



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

## **Half Yearly Report**

**For half year ended 31 December 2014**

## Directors Report for half year ended 31 December 2014

Your Directors present their report together with the consolidated financial statements of Real Energy Corporation Limited ('the Company') for the half year ended 31 December 2014.

### Directors

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

### Directors

Mr Scott Brown (*B. Bus, M.Com*) – Managing Director  
Mr Dang Lan Nguyen (*B.Sc., M. Sc.*) – Non – Executive Chairman  
Mr Norman Zillman (*B. Sc. Hons*) – Non – Executive Director  
Mr Michael Mager (*A.B., M. Phil*) – Non – Executive Director

### Company Secretary

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

### Review and results of operations and financial position

Real Energy is focused on exploration and development of oil and gas acreage in the Cooper Eromanga Basins in South West Queensland. The area is the most successful onshore region for oil and gas production in Australia. The Company has a large acreage position covering 9,357km<sup>2</sup><sup>1</sup>, which is 100% owed.

Real Energy drilled 2 petroleum wells in ATP927P during the half year – Tamarama 1 and Queenscliff 1. These wells revealed strong gas readings through the Permian Toolachee and Patchawarra formations, highlight the potential of basin centred gas in this permit. Real Energy believes the results of these wells justify the Company's belief that there is a significant volume of gas contained in its acreage as part of this basin centred gas play, which is considered to extend across ATP927P, ATP917P and PLR2014-1-4.

The oil price has dropped dramatically over the last several months which has negatively affected investor sentiment in our industry. Our main focus, however, is on basin centred gas rather than oil. The Australian east coast domestic gas market is at a very interesting point. The first of three LNG facilities in Gladstone has been turned on and another two facilities are expected to come online in 2015. The market demand for gas from these facilities will massively transform the market, equivalent to three times the current east coast domestic demand. This is likely to put significant upward pressure on the domestic gas price. We would not be surprised if there are spikes in the gas price in next few years. This will support the development of the Company's basin centred gas play.

The Company has also undertaken the interpretation of the reprocessed seismic data for ATP917P and mapped a number of oil prospects in the Jurassic and Triassic formations in this permit.

The Company recorded a consolidated loss of \$610,024 for the half year ended 31 December 2014 (2013: \$891,178 loss).

During the half-year, the Company successfully completed a placement of 16,129,033 fully paid ordinary shares at \$0.31 per share each, which raised \$5 million of additional capital. The funds will be used to develop Real Energy's assets. The Company's cash position on 31 December 2014 was \$7.9 Million.

<sup>1</sup> See Schedule of Petroleum tenements on page 5

The Company has used the cash it had at the time the Company's shares were listed on the ASX (on 12 December 2013) in line with the planned use outlined in its prospectus dated 14 October 2013. In the 12 months ended 31 December 2014, the Company spent approximately \$10.8 Million in exploration expenditure on its permits, with most of that expenditure coming in the latest half year.

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

#### **Rounding**

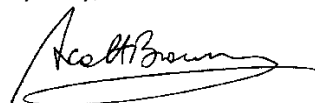
The consolidated result has applied to the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

#### **Auditor's Declaration**

The auditor's independent declaration as required under section 307c of the Corporations Act 2001 is set out on page 17-18 for the half year ended 31 December 2014.

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

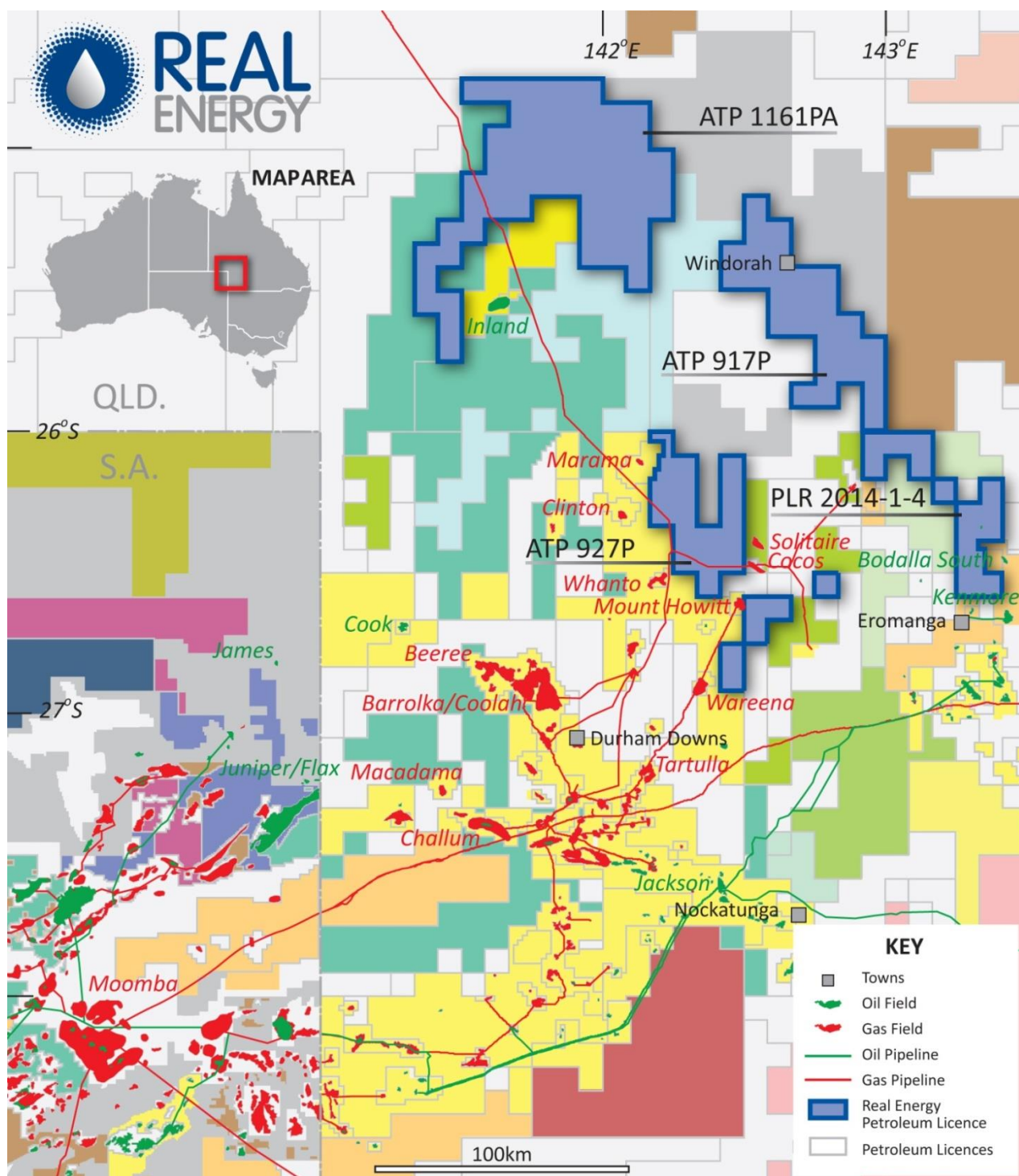
Sydney, 13<sup>th</sup> March 2015



**Scott Brown**  
**Managing Director**



**Flare from Tamarama- 1 testing the Patchawarra formation.**



**Map of petroleum tenements**

#### Schedule of petroleum tenements

Permits	Area (sq Km)	RLE Ownership %	Location
ATP 917P	2,171	100	Cooper Basin, South West QLD
ATP 927P	1,718	100	Cooper Basin, South West QLD
ATP 1161PA	4,425	100	Cooper Basin, South West QLD
PLR2014-1-4 <sup>2</sup>	1,043	100	Cooper Basin, South West QLD

<sup>2</sup> Real Energy was advised in 2015 that it was the preferred tenderer for PLR2014-1-4. The Company has accepted the Queensland Governments offer in respect of the PLR2014-1-4. The grant of PLR2014-1-4 is subject to native title and conditions imposed by the Queensland Government. The Company expects these conditions to be met in due course.



# A D Danieli Audit Pty Ltd

Authorised Audit Company  
ASIC Registered Number 339233

Audit & Assurance Services

Level 14, 275 George Street  
Sydney NSW 2000  
PO Box H88  
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099

Fax: (02) 9262 2502

Email: [add3@addca.com.au](mailto:add3@addca.com.au)

Website: [www.addca.com.au](http://www.addca.com.au)

**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF REAL ENERGY CORPORATION LIMITED  
A.B.N 92 139 792 420  
AND CONTROLLED ENTITY**

We declare that, to the best of our knowledge and belief during the year ended 31 December 2014, there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

**A D DANIELI AUDIT PTY LTD**

**Sam Danieli**  
**Director**

Sydney, 13<sup>th</sup> March 2015



**REAL ENERGY CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Notes	Consolidated Half Year ended 31-Dec-2014 \$'000	Consolidated Half Year ended 31-Dec-2013 \$'000
<i>Continuing operating</i>			
Revenue	2	174	126
<i>Expenses</i>			
Depreciation		(7)	(6)
Option expenses		(41)	(339)
Salaries and wages		(329)	(331)
Other expenses from ordinary activities		(407)	(341)
Total expenses		<u>(784)</u>	<u>(1,017)</u>
Profit/(loss) from ordinary activities before income tax		(610)	(891)
Income tax expense		<u>-</u>	<u>-</u>
Profit/(Loss) from ordinary activities after income tax attributable to members of Real Energy Corporation Limited	6	<u>(610)</u>	<u>(891)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>(610)</u>	<u>(891)</u>
<b>Earnings per share</b>		Cents	Cents
Basic loss per share	7	(0.35)	(0.75)
Diluted loss per share	7	(0.35)	(0.75)

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

**REAL ENERGY CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	Notes	Consolidated As at 31-Dec-2014 \$'000	Consolidated As at 30-Jun-2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents		7,881	12,743
Other assets		42	15
Trade & other receivables		698	360
Inventories		43	-
<b>Total current assets</b>		<b>8,664</b>	<b>13,118</b>
<b>Non current assets</b>			
Property, plant & equipment		29	27
Exploration oil & gas properties	3	12,347	2,317
<b>Total non current assets</b>		<b>12,376</b>	<b>2,344</b>
<b>Total assets</b>		<b>21,040</b>	<b>15,462</b>
<b>Current liabilities</b>			
Trade & other payables		1,756	523
Leave provisions		23	82
<b>Total Current Liabilities</b>		<b>1,779</b>	<b>605</b>
<b>Non current liabilities</b>			
Leave provisions		75	3
Rehabilitation provisions		200	-
Other provisions		3	3
<b>Total Non current liabilities</b>		<b>278</b>	<b>6</b>
<b>Total liabilities</b>		<b>2,057</b>	<b>611</b>
<b>Net assets</b>		<b>18,983</b>	<b>14,851</b>
<b>Equity</b>			
Issued capital	4	24,064	19,063
Equity raising costs	4	(2,270)	(1,968)
Reserves	5	387	365
Accumulated losses	6	(3,198)	(2,607)
<b>Total equity</b>		<b>18,983</b>	<b>14,851</b>

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



**REAL ENERGY CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Contributed equity	Equity raising costs	Accumulated losses	Reserves	Total
<b>Consolidated group</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance 1 July 2013	7,063	(777)	(1,617)	26	4,695
Loss for the financial period	-	-	(891)	-	(891)
Transactions with shareholders					
Issue of shares	12,000	(986)	-	-	11,014
Share based payments	-	-	-	339	339
<b>Balance as 31 December 2013</b>	<b>19,063</b>	<b>(1,763)</b>	<b>(2,508)</b>	<b>365</b>	<b>15,157</b>
Opening balance 1 July 2014	19,063	(1,970)	(2,588)	365	14,870
Loss for the financial period	-	-	(610)	-	(610)
Transactions with shareholders					
Issue of securities	5,000	(300)	-	-	4,700
Option premium	1	-	-	-	1
Share based payments	-	-	-	22	22
<b>Balance as 31 December 2014</b>	<b>24,064</b>	<b>(2,270)</b>	<b>(3,198)</b>	<b>387</b>	<b>18,983</b>

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

**REAL ENERGY CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Notes	Consolidated Half Year ended 31-Dec-2014 \$'000	Consolidated Half Year ended 31-Dec-2013 \$'000
<b>Cash flow from operating activities</b>			
Payments to suppliers		(894)	(457)
Net Cash provided from operating activities		(893)	(457)
<b>Cash flow from investing activities</b>			
Interest received		122	126
Payments for plant & equipment		(10)	-
Payments for exploration & evaluation assets		(8,781)	(248)
		(8,669)	(249)
<b>Cash flow from financing activities</b>			
Proceeds from the issue of securities	4	5,000	10,000
Option premium		1	-
Fund raising costs		(300)	(986)
Net cash provided by financing activities		4,701	9,014
<b>Net increase/(decrease) in cash held</b>		(4,862)	8,308
Cash at the beginning of the period		12,743	5,782
<b>Cash at the end of 31 December 2014</b>		<b>7,881</b>	<b>14,090</b>

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

# REAL ENERGY CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2014

### NOTE 1. Summary of significant accounting policies

#### Basis of preparation

The interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 "Interim Financial Reporting", and Accounting interpretations and other authorities pronouncements of Australian Accounting Standards Board ("AASB"). Compliance with AASB134 ensures compliance with IA334 "Interim Financial Reporting".

The interim financial report is intended to provide users with an update on the latest annual financial statement of the Company and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore, recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2014, together with any public announcements made during the following half year.

#### Accounting Policies

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

##### *Adoption of new and amended accounting standards*

In the half year ended 31 December 2014, the directors have reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to the group's operations and effective for annual reporting periods on or after 1 July 2014.

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

The Company also reviewed all new standards and interpretations that have been issued but not yet effective for the year ended 31 December 2014. As a result of this review the Company determined that there is no impact, material or otherwise, of the new and revised standards and interpretations on the group and, therefore, no change is necessary to the group's accounting policies.

##### *Critical accounting estimates and judgements*

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

# REAL ENERGY CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2014

	Consolidated As at 31-Dec-2014 \$'000	Consolidated As at 31-Dec-2013 \$'000
<b>NOTE 2. Revenue</b>		
Interest revenue	174	126
	As at 31-Dec-2014 \$'000	As at 30-Jun-2014 \$'000
<b>NOTE 3. Exploration oil &amp; gas properties</b>		
Opening balance	2,317	1,140
Expenditure during the year	10,030	1,177
	12,347	2,317

During the half year period, the Company has drilled its maiden well. Tamarama 1, followed by Queenscliff 1 in ATP927P. Both wells showed strong gas readings throughout the Permian Toolachee and Patchawarra formations.

	No. of shares	Capital \$'000
<b>NOTE 4 (a). Issued capital/shares</b>		
Existing shares at beginning of the year	167,359,000	19,063
Share placement at 31 cents	16,129,033	5,000
Option premium received	-	1
Balance at end of 31 December 2014	183,488,033	24,064
Accumulated costs of equity		(2,270)
Balance at end of 31 December 2014		21,794

	Exercise price	No. of options	Expiry date
<b>NOTE 4 (b). Options</b>			
<b>Listed options</b>			
Loyalty options	30 cents	17,800,256	31 May 2015
<b>Unlisted options</b>			
Loyalty options	30 cents	28,239,750	31 May 2015
Investors options	25 cents	27,500,000	14 October 2016
Broker options	34 cents	4,000,000	11 December 2016
Broker options	50 cents	1,000,000	1 October 2017
Director options	30 cents	2,000,000	30 June 2017 <sup>1</sup>
<b>Unvested options</b>			
Director options	30 cents	5,000,000	30 September 2016 <sup>2</sup>
<b>Forfeited options</b>			
Employee options	30 cents	720,000	30 June 2015 <sup>3</sup>

1. The director options vest after 12 months of service and the director must remain a director.
2. Unvested director options subject to escrow and vesting which will occur on 12 December 2015. The Options will be forfeited if the director ceases to be a director, or if there is fraud by the director, or if the Company does not raise more than \$15 Million in new capital between the listing date and the end of the vesting period, or if the share price is not above 36 cents for a period of 4 months continuously prior to vesting.
3. The unvested employee options do not vest until 12 months of service and the share price must be above 36 cents for a period of 4 months continuously. As this condition was not met, the options have been forfeited.

# REAL ENERGY CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2014

### NOTE 5. Reserves

#### Share based payments

There were 2,000,000 options granted to a Director. The options have a vesting period which requires 12 months of service by the Director and the Director must remain as a Director. The options cannot be transferred, sold or otherwise exchanged to another party and will lapse if not exercised before 30 June 2017. Options granted are valued by using the Black-Scholes pricing model using the following inputs:

Stock price (P)	14.5 cents
Exercise price of option (EX)	30 cents
Number of periods to exercise in years (t)	2.534 years
Compounded risk – free internet rate (rf)	2.62 %
Standard deviation (annualised $\sigma$ )	91 %
Mid-range MKTV	50 %

	Consolidated As at 31-Dec-2014 \$'000	Consolidated As at 30-Jun-2014 \$'000
<b>Movements in share based payment reserve</b>		
Amount expensed during the year	41	365

	Consolidated As at 31-Dec-2014 \$'000	Consolidated As at 30-Jun-2014 \$'000
<b>NOTE 6. Accumulated losses</b>		
Accumulated losses at beginning of the year	(2,588)	(1,617)
Net loss for the year	(610)	(971)
Accumulated losses at end of 31 December 2014	(3,198)	(2,588)

A carrying amount of \$18,615 has been adjusted in the current half year period into the accumulated losses which were in respect of options previously issued prior to 2012 but forfeited in a prior period without ever vesting.

### NOTE 7. Earnings per shares

	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	173,528,920	118,267,493
	Consolidated As at 31-Dec-2014 \$'000	Consolidated As at 31-Dec-2013 \$'000
Net profit after income tax attributable to shareholders	(610)	(891)
Earnings per share	Cents (0.35)	cents (0.75)

# REAL ENERGY CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2014

Diluted earnings per share (0.35) (0.75)

### NOTE 8. Interest in subsidiary

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

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

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

The Company acquired Queensland Oil Pty Ltd on 25 June 2014 under its development strategy and Inter-company transaction and balances between Company and its controlled entity are eliminated.

### NOTE 9. Commitments

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

### NOTE 10. Events after the interim period

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

### NOTE 11. Segment reporting

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

# REAL ENERGY CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2014

### Note 12. Fair value measurement

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

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

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

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

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

		As at 31 December 2014		As at 30 June 2014	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash & cash equivalents	1	7,881	7,881	12,743	12,743
Other assets	1	42	42	15	15
Trade & other receivables	1	697	697	361	361
<b>Financial liabilities</b>					
Trade & other payables	1	1,756	1,756	523	523

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

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

### Note 13. Dividend

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

### Note 14. Company details

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



**REAL ENERGY CORPORATION LIMITED**  
**ABN 92 139 792 420**

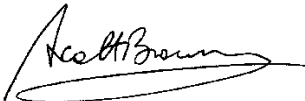
**Directors' declaration**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 15, are in accordance with the Corporations Act 2001 and are in compliance with Accounting Standard AASB134 Interim Financial Reporting.
2. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Sydney, 13<sup>th</sup> March 2015



**Scott Brown**  
**Director**



# A D Danieli Audit Pty Ltd

Authorised Audit Company  
ASIC Registered Number 339233

Audit & Assurance Services

Level 14, 275 George Street  
Sydney NSW 2000  
PO Box H88  
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099

Fax: (02) 9262 2502

Email: [add3@addca.com.au](mailto:add3@addca.com.au)

Website: [www.addca.com.au](http://www.addca.com.au)

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

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year consolidated financial report of Real Energy Corporation Limited and controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Gulf Industrials Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Real Energy Corporation Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

### *Conclusions*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Real Energy Corporation Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**A D Danieli Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'Danieli', written in a cursive style.

**Sam Danieli**  
**Director**

**Sydney, 13<sup>th</sup> March 2015**