oil in place
Prospect	Potential hydrocarbon trap that is ready to drill
P1 or 1P	Proven category of a hydrocarbon reserve volume
P2	Probable category of a hydrocarbon reserve volume
2P	Proven plus Probable
P3	Possible category of a hydrocarbon reserve volume
3P	Proven plus Probable plus Possible
P90	90% of the potential recoverable hydrocarbon volume is greater than this volume on a probabilistic distribution (prospective resource).
P50	50% of the potential recoverable hydrocarbon volume is greater than this volume on a probabilistic distribution (prospective resource).
P10	10% of the potential hydrocarbon volume is greater than this volume on a probabilistic distribution (prospective resource).
£	English pounds
US\$	United States dollars

APPENDIX E – INDEPENDENT TECHNICAL VALUATION OF THE EXPLORATION ASSETS HELD BY STRATA-X



20 August 2020

RSM Corporate Australia Pty Ltd
Level 13
60 Castlereagh Street
Sydney NSW 2000
Attn: Glyn Yates
Director

Dear Mr Yates,

RE: Valuation of Oil and Gas Permit Interests Held by Strata-X Energy

1.0. INTRODUCTION

In correspondence dated 28 July 2020, and after further discussions, RSM Australia (RSM) and Real Energy Corporation Limited (Real Energy) requested that Fluid Energy Consultants (Fluid) prepare a Valuation Report of Strata-X's petroleum exploration assets in Australia for use by Real Energy and Strata-X Energy Limited (Strata-X Energy) for their planned merger to form a new company, Pure Energy Corporation Limited (Pure Energy).

RSM has requested that Fluid determine a value for the exploration permits for Strata-X Energy's assets being ATP2051P and the Serowe Project in Botswana. Oil interest in the Illinois Basin are being disposed at net zero value.

Strata-X Energy is listed on the Australian Stock Exchange (ASX) and the Toronto Securities Exchange (TSX). Real Energy is also an energy company listed on the ASX.

2.0. SUMMARY

Fluid's fair market valuation of Strata-X Energy's exploration acreage is between **A\$4.488 million** and **A\$8.009 million**, with the middle and preferred value being **A\$6.249 million** as determined on 20 August 2020 (Table 1). The valuation does not include any other assets or liabilities that Strata-X Energy may or may not have. The scope of our valuation is limited to assets listed in Table 1.

**Table 1: Estimated Exploration Acreage Valuation of Strata-X Energy's Interests**

Permit	Basin	Current Total Interests	Permit Surface Area (km ²)	Valuation Method	Exploration Value (A\$m)*	
					Low	High
ATP2051	Bowen-Surat Basin	50%	154	Farmin to other permits	1.289	3.211
Serowe Project	Kalahari	51%	4,569	Farmin to Serowe Project	3.199	4.798
Illinois Oil	Illinois Basin	100%		Being disposed of	0.000	0.000
TOTAL					4.488	8.009

Figures are subject to rounding

*\$Am = millions of Australian dollars.

Fluid has applied an exchange rate of 1.0 Botswana Pula to \$A0.12.

Fair Market Value: The fair market value of a mineral or petroleum asset or security is the amount of money (or cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the Valuation of Mineral and Petroleum Assets and Securities (VALMIN) Code, 2015 for which the mineral or petroleum asset or security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arms-length” transaction, prudently and without compulsion. A number of valuation methods were investigated (Section 4.0). Fluid prefers to use farm-in deals and sales to gauge value in exploration permits and only departs from this method on occasions where a better value can be determined by another method, or in the absence of relevant and recent farm-ins and sales.



3.0. ACREAGE ASSET REVIEW AND VALUATION

3.1. SURAT BASIN, AUSTRALIAN ONSHORE ACREAGE

The ATP 1186P permit covers an area of 936 km² on the southern flank of the highly productive Surat Basin (Figure 1). Within the area of interest, 3.9 MMbbls of oil have been produced from 5 commercial fields with the same target formations. The permit is proximal to existing infrastructure, including the Jackson to Moonie pipeline that traverses the block (Venator 2015 permit review).

The basin forms part of the larger Great Artesian Basin, and inter-fingers westward across the Nebine Ridge with the Eromanga Basin, and eastward across the Kumbarella Ridge with the Clarence-Moreton Basin. Blocks consisting of the Central West Fold Belt and the New England Fold Belt limit the basin to the south, while in the north the basin has been eroded and unconformably overlies Triassic and Permian sediments of the Bowen Basin.

The Surat Basin contains up to 2,500m of sedimentary rocks deposited during the latest Triassic to Early Cretaceous periods. The latest Triassic to earliest Cretaceous succession in the basin consists of five fining-upwards sedimentary cycles dominated by fluvio-lacustrine deposits. The lower part of each cycle typically comprises coarse-grained mature sandstone, grading up into more labile sandstone and siltstone, with mostly siltstone, mudstone and coal in the upper part. In the Cretaceous, inundation of the land by a rise in sea level led to deposition of predominantly coastal plain and shallow marine sediments in two cycles.

Structurally the Surat Basin is relatively simple, with the area of maximum deposition, the Mimosa Syncline, overlying the thickest Permian-Triassic rocks in the Taroom Trough of the underlying Bowen Basin. Major faulting within the basin predominantly mirrors basinal boundary faults of the underlying Bowen Basin. There is substantial folding across the basin, which is due to compaction and draping, as well as some rejuvenation of older pre-Jurassic structures and faults. Formations outcrop along the northern erosional boundary and dip gently to the south and southwest at less than 5°.

3.1.1. ATP 2051P

3.1.1.1. ATP 2051P Interests

ATP 2051P in the onshore Surat Basin, QLD. The Department of Natural Resource Mines and Energy announced that Real Energy and Strata-X Energy as preferred tenderers for the tender acreage in a 50:50 Joint Venture on 24 October 2019 and the permit was officially granted on March 2020 (Figure 1). The current joint venture (JV) interests are listed in Table 2.

Table 2: ATP 2051P Interests

Company	Current Interest	After Farm-in
Real Energy (Operator)	50%	
Strata-X Energy	50%	
Total	100%	



3.1.1.2. ATP 2051P Government Work Program

The Work Program submitted as part of the permit application for ATP2051P is presented in Table 3 (four-year term). The permit is currently in good standing.

Table 3: ATP 2051P Permit Work Program

Permit Year	Permit Year Start	Activity Unit(s)	Activity Description	Indicative Cost (A\$m)
One	23 February 2020	2 wells	Geological, geophysical & engineering studies Drill 2 wells Production Testing 2 wells Production Enhancement	3.750
Two	23 February 2021	2 wells	Geological, geophysical & engineering studies Drill 2 wells Production Testing 2 wells Production Enhancement	3.700.
Three	23 February 2022	4 wells	Geological, geophysical & engineering studies Drill 4 wells Production Testing 4 wells Production Enhancement	6.950
Four	23 February 2023	4 wells	Geological, geophysical & engineering studies Drill 4 wells Production Testing 4 wells Production Enhancement	6.950

The permit can be surrendered at any stage.

3.1.1.3. ATP 2051P Farm-in Deal

There are no farmin deals in the permit. The Permit was originally granted at 50:50 to JV between Real Energy and Strata-X Energy.

3.1.1.4. Recent and Relevant Sale and Farm-in Deals in Cooper/Galilee/Eromanga and Bowen/Surat

Fluid notes that there are relatively few recent market transactions in the Cooper and Eromanga Basins since the oil price crisis in 2014 significantly curtailed exploration and appraisal drilling activity in the petroleum sector. A further blow was dealt in early 2020 due to the COVID-19 Pandemic that has stalled global travel, causing a glut of transport fuels and renewed oil price uncertainty.

The spot gas price at the Wallumbilla Hub has declined from about A\$10/giga-joule at around the start of 2019 to about A\$3.50 in June 2020 (Figure 2) although the majority of gas is sold under

term contracts and most term contracts for 2021 are being struck at prices above \$7/Gj. At the same time, there is pressure on petroleum companies, both producers and explorers, to increase the volumes of gas entering the domestic East Coast gas market.

The Queensland and Federal governments have and are providing incentives and grants for expansion of the available gas volumes. One of the reasons for this is a number of old gas fields in Eastern Australia are in steep decline (notably offshore Victoria), which is expected to significantly reduce gas supply in the absence of new supply, in coming years and therefore put upward pressure on gas prices.

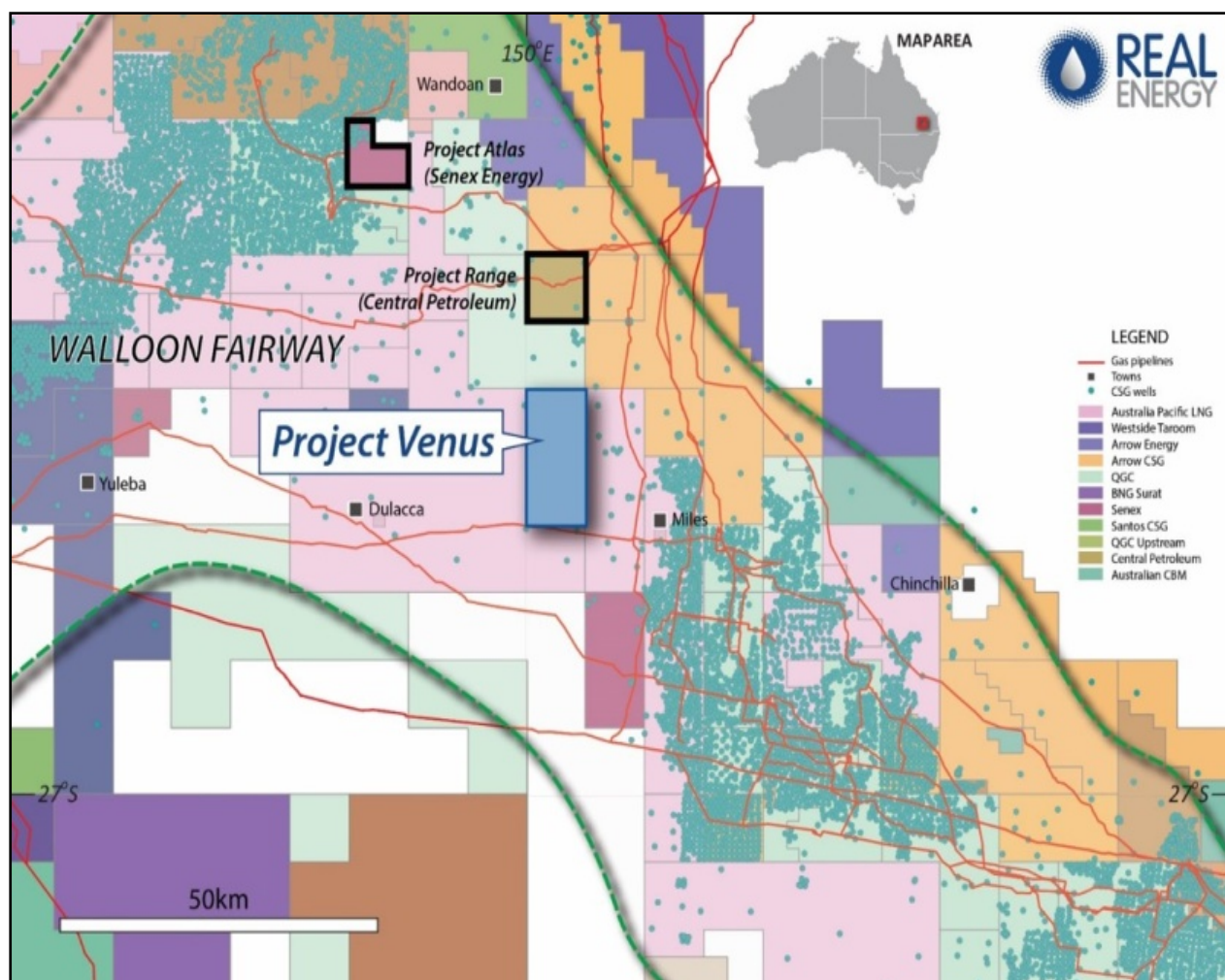


Figure 1: Location of ATP2051P

Cooper-Eromanga Basin

1) Bengal/Santos

On 28th July 2020, Bengal Energy Ltd. (Bengal) announced it has agreed the terms of a Farmin Agreement with Santos QNT Pty Ltd. (Santos) covering a portion of Bengal's ATP 934 oil and gas exploration tenement in south western Queensland. Under the terms of the Farmin Agreement, Santos will pay 100% of the well costs of a one well work program with an estimated cost of A\$2.7 million. Drill timing is expected in calendar Q3/4 2021.

Under the Farmin Agreement, Santos has the right to earn a 60% interest in approximately 420 km² in the southern portion of the ATP 934 tenement (the "Farmin Lands"), offsetting recent successful Santos operated gas exploration wells. The remainder of Bengal's ATP 934P (1,729 km²) exploration and development portfolio is not subject to, or affected by, this Farmin Agreement.

Under the terms of the Farmin Agreement, Santos will be named operator of the Farmin Lands.

The premium value (40% interest for A\$1.08 Million) is calculated to be A\$0.027m per percentage point.

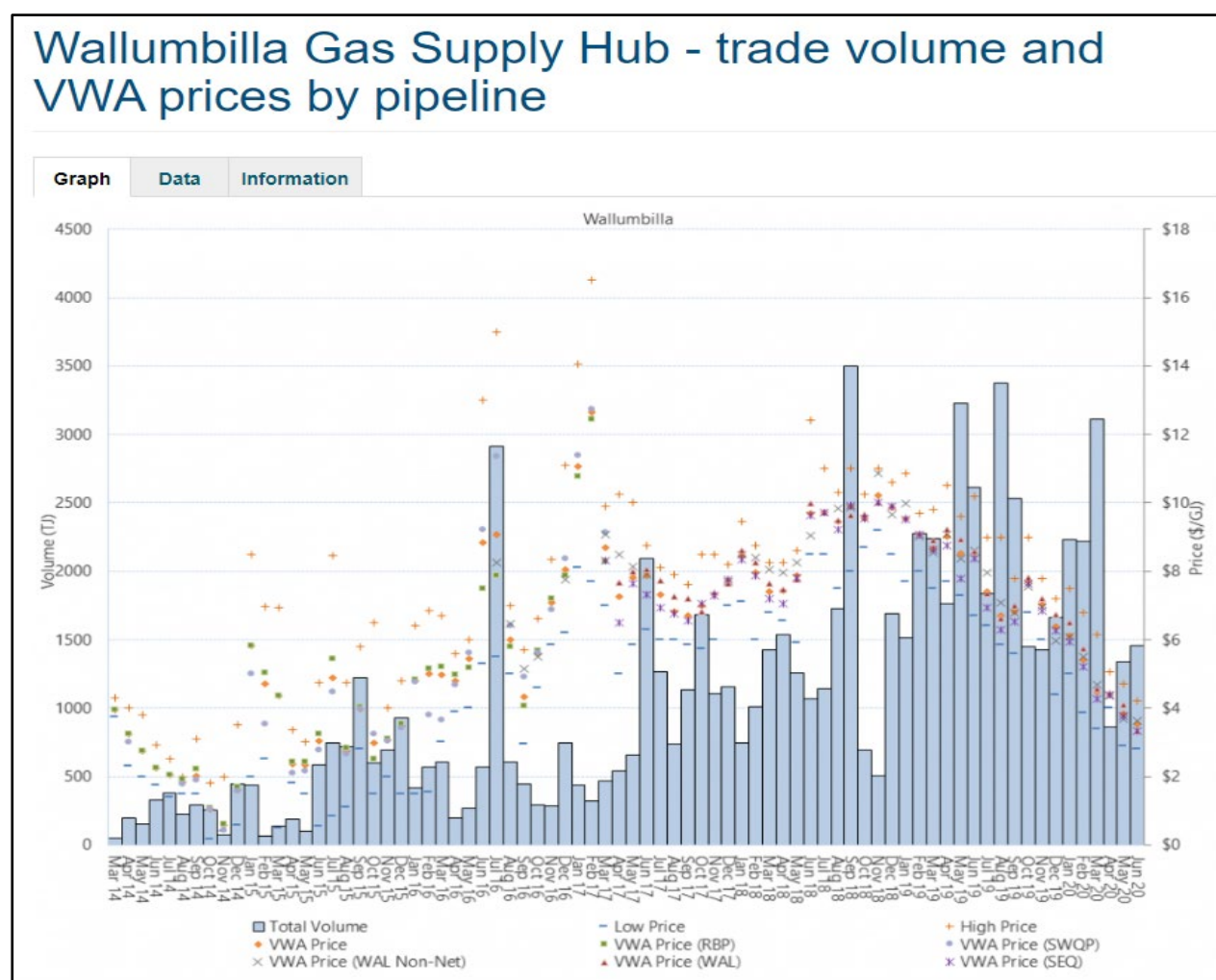


Figure 2: Wallumbilla Gas Hub Historical Spot Price

(<https://www.aer.gov.au/wholesale-markets/wholesale-statistics/wallumbilla-gas-supply-hub-trade-volume-and-vwa-prices-by-pipeline>, accessed on 4 August 2020)

2) Oilex/Armour

On 15th June 2020 Armour Energy Ltd., executed the acquisition of all of Oilex Ltd.'s exploration acreage in the Cooper/Eromanga basins of South Australia.

The deal comprises the acquisition of all the issued capital of CoEra Ltd., the Oilex subsidiary that held the Cooper Basin permit interests.

Armour will issue to Oilex a minimum of 24.5 million and a maximum of 34.5 million Armour shares depending on the Armour share price for 90 days from execution. The variance is designed to



deliver a figure of A\$906,500 in Armour shares to Oilex. Oilex is expected to hold 4% to 5.5% of Armour's issued share capital. Armour will pay Oilex A\$125,000 in cash for past exploration costs within 60 days.

CoEra's Cooper Basin assets include 79.33% interest in two permits (PEL112 on the Western Flank oil and wet gas fairway and PEL444 on the Northern Flank wet oil and gas fairway), which cover 1,086km² and 1,166 km², respectively, together with an option to acquire the remaining 20.66% in each permit.

Armour also will acquire 100% of 27 petroleum retention leases covering a total of 2,445 km², along with 792 km² of 3D seismic data by assuming Oilex's obligations under pre-existing arrangements between Oilex and Senex Energy Ltd.

The acreage is a complex holding. The total cost is about A\$1,031,500 for 79.33% interest in 2 permits, PEL112 and PEL444 (excludes any value for retention leases). That works out to be A\$515,750 for each permit.

So, a purchase value is calculated to be only A\$0.007m per percentage point per permit.

3) Oilex/Doriemus (deal did not go through)

On 30th January 2020, via the Oilex agreement, Doriemus will acquire 27 PRLs in the Cooper-Eromanga Basin from Senex Energy. Under the agreement, Doriemus was to acquire all the issued capital of Oilex's subsidiary CoEra Ltd, which will own all of Oilex's direct and indirect interests in the Cooper-Eromanga Basin. Once Doriemus had acquired CoEra, it would have had a 79.33% direct interest in petroleum licences PEL112 and 444, which comprise 2,252 square kilometres. It would also have had an option to secure the remaining 20.66%.

Additionally, Doriemus would have had the right to acquire 27 petroleum retention licences from Senex Energy Ltd, with the licences collectively known as the Northern Fairway PRLs and spanning 2,445sq km.

Upon completion of the transaction, Doriemus would have issued Oilex 28.3 million CHESSESS depositary interests, which is equivalent to the same number of shares. At the time, investors reacted positively to the news pushing Doriemus' share price up more than 16% to A\$0.035 in early morning trade. This was equivalent to about A\$990,500 in value.

Doriemus would also have assumed Oilex's obligations under the Senex agreement to acquire the Northern Fairway PRLs, which includes a A\$1.1 million payment upon transfer of ownership from Senex to CoEra. It would also take on payment of future PRL fees and work obligations, including well commitments in PEL 112 and 444. Doriemus estimated that the PRL fees for 2020 will amount to A\$1 million.

In addition to due diligence and shareholder approvals, the acquisition was also contingent on Doriemus completing a minimum A\$3.5 million capital raising, with a target of A\$5 million. On 30th March, Doriemus announced that it would not be proceeding with the capital raising, and the priority offer which was made available to both Oilex and Doriemus shareholders.

The acreage is a complex holding and the deal did not proceed, so no value has been calculated by Fluid.



4) Vintage Energy Ltd (Vintage)/Metgasco

On 22nd May 2019, Vintage entered into a Heads of Agreement (HOA) with Metgasco in ATP2021. Vintage can earn 50% interest and operatorship by funding 65% of the first exploration well, up to a maximum gross cost of A\$5.300 million (with Vintage's share being up to A\$3.445 million). In addition, Vintage will contribute a further A\$527,800 which reflects 65% of the past licence back-costs/farm-out costs incurred by Metgasco to date. Vintage will also fund a full carry of A\$70,000 of 2D/3D seismic reprocessing. Final farm-out documentation was executed in June, 2019.

The premium value is calculated to be A\$0.019m per percentage point.

5) Bridgeport (Cooper Basin) Pty Ltd (Bridgeport)/Metgasco

On 29th August 2019, Bridgeport entered into a Farmin Agreement with Metgasco in ATP2021. Bridgeport can earn a 25% interest by funding 32.5% of the first exploration well, up to a maximum gross cost of A\$5.300 million (with Bridgeport's share being up to A\$1.72 million). In addition, Bridgeport will contribute up to a further A\$0.263 million, which reflects 32.5% of the total permit future expenditure (capped at A\$0.812 million) to be incurred by Metgasco.

The premium value is calculated to be A\$0.018m per percentage point.

6) Bengal Energy Ltd

On 23rd January 2018, Bengal Energy Ltd (Bengal) announced the acquisition of an additional 28.57% working interest in its operated natural gas permit ATP934. The purchase consideration was A\$311,221 cash and potential future cash payments of up to A\$1,000,000 subject to certain conditions and commercial benchmarks being achieved. There have been no further announcements.

The low-side premium value is calculated to be A\$0.011m per percentage point and the unrealised and contingent high-side premium value is calculated to be A\$0.046m per percentage point.

Galilee-Eromanga Basin

1) Vintage/Comet Ridge Pty Ltd (Comet)

On 1st November 2017, Comet announced that an Agreement to farm-out the sandstone reservoir sequence of ATP744, ATP743 and ATP1015 (3 permits) was executed with Vintage.

The farm-out relates only to the 'Deeps Area' (Deeps) within each of the Petroleum blocks, which is defined as including all strata commencing underneath the Permian coals (Betts Creek Beds or Aramac coals) with the main target being the Galilee Sandstone sequence, which has previously flowed gas to surface during formation testing at the Lake Galilee 1 (1964) and Carmichael 1 (1995) wells.

Stage 1 of the Agreement to farm-in is divided into steps.

- Stage 1a requires the drilling and post well production testing of one conventional gas appraisal well on the Albany sandstone structure, close to where the Carmichael 1 well flowed gas in 1995. Drilling is complete.
- Vintage will fund the first A\$3.35 million of the Stage 1a expenditure to earn a 15% interest in the Deeps across the three Galilee Permits.



- The total cost of Albany 1 and the associated production testing has been estimated to be approximately A\$3.5 to A\$3.8 million and each party will pay its proportional share (15%/85%) of the difference between the A\$3.35 million cap and the actual well drilling and testing costs.
- Stage 1b is the provision for well stimulation and subsequent production testing of the Albany 1 well. The decision to proceed with this stage will be determined by the gas flow rate of the Albany well once completed. The cost of this stage has been estimated at A\$1.2 million. If Vintage Energy and Comet both agree to proceed with Stage 1b, the cost will be shared on a 25% (Vintage) and 75% (Comet) basis.
- If Comet elects not to participate in this stage, but Vintage decides to do so, it may carry out the stage at its sole cost which will entitle it to a further 3.5% interest in the Deeps bringing its total interest to 18.5%.

Stage 2 of the Agreement to farm-in requires both parties will spend up to A\$5 million each (for a A\$10 million total programme) for Vintage to earn a further 15% equity to go to 30%.

The Stage 1 low-side premium value is calculated to be A\$0.063m per percentage point per permit (3 permits) and the contingent high-side premium value is calculated to be A\$0.066m per percentage point per permit.

The contingent Stage 2 premium value is calculated to be A\$0.111m per percentage point per permit.

If the main focus of the deal is the conventional sandstone, then the Stage 1 value could be ascribed to just two permits, being ATP 743 and 744. The value would be between A\$0.945 and A\$0.990 million per percentage point per permit and the contingent Stage 2 would be A\$1.665 million per percentage point per permit.

The sandstone play at Albany discovery includes 56PJ 1C, 153PJ 2C, and 417PJ 3C.

The Gunn CSG project has 67PJ2C, 1870PJ 3C and 597PJ Prospective Resource.

Bowen-Surat Basin

1) APLNG/Armour

On 18th June 2020, Armour Energy announced that a sale and purchase agreement has been entered into with Australia Pacific LNG Pty Ltd (APLNG) for the sale of Armour's 10% interest in Petroleum Lease 1084, known as the Murrungama block, in the Surat Basin for a total of A\$4 million. Under the terms of the Agreement, APLNG paid an initial deposit of \$0.5 million within 5 business days of execution of the Agreement with a further A\$3.5 million payable to Armour upon satisfaction of certain customary completion conditions. In the event that completion does not occur within 6 months, Armour must refund the deposit to APLNG, if APLNG is not in default, the transfer of the 10% interest will not occur and the joint venture will remain as it is.

Armour and APLNG were awarded ATP 2046 in July 2019 by the DNRME, after a successful joint tender bid. The award saw Armour gain a 10% non-operated interest and APLNG a 90% operated interest in the exploration licence. DNRME subsequently granted PL1084 over the former ATP 2046 in March 2020.

PL1084 is an 18 square kilometer coal seam gas exploration tenure that adjoins APLNG's Talinga Project. It is surrounded by currently producing CSG fields and is anticipated to have similar sweet-



spot reservoir properties and production as the Talinga Gas Field. Fluid has previously calculated about 60 to 80 Peta Joules (PJ) of gas Resource under PL1084. This would be mostly 1P.

This suggests a value of A\$4 million for 6PJ of gas resource, which equates to A\$0.500 to 0.667million/PJ, or A\$0.50 to 0.67/Giga Joule (GJ) in the ground.

2) Origin/APLNG

On 19th February 2019, Origin Energy struck a deal to sell its undeveloped Ironbark coal seam gas project in Queensland to its partly owned Australia Pacific LNG project for A\$231 million. Origin holds a 37.5 per cent share of APLNG.

Ironbark reports 129 petajoules of 2P CSG Reserve and 192 PJ of 3P category (includes 2P). This values the discovered gas in the ground as:

A\$1.79/GJ on a 2P basis; or

A\$1.20/GJ on a 3P basis

3.1.1.5. ATP 2051P Exploration History

To date, geological studies have been undertaken and include the planning for the re-entry of Connor-1, or drill a new twin well. Depending on the results of this well and the subsequent completion and testing, the JV would consider going directly to a 3-well pilot late in the first year and early in the second year with two additional wells offsetting the new well. This program should meet the first-year government commitment and part of the year 2 commitment in Table 3.

3.1.1.6. ATP 2051P Prospectivity

The coal seams of the Walloon Subgroup Coal Measures extend throughout the permit. These coals contain gas as Coal Seam Gas (CSG). The Walloon Coal Measures is a super-giant gas field with over 4,000 wells drilled and significant gas production is underway (Figure 2). Real and its JV partner, Strata-X Energy will test the productivity in this area where permeability is low by applying innovative drilling and completion techniques.

A Best Estimate Prospective Gas Resource of 658 PJ has been determined by MHA Petroleum Consultants in December 2019.

3.1.1.7. ATP 2051P Joint Venture Forward Program and Budget

The JV had planned to re-entry Connor-1 well which could initially produce gas and prove sustained commercial gas flow rates with the goal of classifying gas resources and reserves. The cost is proposed to be A\$0.50 million. It now appears that the re-entry is problematic and more likely, the JV will drill and subsequently enhance and complete for production testing a new well at a proposed cost of A\$1.0 million.



3.1.1.8. Estimated Value of Strata-X Energy's Interest in ATP 2051P

Fluid may sometimes consider an evaluation based upon expenditure for permit (ATP or PCA or PL) application and ongoing maintenance. The minimum value of a permit can be estimated to be A\$0.5 to A\$1.0 million for the application, grant and 4-year maintenance period, carrying out only minimal work, such as desktop studies and farmout.

Fluid's preferred valuation approach is to utilise premium value estimates for recent market transactions to define low and high-side ranges in permit value.

Rarely do any permits have the same prospectivity and often there are quite limited deals spread over several years. The size of and the chance of discovering and commercialising Resources has high uncertainty. This means that valuation ranges, high value to low value, can be very wide. Therefore, Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client, or investor/Auditor that is requesting a valuation.

Fluid has considered the proposed investment into Connor-1, or a new well at A\$0.50 to A\$1.000 million and the commitment to the Permit Year 1 program of A\$3.75 million (Table 8).

Although this area contains CSG resources, there is no similar level of CSG resource exploration that has been farmed into, or sold in recent years. Though, a different resource type, the farmin deals that have been undertaken in the Bengal/Santos (Cooper Basin, exploration) and Vintage/Comet (Galilee Basin, including CSG and contingent resources) provide a guide to value of exploration gas resources.

The Bengal/Santos (A\$0.027m/1%) deal and Vintage/Comet (A\$0.063m/1%) deal provide a good guide. ATP2051P is considered to be at an exploration level between the undiscovered exploration of the Cooper permit and the discovered Contingent Resources of the Galilee permit. The average value of these deals is A\$0.045m/1%.

A fair market exploration value of Strata-X Energy's 50% interest in ATP 2051P, using the average of the premium values above (A\$0.045m/%) as the middle value and a range of 2.5 times, is assessed to be **A\$1.289 million to A\$3.211 million**.

3.2. Kalahari Basin

The Kalahari Basin also known as the Kalahari Depression, Barotse Basin or the Kalahari-Okavango Basin, is a large lowland of over 2.5 million km² area covering most of Botswana and parts of Namibia, South Africa, Angola, Zambia, and Zimbabwe. The outstanding physical feature in the basin, and occupying the centre, is the large Kalahari Desert.

The Kalahari is an intracratonic sag basin, however, the eastern margin of the basin indicate the occurrence of a fault-bounded graben system. Much of the Kalahari Karoo Basin is geologically poorly understood owing to the widespread cover by Cretaceous to Recent superficial deposits belonging to the Kalahari Group, which includes windblown sands of the Kalahari Desert. The basin includes a major Carboniferous to Jurassic siliciclastic sequence with widespread continental flood basalt belonging to the Karoo Supergroup.

The discovery of coal deposits and the potential for Coalbed Methane within the Karoo Supergroup in the region has resulted in increased Basin Analysis studies related to these commodities. The



coal seams formed during two periods, the Early Permian (Artinskian–Kungurian) and the Late Permian (Ufimian–Kazanian). Coals vary in rank from high-volatile bituminous to anthracite and characteristically have a relatively high inertinite component, and medium- to high ash content.

The Serowe CSG Project is located in the Kalahari Basin and is interpreted to contain, on average, 10 metres net Serowe bright-coal seams over a 50 metre interval.

3.2.1. Serowe Project in Botswana

3.2.1.1. Serowe Project Interests

Serowe permits in the onshore Kalahari Basin, Botswana, have been awarded in two rounds.

The first, in 2008, was of 2 permits (PL352 2008 and 253 2008) covering an area of 1105km² and was granted to Magnum Gas and Power Limited (Magnum). Magnum became Raven Energy Limited (Raven). The permits in this round were later re-released on 20 May 2018 and are now PL18 2018 and PL19 2018 (Figure 3).

On 11 November 2016, Strata-X Energy farmed into the first round.

on 20 May 2018, a second round, in line with the re-release of PL18 and PL19, of 5 new permits, PL16 2018, PL17 2018, PL356 2018, PL357 2018 and PL400 2018, covering an area of 3,464km² was directly acquired by Strata-X from the Department of Mines, Republic of Botswana.

Strata-X has since obtained 100% interest by purchasing all of Raven's interest. Strata-X currently holds the permits through its Republic of Botswana subsidiaries, Sharpay Enterprises Pty Ltd.

Strata-X Energy is currently farming out a 49% interest to BotsGas Ltd (BotsGas). The current joint venture (JV) interests are listed in Table 4.

Botswana Royalty Holders retain a 3.875% Royalty over the PL18 2018 and PL19 2018 permits.

Table 4: Serowe Project Interests

Company	Current Interest	After Farm-in
Strata-X Energy (Operator)	100%	51%
BotsGas		49%
Total		100%

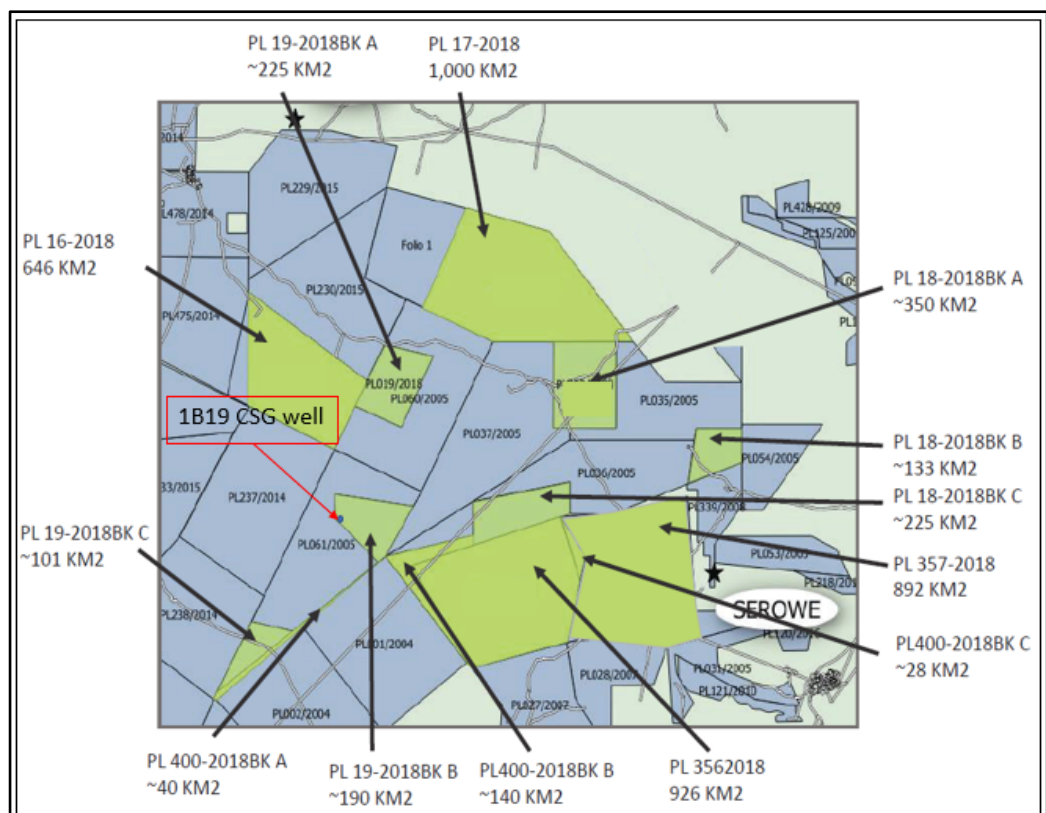
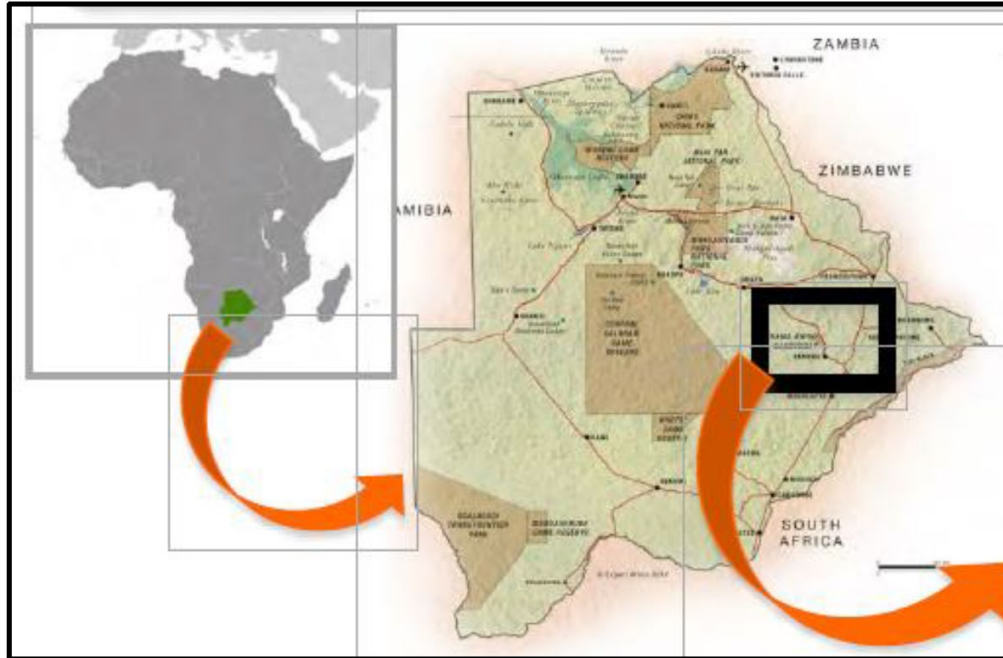


Figure 3: Location of Serowe Project



3.2.1.2. Serowe Project Government Work Program

The Work Programs are presented in Table 5 and 6. The permits are currently in good standing. All permits have a primary exploration term of 3 years.

Table 5: PL16, 17, 18, 19 Permit Work Programs Combined

Permit Year	Permit Year Start	Activity Unit(s)	Activity Description	Indicative Cost (A\$m)	Actual (A\$m)
One to Three	28 May 2018		Well 19B-1 has been drilled Drilling data detailed analysis Initiate development plan Gas marketing analysis and options Undertake feasibility study Implement environmental plan Covid-19 management plan	0.480 (4 Million Pula)	0.576 (4.8 million Pula) to date.

The permit can be surrendered at any stage.

Table 6: PL356, 357, 400 Permit Work Programs Combined

Permit Year	Permit Year Start	Activity Unit(s)	Activity Description	Indicative Cost (A\$m)
One	28 May 2018		i. Data compilation/integration. ii. Geophysical surveys. iii. Environmental Impact Assessment. iv. Baseline data for wells.	0.126 (1.05 Million Pula)
Two	28 May 2019	3 Wells	i. Drill minimum of one hole (each). ii. Coal analyses, degassing and permeability tests. iii. Data analysis and interpretation. iv. Production simulation. v. Implement environmental plan.	0.234 (1.95 Million Pula)
Three	28 May 2020	3 Wells 3 CSG Pilot	i. Drill minimum of one hole (each). ii. Data compilation and analysis. iii. Complete and commission of a pilot plant (each). iv. Undertake feasibility study. v. Generate economic model and production plan. vi. Implement environmental plan.	0.360 (3.00 Million Pula)

The permit can be surrendered at any stage.



3.2.1.3. Serowe Project Farm-in Deal

1) Raven/Strata-X Energy

On 27 Feb 2018 Strata-X purchased the 100% interest in PL352 2008 (now PL19 2018) and 353 2008 (now PL18 2018) from Raven. Strata-X paid \$550,000 cash for the two permits.

This equates to a cost of A\$0.0055m/1% for both permits over an area of 1105km². It also equates to 0.0028%/1% per permit.

Since then Strata-X has acquired 100% equity in permits PL 16, PL 16, PL 356, PL 357 and PL 400, as described below.

2) Strata-X Energy/BotsGas

On 2 March 2020, BotsGas agreed to pay an initial A\$300,000 (JV Payment) by 30 June 2020 and on this date the payment was made. In addition, BotsGas has agreed to a private placement of 5,000,000 CDIs (with attaching options) at a price of A\$0.06 for gross proceeds of A\$300,000 (Placement), which was completed on 31 May 2020.

BotsGas is required to fund 100% of joint venture expenditure of up to US\$4.6 million (\$A7,237,256 based upon the agreed exchange rate of A\$1 = US\$0.6356), within 2 years of the JV Payment. If BotsGas does not meet the USD\$4.6 million obligation by the Expenditure Deadline, then its interest in the Botswana Tenements will be reduced to the percentage of the expenditure target which has been satisfied.

Strata-X and BotsGas are to enter into a definitive joint operating agreement on or before 30 November 2020. Strata-X to transfer a 49% interest in its tenements in Botswana to BotsGas upon entry into the definitive joint operating agreement.

The permit value is based on the JV payment of A\$0.300 million and the future JV expenditure of A\$7.237m, a total of A\$7.537 million. The purchase of shares to the value of A\$0.300 million is excluded, as this value remains in the share portfolio.

The premium on the deal is 51% of A\$7.537m which is A\$3.844m. This means that BotsGas is effectively purchasing its 49% interest in the whole project for A\$3.844m, which equates to A\$0.078m/1%.

3.2.1.4. Recent and Relevant Sale and Farm-in Deals in Botswana

No petroleum exploration deals have been made in Botswana, other than those within the Serowe Project.

3.2.1.5. Serowe Project Exploration History

A CSG exploration well, 19B-1, was drilled in March 2019 by Strata-X Energy to a depth of 474m in PL352 2008 (C) (PL19 2018B) (Figure 3). A nearby vintage core hole, drilled in 2003 by the Government of Botswana, had bubbled free gas from bright-coals. The 19B-1 well intersected 13 metres of net bright coal with an average density of 1.7g/cm and having a gas content of up to 120 cubic feet per ton (3.75m³/tonne).

After the drilling of 19B-1, an area immediately surrounding the well was classified as containing 23 Bcf of 2C CSG Contingent Resources MHA Petroleum Consultants who applied a 75% recovery factor (Table 7). The net to Strata-X is 51% of 23 BCF, which is 11.73 BCF.

Table 7: Resource Classification in Serowe Project

Classification	Independent Qualified Reserves Auditor	Effective Date of Estimate	Location of Resources	Estimated Gross (100%) Contingent Resource Gas Volumes (Bcf)		
				Low	Best	High
Contingent Resources	Auditor	10 May 2019	Botswana	15.9	25.3	37.5

Classification	Independent Qualified Reserves Auditor	Effective Date of Estimate	Location of Resources	Estimated Gross (100%) Prospective Resource Gas Volumes (Bcf)		
				Low	Best	High
Prospective Resources	Auditor	10 May 2019	Botswana	3,982	6,346	9,408

3.2.1.6. Serowe Project Prospectivity

The coal seams of the Karoo Supergroup extend throughout most of the permits.

In 2018, Strata-X Energy identified an area of high prospectivity for CSG, which was the target of the 19B-1 exploration well. Strata-X has assed a Prospective Resource of up to 2.38TCF of nett to Strata-X, within its permits.

Tlou Energy (Tlou) constructed a CSG pilot, Selemo, in Tlou's Lesedi permit adjacent to Strata-X Energy's PL352 2008 (C) (Figure 4). Tlou's Lesedi and Mamba Projects have 2P gas Reserve of 41 BCF, 3P gas Reserve of about 427 BCF and Contingent Gas Resources of about 3,043 BCF. These results confirm the prospectivity for CSG in the basin.

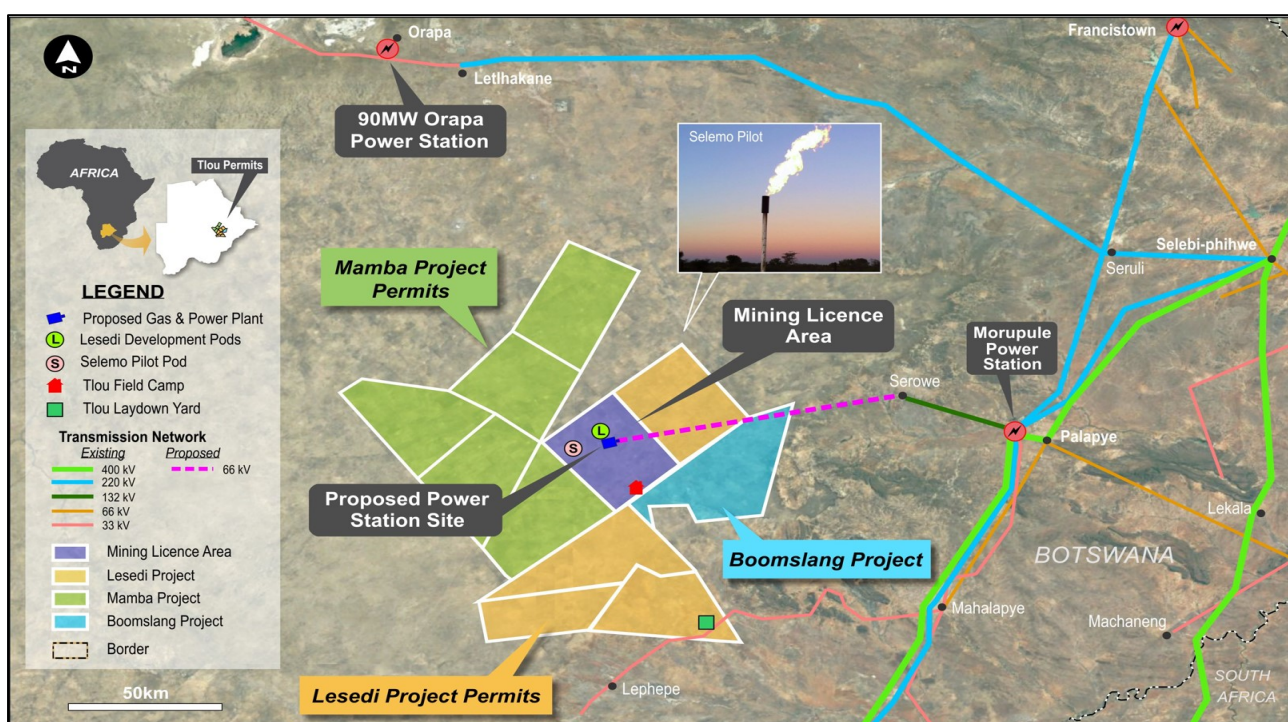


Figure 4: Tlou and Strata-X Energy Permits



3.2.1.7. Serowe Project Joint Venture Forward Program and Budget

The immediate program has been delayed by COVID-19. Drilling of three (3) exploration wells will be undertaken in Q4 2020 for a cost of about A\$1 million.

3.2.1.8. Estimated Value of Strata-X Energy's Interest in the Serowe Project

Fluid may sometimes consider an evaluation based upon expenditure for permit (ATP or PCA or PL) application and ongoing maintenance. The minimum value of a permit can be estimated to be A\$0.5 to A\$1.0 million for the application, grant and 4-year maintenance period, carrying out only minimal work, such as desktop studies and farmout.

Fluid's preferred valuation approach is to utilise premium value estimates for recent market transactions to define low and high-side ranges in permit value.

Rarely do any permits have the same prospectivity and often there are quite limited deals spread over several years. The size of and the chance of discovering and commercialising Resources has high uncertainty. This means that valuation ranges, high value to low value, can be very wide. Therefore, Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client, or investor/Auditor that is requesting a valuation.

A fair market exploration value of Strata-X Energy's 51% interest in the Serowe Project, using the premium value estimate for the deal in the project (A\$0.078m/%) as the middle value and a range of 1.5 times, is assessed to be **A\$3.199 million to A\$4.798 million**.

3.3. Illinois Basin

3.3.1. Oil Permits

3.3.1.1. Statement by Strata-X Energy

The company still has some residual oil assets in the USA which it is trying to dispose of. With the low oil price, this proving problematic.

Strata-X Energy's CFO has written to Fluid Energy and stated that "the Illinois assets have nil value both on our books and in reality".

3.3.1.2. Estimated Value of Strata-X Energy's Interest in Oil Permits

Given the statement provided, a fair market exploration value of Strata-X Energy's 100% interest in the Illinois Oil Permits, is assessed to be **A\$0.000 million**.

4.0. VALUATION METHODS

The principles conveyed in the VALMIN Code 2015 and in the Australian Securities and Investment Commission (ASIC) Regulatory Guide 111 and 112 have been applied by Fluid. Reserve and Resource concepts follow the definitions as laid down by the Society of Petroleum Engineers (SPE) Inc. Petroleum Resources Management System Project Resource Management System (SPE PRMS, 2018).



There are several methods that can be used to estimate the fair market value of exploration and production assets. These include and are not limited to the methods described below, which are:

- Production and reserve information leading to cash flow analysis – present value (NPV);
- Production estimates and cash flow analysis (NPV) based on current prospects (undrilled) and incorporating expected chances of success (COS) – expected monetary value (EMV); and
- Recent farm-in Actual Costs (value of work to be undertaken) and premiums or promotes (amounts above the Actual Cost of the work) paid in the permit or similar nearby permits; and Estimated Actual Cost of committed work programs (deal between permit holder and the governing authority) and operator budgets.

EMV valuation is not applied by Fluid to exploration assets as it is unreliable and unlikely to be accepted by stock exchanges. A market analysis is required for exploration assets.

Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client that is requesting a valuation.

a. NPV

For an oil or gas field a value can be determined from the proven (1P), proven plus probable (2P) and proven plus probable plus possible (3P) reserve. Calculation of the net present value (NPV) can be made on the reserve. Various combinations of reserve categories may be made to obtain the best valuation outcome, such as:

2P by itself; OR

1P plus 50% of the 2P; OR

$(0.9 \times \text{proved } (P1 \text{ or } 1P) + 0.5 \times \text{probable } (P2) + 0.1 \times \text{possible } (P3))$; OR

others.

The NPV is equivalent to the value of the producing asset. An NPV calculation based on only the P90 Resource Estimate can constitute a low-side value.

b. EMV

It is possible to value an exploration permit by firstly selecting the prospect (not a lead) most likely to be drilled in the near future. By calculating the NPV on the mean potential Resource case (Best estimate), and the chance of success (COS) for discovery on a Reserve (economic resource), the expected monetary value (EMV) can be determined. The mean potential Resource is often estimated as $0.3 \times P90 + 0.4 \times P50 + 0.3 \times P10$ (Swanson's Mean), or more accurately calculated using a Monte-Carlo simulator.

- EMV is calculated as:

$(NPV \times COS) - [\text{exploration Actual Cost (eg: dry well)} \times (1 - COS)]$

The EMV is equivalent to the value of the prospect.

However, EMV valuation is not applied by Fluid to exploration assets as it is unreliable and unlikely to be accepted by stock exchanges. A market analysis is required for exploration assets.



c. Purchase/Farm-in/Work Program

A reliable value of an exploration permit may be estimated based on farm-in/farm-out or purchase transactions within the permit or in adjacent permits with comparable geological prospectivity and operating constraints. This is achieved by comparing the acreage with similar acreage and the farm-in/farm-out deals that have been consummated, or are in progress in various permits. Also, the immediate, committed expenditure and/or the estimated Actual Cost of committed forward work programs on the permits provide additional information.

Fluid finds that reducing values to a common denominator, expressly value per percentage point of interest in an asset (A\$/1%), is a very helpful way to compare asset values.

Some methods are described in more detail below.

i. Purchase of Asset

An asset or part of it may be purchased by a Company or Joint Venture (JV). Valuation is not difficult where cash transactions are involved. Where shares are involved, either as the total payment or partial payment, the share component may be ignored, or it may be necessary to make a separate value of the shares as a first step.

ii. Full Value and Premium within Farm-in Deals

The farminee (purchaser) agrees to fund a significant exploration program, which is often agreed to be a particular dollar value or, sometimes, capped at a particular dollar value. This work usually takes the form of either drilling and/or seismic, in return for the farmor (seller) transferring a significant equity to the farminee. Where the farminee pays the normal exploration Actual Costs of the work being done for the interest being acquired and then also covers some or all of the Actual Costs of the farmor. This extra Actual Cost is called a Premium (or Promote).

A value for the permit can be considered based on:

- 1) the total Actual Cost of the farm-in, that is the agreed Actual Cost of exploration plus the Premium; or, more conservatively,
- 2) based on just the Actual Cost of the Premium.

Both methods are valid.

In estimating the worth of a permit using the farm-in method, Fluid usually calculates the Premium and sets that as the middle value with a range being determined as a percentage either side. At other times the premium value may be set as either the High or Low value, depending on market conditions and other circumstances and so on.

Rarely do any permits have the same prospectivity and often there are quite limited deals spread over several years. The size of and the chance of discovering and commercialising Resources has high uncertainty. This means that valuation ranges, high value to low value, can be very wide. Fluid restricts its valuation range to a maximum of 2.5 times Low to High value in most cases. Wider ranges can sometimes be of little assistance to a client, or investor/Auditor that is requesting a valuation.

The full Actual Cost of the farm-in is not often applied by Fluid. Any combinations may be employed. Fluid nearly always applies the Premium Value of a deal when determining exploration asset values.



iii. Committed Work Programs

In cases where a permit has a committed work program, one that cannot usually be varied, a third method can be considered where the value of the permit is the Actual Cost required to retain it and explore for hydrocarbons. This is similar to the total Actual Cost of a farm-in. The government can be considered to have farmed out the permit, so this is treated in a similar way to method ii(1), above.

d. Company Expenditure

A Company or Joint Venture (JV) has often expended money on exploration of a permit. These back costs, as they are often called, can be viewed as an investment in the asset, which can then form part of a valuation.

e. Company Forward Budgets

A Company or JV will often have a budget for the expenditure in any particular year. This would usually have Board approval. The forward approved budget that applies to the asset being valued may be used to assist with the valuation.

5.0. STATEMENTS

5.1. Limitations

Fluid has primarily relied on data supplied by Real Energy and Strata-X Energy and on Company websites. Other references were compiled and written by various industry and Government bodies, as well as consultants. The material was reviewed for its quality, accuracy and validity and was considered to be acceptable. In addition, Farm-in Agreements and other material pertinent to the permits was sourced from ASX releases, either in full or in part.

It is believed that the information received is reliable and there is no reason to believe that any material facts have been withheld. However, the level of review of the information provided to us does not amount to an audit, verification or due diligence, save to the extent necessary to satisfy ourselves that it is reasonable for us to rely on that information, and no warranty can be given that this review has analysed all of the matters which a more extensive examination might reveal. Fluid has not been required to check the status of Strata-X Energy's interests in the permits.

No warranty can be given that this review has analysed all of the matters, which an extensive examination might reveal.

This report or any reference thereto, may not be included in any other document or distributed for any other purpose without the prior written consent of Fluid to the purpose of such distribution and to the form and context in which the report or reference appears.

The opinions and statements in this report are made in good faith and in the belief that such opinions and statements are not misleading.

5.2. Declaration

5.2.1. Independence

This report is our genuine opinion and the product of our professional judgment. Fluid has not had and, at the date of this report, does not have any relationship with Real Energy or Strata-X Energy



or their related bodies corporate that could be regarded as capable of affecting Fluid's ability to provide an unbiased opinion in relation to this report. In particular, neither the author of this report, or any Director or senior employee of Fluid involved in preparing the report has a substantial interest in, or is a substantial creditor of, or has any material financial interest in the transaction.

5.2.2. Fees and other benefits

A fee will be received for the preparation of this report. Payment of the fee is not contingent on any matter. Fluid will receive no other benefit for the preparation of the report. The author of this report has no pecuniary or other interest which could be regarded as capable of affecting his ability to provide an unbiased opinion in relation to this report.

5.2.3. Changes in facts or circumstances

Advance copies of this report were provided to Real Energy and Strata-X Energy and minor changes were made as a consequence. There have been no material changes made to the report. The author confirms that there has been no material change of circumstances, or of available information that Fluid is aware of since this report was compiled, and Fluid is not aware of any significant matters arising from this evaluation that are not covered by this report, which might be of a material nature.

5.2.4. Currency of Report

This report has been prepared based on information available up to and including 20 August 2020. It has been prepared in accordance with the VALMIN Code applicable to the Valuation of Mineral and Petroleum Assets and Securities.

5.2.5. Consent for use

Fluid has given and not withdrawn its written consent to the inclusion of this report in the Auditor's report.



6.0. Qualifications of the Authors

Doug Barrenger (Director of Fluid and Principal Geologist)

Doug Barrenger received a BSc degree (geology) from the Australian National University and a Graduate Diploma in computing Science from the Queensland University of Technology. He has more than 35 years of experience in the petroleum industry and has undertaken all facets of geological work, from wellsite and operations geology to prospect evaluation, risk analysis, reserve assessment, basin analysis, portfolio valuation and project management for both operated permits and new-venture roles and for development and exploration projects. He has worked on all Australian petroleum basins, including coal seam gas (CSG, CBM) and Shale Gas, and has overseas experience in SE Asia and Europe as an employee and as a consultant. He has written numerous Independent Expert Reports, Resource Reports and Acreage and Resource Valuations, for IPO on several stock exchanges. Doug is a founding partner of MBA Petroleum Consultants (2001), which merged with AWT in 2009 and which was later sold to Nautic in 2013. He was the General Manager Subsurface at Exoma Energy Pty Ltd through 2012, and is a founding partner of Fluid Energy Consultants (2013). He is a member of the Petroleum Exploration Society of Australia (PESA), the Society of Petroleum Engineers (SPE).

Doug Barrenger

(Director of Fluid and Principal Geologist)



7.0. ABBREVIATIONS

A\$	Australian dollars
BCFG	Billion Cubic Feet of Gas
BO	Barrels of oil.
BOPD	Barrels of oil per day
CAD\$	Canadian Dollars
C1 or 1C	Equivalent to Proven (P90) category of a recoverable hydrocarbon volume
C2	Equivalent to Probable (P90 to P50) category of a hydrocarbon volume
2C	P90 plus (P90-P50)
C3	Equivalent to Possible (P50-P10) category of a hydrocarbon volume
3C	P90 plus (P90-P50) plus (P50-P10)
COSg	Geological Chance of Success
COSe	Economic Chance of Success
°C	degrees Celsius
EMV	Expected monetary value
Ft, OR, ‘	Foot / feet
GIP	Gas in Place
JV	Joint Venture
km	Kilometre
km ²	Square kilometre
Lead	Potential hydrocarbon trap that requires further work to become a prospect
m	Metre
ma	million ago (years)
\$m	millions of dollars
m ³ /t	cubic meters of gas per tonne of coal
mmCFD	million cubic feet a day
mmBO	million barrels of oil
MW	mega-watt
NPV	Net Present Value
OOIP	Original oil in place
Prospect	Potential hydrocarbon trap that is ready to drill
P1 or 1P	Proven category of a hydrocarbon reserve volume
P2	Probable category of a hydrocarbon reserve volume
2P	Proven plus Probable
P3	Possible category of a hydrocarbon reserve volume
3P	Proven plus Probable plus Possible
P90	90% of the potential recoverable hydrocarbon volume is greater than this volume on a probabilistic distribution (prospective resource).
P50	50% of the potential recoverable hydrocarbon volume is greater than this volume on a probabilistic distribution (prospective resource).
P10	10% of the potential hydrocarbon volume is greater than this volume on a probabilistic distribution (prospective resource).
£	English pounds
US\$	United States dollars

APPENDIX F – ASSESSMENT OF IMPACT ON FAIR VALUE OF THE POTENTIAL DILUTIVE IMPACT OF REAL ENERGY OPTIONS

Options

Real Energy has both listed and unlisted options on issue. As the options are American Options (may be exercised at any time before the expiration date), we have utilised the binomial options valuation model to enable expected early exercise of the Options to be factored into the valuation.

The binomial model uses either a binomial or a trinomial distribution process to derive value by separating the total maturity period of the option into discrete periods. When progressing from one time period, or node, to another, the underlying common stock price is assumed to have an equal probability of increasing and/or decreasing by upward and downward price movements.

The key inputs and assumptions we have used in the binomial model to value the potential dilutionary impact of the options are set out in Table 33 below.

Number of options	55,879,622	7,500,000	2,000,000	30,000,000
Valuation date	20-Aug-20	20-Aug-20	20-Aug-20	25-Sep-20
Expiry date	30-Sep-20	26-Sep-21	31-Mar-21	30-Sep-22
Exercise price	14 cents	14 cents	14 cents	4 cents
Share price	\$0.023	\$0.023	\$0.023	\$0.023
Remaining option life (years)	0.11	1.10	0.61	2.01
Assessed volatility	100%	100%	100%	100%
Risk free rate	0.26%	0.26%	0.26%	0.16%
Dividend yield	0%	0%	0%	0%
Vesting conditions	NA	NA	NA	NA
Early exercise factor	2.5	2.5	2.5	2.5
Fair Value of 1 Option	\$0.0000	\$0.0012	\$0.0001	\$0.009

Source: RSM Analysis

Table 33: Key Inputs in valuation of Real Energy options

Valuation date and option life – we have valued the options as at the date of this Report and accordingly, have calculated remaining option life in years based on the date of this Report to the expiry date under the terms of each of the options on issue.

Exercise price – as per the terms of the option.

Initial share price – we have adopted a share price of \$0.023, being our assessment of the Fair Value of a Real Energy share prior to the Scheme on a non-controlling basis at the preferred value of our range.

Volatility – the volatility of the share price is a measure of the uncertainty about the returns provided by Real Energy shares. Generally, it is possible to predict future volatility of a stock by reference to its historical volatility. A share with a greater volatility has a greater time component of the total value.

Our assumption is predicated on the fact that historical volatility is representative of expected future volatility.

Based on the above, and, having regard to the liquidity and historical volatility of Real Energy's shares, we have included a volatility of 100% for Real Energy in our assessment, based on the average weekly share price volatility of Real Energy for the last year.

Risk free rate – we have determined this based on the yield of Commonwealth bond rates at 20 August 2020 and 25 September 2020 that cover the period that best match the life of the options as at the respective valuation date as set out above.

Dividend yield – we have utilised a dividend yield of 0% on the basis that Real Energy has no current plans to issue dividends.

Vesting condition – the options have all vested at the date of this Report.

Early exercise factor – Expected early exercise is factored into the valuation by our application of the binomial model. The model incorporates an exercise factor, which determines the conditions under which an option holder is expected to exercise their options. It is defined as a multiple of the exercise price (e.g. 2.5 would mean that on average employees tend to exercise their options when the stock price reaches 2.5 times the exercise price).

This is considered more reliable than trying to guess the average time to exercise. For example, trying to estimate an average time after which employees exercise is likely to be inaccurate as during periods when the market is high employees are more likely to

exercise early as opposed to times when the market is low. Using an exercise multiple, which is based on a robust theory of stock price behaviour/distribution overcomes these problems.

We have assumed that the exercise factor for these options is 2.5. There have been a number of historical studies that indicate that option holders early exercise options generally at between 2 to 3 times the exercise price, with the higher multiples generally attributable to more senior employees within the company.

Based on the inputs and assumptions above, our assessed value of the potential dilutionary impact of the unlisted options prior to and immediately after the Scheme are set out in Table 34 below.

	No. of options	Total Dilutionary impact
Listed Placement Options	55,879,622	\$0
Unlisted Broker Options	7,500,000	\$8,930
Unlisted Broker Options	2,000,000	\$281
Unlisted options to be issued	30,000,000	\$265,571
Total	95,379,622	\$274,783

Source: RSM Analysis

Table 34: Total dilutionary impact of options

APPENDIX G – ASSESSMENT OF IMPACT ON FAIR VALUE OF THE POTENTIAL DILUTIVE IMPACT OF STRATA-X OPTIONS

Options

Strata-X has 21,905,667 options on issue and are expected to issue a further 5,833,333 prior to the implementation of the Scheme. As the options are American Options (may be exercised at any time before the expiration date), we have utilised the binomial options valuation model to enable expected early exercise of the Options to be factored into the valuation.

The binomial model uses either a binomial or a trinomial distribution process to derive value by separating the total maturity period of the option into discrete periods. When progressing from one time period, or node, to another, the underlying common stock price is assumed to have an equal probability of increasing and/or decreasing by upward and downward price movements.

The key inputs and assumptions we have used in the binomial model to value the potential dilutionary impact of the options are set out in Table 35 below.

Number of options	240,000	30,000	140,000	90,000	800,000	2,040,000	1,849,000	1,050,000
Valuation date	20/08/2020	20/08/2020	20/08/2020	20/08/2020	20/08/2020	20/08/2020	20/08/2020	20/08/2020
Expiry date	22/09/2021	5/01/2022	25/09/2022	21/05/2023	19/10/2020	19/12/2022	23/10/2023	6/12/2023
Exercise price	\$1.50	\$1.50	\$1.70	\$1.50	\$0.06	\$0.08	\$0.07	\$0.08
Exercise price currency	CAD	CAD	CAD	CAD	CAD	CAD	CAD	CAD
Share price	\$0.042	\$0.042	\$0.042	\$0.042	\$0.042	\$0.042	\$0.042	\$0.042
Remaining option life (years)	1.09	1.38	2.10	2.75	0.16	2.33	3.18	3.30
Assessed volatility	100%	100%	100%	100%	100%	100%	100%	100%
Risk free rate	0.21%	0.21%	0.28%	0.29%	0.16%	0.16%	0.29%	0.29%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Vesting conditions	NA	NA	NA	NA	NA	NA	NA	NA
Early exercise factor	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Fair Value of 1 option	\$0.0000	\$0.0001	\$0.0005	\$0.0017	\$0.0020	\$0.0155	\$0.0188	\$0.0187

Source: RSM Analysis

Number of options	4,166,667	9,000,000	2,500,000	5,833,333
Valuation date	20/08/2020	20/08/2020	20/08/2020	15/09/2020
Expiry date	28/02/2021	31/12/2022	22/05/2022	30/09/2022
Exercise price	\$0.08	\$0.08	\$0.08	\$0.12
Exercise price currency	AUD	AUD	AUD	AUD
Share price	\$0.044	\$0.044	\$0.044	\$0.044
Remaining option life (years)	0.53	2.36	1.75	2.04
Assessed volatility	100%	100%	100%	100%
Risk free rate	0.16%	0.28%	0.28%	0.21%
Dividend yield	0%	0%	0%	0%
Vesting conditions	NA	NA	NA	NA
Early exercise factor	2.5	2.5	2.5	2.5
Fair Value of 1 option	\$0.0061	\$0.0179	\$0.0155	\$0.0121

Source: RSM Analysis

Table 35: Key Inputs in valuation of Strata-X options

Valuation date and option life – we have valued the options as at the date of this Report and accordingly, have calculated remaining option life in years based on the date of this Report to the expiry date under the terms of each of the options on issue.

Exercise price – as per the terms of the option.

Initial share price – we have adopted a share price based on our assessment of the Fair Value of a Strata-X share prior to the Scheme on a non-controlling basis at the preferred Fair Value of AUD \$0.044. For options with an exercise price denoted in CAD, we have converted the share price at the foreign exchange rate as at 20 August 2020 and applied a share price of CAD \$0.042.

Volatility – the volatility of the share price is a measure of the uncertainty about the returns provided by Strata-X shares. Generally, it is possible to predict future volatility of a stock by reference to its historical volatility. A share with a greater volatility has a greater time component of the total value.

Our assumption is predicated on the fact that historical volatility is representative of expected future volatility.

Based on the above, and, having regard to the liquidity and historical volatility of Strata-X 's shares, we have included a volatility of 100% for Real Energy in our assessment, based on the average weekly share price volatility of Real Energy for the last year.

Risk free rate – we have determined this based on the yield of Commonwealth bond rates at 20 August 2020 and 15 September 2020 that cover the period that best match the life of the options as at the respective valuation date as set out above.

Dividend yield – we have utilised a dividend yield of 0% on the basis that Strata-X has no current plans to issue dividends.

Vesting condition – all options have vested as at the date of this Report.

Early exercise factor – Expected early exercise is factored into the valuation by our application of the binomial model. The model incorporates an exercise factor, which determines the conditions under which an option holder is expected to exercise their options. It is defined as a multiple of the exercise price (e.g. 2.5 would mean that on average employees tend to exercise their options when the stock price reaches 2.5 times the exercise price).

This is considered more reliable than trying to guess the average time to exercise. For example, trying to estimate an average time after which employees exercise is likely to be inaccurate as during periods when the market is high employees are more likely to exercise early as opposed to times when the market is low. Using an exercise multiple, which is based on a robust theory of stock price behaviour/distribution overcomes these problems.

We have assumed that the exercise factor for these options is 2.5. There have been a number of historical studies that indicate that option holders early exercise options generally at between 2 to 3 times the exercise price, with the higher multiples generally attributable to more senior employees within the company.

Based on the inputs and assumptions above, our assessed value of the potential dilutionary impact of the unlisted options prior to and immediately after the Scheme are set out in Table 36 below.

	No. of options	Total Dilutionary impact
Unlisted employee options	6,239,000	\$83,377
Other options	15,666,667	\$225,828
New options	5,833,333	\$70,655
Total	27,739,000	\$379,860

Source: RSM Analysis

Table 36: Total dilutionary impact of options

APPENDIX H – INDUSTRY ANALYSIS

Real Energy and Strata-X are both operating in the oil and gas extraction industry¹. The following industry commentary has been extracted from IBISWorld.

Changes in oil and gas prices, exchange rate movements, domestic and export demand for oil and gas, and annual production volumes all influence the industry's performance. Industry output has expanded over the past five years, while world oil and natural gas prices have declined. Australian natural gas production, which makes up most of the industry, is expected to increase at an annualised 18.2% over the five years through 2019-20. Although the world price of natural gas has fallen over the period, industry revenue is expected to grow at an annualised 9.1% over the five years through 2019-20 due to production expansion. This trend includes an anticipated 8.2% decline in revenue in the current year, to \$69.6 billion. The COVID-19 pandemic has weighed significantly on industry demand, global oil and gas prices, and is expected to drive a sharp decline in revenue in the current year.

Global demand for LNG has grown considerably over the past five years. Gas prices remained high until 2013-14 due to difficulties in ramping up gas supply in the short term. A weaker Australian dollar since 2013-14 has benefited exports. The industry has invested in several major gas export projects over the past five years, which have increased total industry production capacity to 88 million tonnes per annum. However, with oil and gas prices falling due to the global outbreak of COVID-19, major industry firms are anticipated to reduce capital expenditure and delay growth projects, which will likely constrain growth in production capacity and industry revenue over the next five years.

Due to reduced capital expenditure by industry firms, gas production and exports are projected to increase at a slower rate than previously anticipated over the next five years. However, greater LNG export production is anticipated to offset wavering crude oil production in Australia. Industry revenue is forecast to grow at an annualised 2.3% over the five years through 2024-25 to \$77.8 billion, supported by a recovery in global economic conditions. Industry exports are anticipated to increasingly dictate industry performance over the period and are forecast to account for over 80% of industry revenue in 2024-25.

The global outbreak of COVID-19 is anticipated to have a significant impact on industry demand in the current year.

While industry firms have continued to operate throughout the lockdown period, slowing economic activity and restrictions on travel are anticipated to significantly reduce global demand for oil and gas, creating an oversupply in global markets and weighing heavily on prices. Despite declining global demand, Russia and Saudi Arabia announced plans to increase output, which contributed to global oil prices plummeting in March 2020. While an agreement to reduce output was reached in April 2020, global prices are anticipated to remain subdued due to weak demand conditions. As a result, industry revenue is anticipated to fall by 8.2% in 2019-20.

The Oil and Gas Extraction industry is in the growth phase of its life cycle. The dramatic increase in investment across the industry over the past five years has contributed to large industry output increases. However, lower natural gas and crude oil prices have partly offset this output growth. Industry value added, which measures the industry's contribution to the overall economy, is forecast to grow at an annualised 8.5% over the 10 years through 2024-25. This represents an outperformance of the overall economy, with GDP forecast to grow at an annualised 2.0% over the same period. This outperformance is typical of growing industries.

One segment of the industry, LNG production (including production from coal seam methane) and exports, has contributed most to industry growth. LNG is increasing its share of global energy markets, while crude oil extraction volumes are anticipated to decrease in Australia over the next five years. LNG has scope for continued growth, given the high investment rates over the past five years, with further growth likely over the next five years. LNG also has the advantage of being a relatively clean-burning energy, compared with alternative fuels, such as coal.

¹ IBISWorld Industry Report B0700 – Oil and Gas Extraction in Australia, April 2020

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Scheme Booklet

Annexure E Notice of Meeting of Shareholders



NOTICE OF GENERAL MEETING 2020



The 2020 General Meeting of the Company will be held at:

Date : Friday, 11 December 2020

Time : 11am AEST

Venue :

Real Energy Corporation
Limited
Level 3, 32 Walker Street
North Sydney NSW 2060

Due to current social distancing requirements, the Company respectfully requests that if you wish to attend the meeting in person that attendance is via prior notice in writing only. Facilities are limited. You may register to attend in person by emailing investor@realenergy.com.au and registering your intention **by 11:00am on 9 December 2020**. Please specify your name as the approved attendee.

Whilst the Company will make every endeavour to facilitate attendance, it maybe such that social distancing requirements don't allow it. In any event, you will be advised shortly after submitting your registration.

Alternatively, a conferencing facility can also be accessed should you wish to participate in the meeting remotely. Again, please contact investor@realenergy.com.au to advise of your intention to participate via this method prior to **by 11:00am on 9 December 2020**. You will then be provided with registration and login procedures and the necessary password and details of the website or other technology in such manner as the Company thinks fit .

REAL ENERGY CORPORATION LIMITED - NOTICE OF GENERAL MEETING

Notice is given that a General Meeting (**Meeting** or **GM**) of shareholders of Real Energy Corporation Limited (**RLE** or the **Company**) will be held pursuant an order of the Federal Court of Australia (Court) made on 5 November 2020 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**) at the Company's offices at Level 3, 32 Walker Street, North Sydney, NSW, 2060 on Friday 11 December 2020 at 11:00 AM (Sydney time).

The Court has also directed that Mr John Wardman act as Chairperson of the meeting, or failing him, Mr Scott Brown, and has directed the Chairperson to report the result of the meeting to the Court if the resolution is approved.

Business of the meeting – Scheme Resolution

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, pursuant to and in accordance with, section 411 of the Corporations Act, the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part) is approved (with or without modification as approved by the Court)."

Explanatory Notes

The Scheme Booklet attached to this Notice form part of this Notice of Meeting. To enable you to make an informed decision on the Scheme Resolution, further information on the Scheme is set out in the Scheme Booklet. Terms used in this Notice of Scheme Meeting have the same meaning as set out in the Glossary in section 12 of the Scheme Booklet. These notes should be read in conjunction with the Notice of Scheme Meeting.

- (a) the Scheme Meeting will be conducted in person and as a virtual meeting using audio or audio-visual technology;
- (b) the Chair, and such officers and employees of the Company as it thinks fit, will be given access to the Scheme Meeting online via a website or other technology in such manner as the Company thinks fit;
- (c) Shareholders and proxies, attorneys and corporate representatives validly appointed by Shareholders will be provided with electronic access to the Scheme Meeting online via a website or other technology in such manner as the Company thinks fit using registration procedures, login procedures and passwords provided to them;
- (d) Shareholders and proxies, attorneys and corporate representatives validly appointed by Shareholders will be permitted to participate in discussion and voting at the Scheme Meeting through the use of audio or audio-visual technology as follows:
 - (i) Shareholders and proxies, attorneys and corporate representatives validly appointed by Shareholders are to be permitted prior to and during the course of the Scheme Meeting to submit questions or motions in writing to the Chairman of the Scheme Meeting for consideration by the Chair during the Scheme Meeting, subject to the functions and powers of the Chair under the Company's Constitution and the general law;
 - (ii) any procedural motions, if accepted by the Chair, are to be conducted by way of a poll and may be dealt with by vote of Shareholders, proxies, attorneys and corporate representatives using the voting procedures available through the website or other technology in such manner as the Company thinks fit ;
 - (iii) voting on the resolution to approve the Scheme is to be conducted by way of a poll;
 - (iv) all voting on a poll at the Scheme Meeting will occur by vote using the voting procedures on the website or other technology in such manner as the Company thinks fit; and by the use of technology made available to the plaintiff to count the number of votes cast by Shareholders and proxies,

attorneys and corporate representatives on behalf of Shareholders and the number of shares to which each vote relates, so that information will be available for the Chair to determine whether the voting requirements of section 411(4)(a)(ii) of the Act have been satisfied;

- (v) notwithstanding Clause 30.7 of the Constitution of the Company and section 249Y(3) of the Act, the appointment of a proxy or attorney shall not be revoked or suspended by the appointing Shareholder (**Appointor**) attending and taking part in the Scheme Meeting, but if the Appointor votes on the resolution at the Scheme Meeting, the proxy or attorney is not entitled to vote as the Appointor's proxy or attorney on that resolution and any such vote must not be counted in the results of the relevant poll;
 - (vi) the Company will use technology to exclude the counting of any vote by a proxy or attorney on a resolution where the relevant Appointor has also cast a vote on that resolution at the Scheme Meeting; and
 - (vii) the Company will have available at all times during the Scheme Meeting a helpline to assist Shareholders, proxies, attorneys and corporate representatives who experience technical difficulties with voting or participation in the Scheme Meeting.
- (e) The provisions of Pt 2G.2 of the Act that apply in relation to meetings of the Company's members, and the provisions of the Company's Constitution that apply in relation to General Meetings of the Company which are not inconsistent with Pt 2G-2, will apply to the conduct of the Scheme Meeting.

By Order of the Court

Ron Hollands
Company Secretary

ELIGIBILITY TO VOTE

For the purpose of the Meeting, the Directors have determined that shares will be taken to be held by persons registered as shareholders of the Company as at **7:00 PM (Sydney time) on Wednesday, 9 December 2020**. Please contact investor@realenergy.com.au should you wish to attend and/or speak at the meeting.

PROXIES

Each shareholder who is entitled to attend and vote at the GM may appoint not more than two proxies to attend and vote at the GM on the shareholder's behalf. A proxy need not be a shareholder of the Company and may be either an individual or a body corporate. Where two proxies are appointed by a shareholder, the shareholder may specify the proportion or number of votes which each proxy is entitled to exercise on a poll. If the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise one half of the votes (disregarding fractions) on a poll.

Direction to Chairman: *If the Chairman of the Meeting is appointed, or taken to be appointed, as proxy, the shareholder can direct the Chairman of the Meeting to vote for or against or to abstain from voting on a resolution, by marking the appropriate box opposite each resolution on the Proxy Form. However, if a shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on the proposed resolutions set out in this Notice, then the Chairman intends to vote all available undirected proxies in favour of each of the proposed resolutions, (if a poll is called on the relevant resolution).*

CORPORATE REPRESENTATIVES

A body corporate which is a shareholder, or the proxy of a shareholder may appoint an individual as its representative to exercise all or any of its powers that it could exercise at the Meeting. The representative should bring to the meeting original documentary evidence of his or her appointment, including any authority under which the appointment is signed.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be approved by:

- a majority in number of the holders of RLE Shares present and voting (either in person, by proxy or attorney or in the case of a corporate

holder, by duly appointed corporate representative) at the Scheme Meeting; and

- at least 75% of the votes cast on the Scheme Resolution.

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chair acting as proxy (by appointment or by default) for a person who is entitled to vote in accordance with the directions on the proxy form.
- A shareholder can only vote once – regardless of the form of vote ie whether in person or via a proxy.

VOTING EXCLUSION

There is no voting exclusion for the resolution put to shareholders at this meeting.

PROXY DEADLINE

A Proxy Form and, if the Proxy Form is not signed by the shareholder, the power of attorney or other authority (if any) under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority), must be received by the Company at least 48 hours before the time for holding the Meeting – that is, **by 11:00 AM (Sydney time) on Wednesday 9 December 2020**.

Documents may be lodged with the Company by:

1. Email to: investor@realenergy.com.au; or
2. Mail to: Real Energy Corporation Limited
Level 3, 32 Walker Street
North Sydney NSW 2060

Court approval

If the Scheme Resolution is approved at the Scheme Meeting by the Requisite Majorities, the implementation of the Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court.

Directors' recommendation:

The Directors unanimously recommend that shareholders vote in favour of the Scheme Resolution in the absence of a superior proposal.