



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

## **Half Yearly Report**

**For half year ended 31 December 2015**

## Directors Report for half year ended 31 December 2015

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 2015.

### 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 (resigned on 8 October 2015)

### 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 which is 100% owed.

During the half year, the Company continued to progress exploration work at its major projects and has completed a drilling cuttings study from Tamarama-1 & Queenscliff-1 relating to the permeability and porosity visual estimation of the Toolachee and Patchawarra formations to assist the frac design for well.

The Company completed tender process and engagement with Halliburton Australia in November 2015 to undertake the fracture stimulation services at the Tamarama-1 well located in the Windorah Gas Project in ATP927P. The Company is expected to commence the five stage fracture stimulation program at depth below 2,300m during March quarter 2016.

The Company recorded a consolidated loss of \$723,086 for the half year ended 31 December 2015 (2014: \$610,024 loss).

During the half year, the Company successfully completed a placement of 20,800,000 fully paid ordinary shares at \$0.125 per share each, which raised \$2.6 million. The Company also received an R&D Tax Incentive of \$6.3 million for year ended 30 June 2014 & 2015. The funds will be used to support the fracture stimulation program and other exploration activities. The Company's cash position on 31 December 2015 was \$10.7 Million and total number of ordinary fully paid shares on issue was 204,288,033.

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

### Rounding

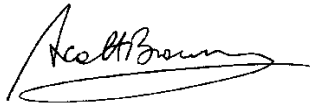
The consolidated result has applied to the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

## **Auditor's Declaration**

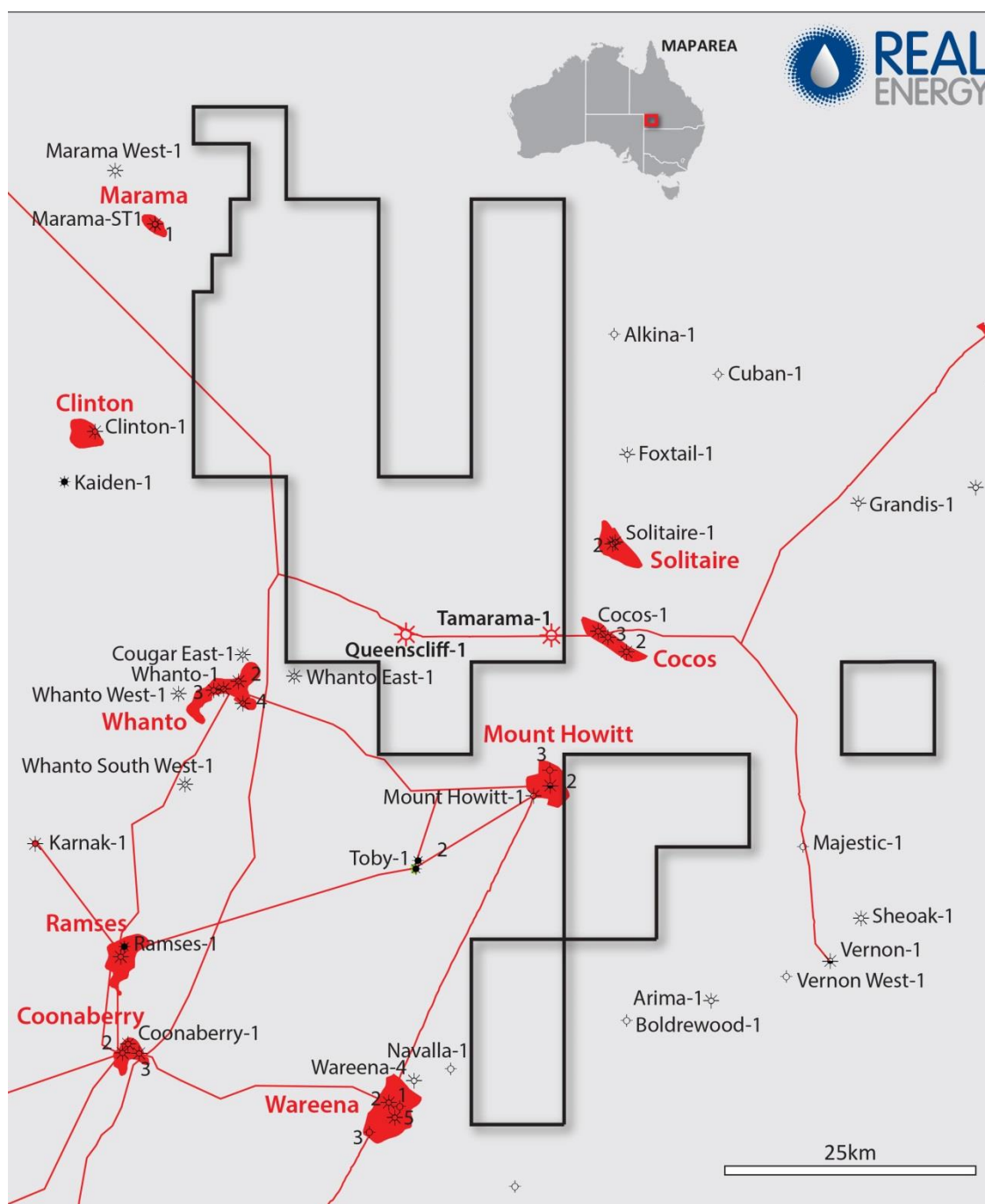
The auditor's independent declaration as required under section 307C of the Corporations Act 2001 is set out on page 16-17 for the half year ended 31 December 2015.

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

Sydney, 10<sup>th</sup> March 2016

A handwritten signature in black ink, appearing to read 'Scott Brown', with a long horizontal flourish extending to the right.

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



Map of ATP927P – Windorah Trough

#### 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 1194PA <sup>1</sup>	1,043	100	Cooper Basin, South West QLD

<sup>1</sup> Real Energy was advised in 2015 that it was the preferred tenderer for ATP 1194. The Company has accepted the Queensland Governments offer in respect of the ATP 1194. The grant of ATP 1194 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

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**AUDITOR'S INDEPENDENCE DECLARATION  
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 ENTITIES**

I declare that, to the best of our knowledge and belief during the year ended 31 December 2015, there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporations 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, 10<sup>th</sup> March 2016

**REAL ENERGY CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Notes	Consolidated Half Year ended 31-Dec-2015 \$'000	Consolidated Half Year ended 31-Dec-2014 \$'000
<i>Continuing operating</i>			
Revenue	2	92	174
<i>Expenses</i>			
Depreciation		(8)	(7)
Impairment of exploration & development assets		(121)	-
Share based payments		-	(41)
Employee benefits & expenses		(233)	(329)
Other operating expenses		(453)	(407)
Total expenses		<u>(815)</u>	<u>(784)</u>
Profit/(loss) from ordinary activities before income tax		(723)	(610)
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>(723)</u>	<u>(610)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>(723)</u>	<u>(610)</u>
<b>Earnings per share</b>		Cents	Cents
Basic loss per share	7	(0.38)	(0.35)
Diluted loss per share	7	(0.38)	(0.35)

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 2015**

	Notes	Consolidated As at 31-Dec-2015 \$'000	Consolidated As at 30-Jun-2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents		10,753	3,688
Other assets		83	17
Trade & other receivables		119	6,467
Inventories		43	43
<b>Total current assets</b>		<u>10,998</u>	<u>10,215</u>
<b>Non current assets</b>			
Property, plant & equipment		14	21
Exploration oil & gas properties	3	14,898	14,541
<b>Total non current assets</b>		<u>14,912</u>	<u>14,562</u>
<b>Total assets</b>		<u>25,910</u>	<u>24,777</u>
<b>Current liabilities</b>			
Trade & other payables		394	921
Leave provisions		3	13
<b>Total Current Liabilities</b>		<u>397</u>	<u>934</u>
<b>Non current liabilities</b>			
Leave provisions		94	75
Rehabilitation provisions		200	200
Other provisions		4	4
<b>Total Non current liabilities</b>		<u>298</u>	<u>279</u>
<b>Total liabilities</b>		<u>695</u>	<u>1,213</u>
<b>Net assets</b>		<u>25,215</u>	<u>23,564</u>
<b>Equity</b>			
Issued capital	4(a)	26,664	24,064
Equity raising costs	4(a)	(2,455)	(2,269)
Reserves	5	346	386
Accumulated losses	6	660	1,383
<b>Total equity</b>		<u>25,215</u>	<u>23,564</u>

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 2015**

	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 2014	19,063	(1,969)	(2,589)	365	14,870
Loss for the financial period	-	-	(610)	-	(610)
Transactions with shareholders					
Issue of shares	5,000	(300)	-	-	4,700
Option premium	1	-	-	-	1
Share based payments	-	-	-	21	21
<b>Balance as 31 December 2014</b>	<b>24,064</b>	<b>(2,269)</b>	<b>(3,199)</b>	<b>386</b>	<b>18,983</b>
Opening balance 1 July 2015	24,064	(2,269)	1,383	386	23,564
Loss for the financial period	-	-	(723)	-	(723)
Transactions with shareholders					
Issue of securities	2,600	(186)	-	-	2,414
Option premium	-	-	-	-	-
Share based payments	-	-	-	(40)	(40)
<b>Balance as 31 December 2015</b>	<b>26,664</b>	<b>(2,455)</b>	<b>660</b>	<b>346</b>	<b>25,215</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 2015**

	Notes	Consolidated Half Year ended 31-Dec-2015 \$'000	Consolidated Half Year ended 31-Dec-2014 \$'000
<b>Cash flow from operating activities</b>			
R&D tax incentive received		6,357	-
Interest & other income		60	122
Payments to suppliers		(1,287)	(894)
Net Cash provided from operating activities		5,130	(772)
<b>Cash flow from investing activities</b>			
Payments for plant & equipment		(1)	(10)
Payments for exploration & evaluation assets		(478)	(8,781)
		(479)	(8,791)
<b>Cash flow from financing activities</b>			
Proceeds from the issue of securities	4(a)	2,600	5,000
Option premium		-	1
Fund raising costs		(186)	(300)
Net cash provided by financing activities		2,414	4,701
<b>Net increase/(decrease) in cash held</b>		7,065	(4,862)
Cash at the beginning of the period		3,688	12,743
<b>Cash at the end of 31 December 2015</b>		10,753	7,881

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 2015

### 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 2015, 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 2015, 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 2015.

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 2015. 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 2015

	Consolidated As at 31-Dec-2015 \$'000	Consolidated As at 31-Dec-2014 \$'000
<b>NOTE 2. Revenue</b>		
Interest revenue & other income	92	174

	As at 31-Dec-2015 \$'000	As at 30-Jun-2015 \$'000
<b>NOTE 3. Exploration oil &amp; gas properties</b>		
Opening balance	14,541	2,317
Expenditure during the year	478	13,282
Impairment provision	(121)	(1,058)
Closing balance	14,898	14,541

During the half year period, the Company has completed a drilling cuttings study from Tamarama-1 & Queenscliff-1 relating to the permeability and porosity visual estimation of the Toolachee and Patchawarra formations.

	No. of shares	Capital \$'000
<b>NOTE 4 (a). Issued capital/shares</b>		
Existing shares at beginning of the year	183,488,033	24,064
Share placement at 12.5 cents	20,800,000	2,600
Balance at end of 31 December 2015	204,288,033	26,664
Accumulated costs of equity		(2,455)
Balance at end of 31 December 2015		24,209

<b>NOTE 4 (b). Options</b>	Exercise price	No. of options	Expiry date
<b>Unlisted options</b>			
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
Broker options	15 cents	2,000,000	9 September 2017
Broker options	20 cents	2,000,000	9 September 2017
<b>Unvested options</b>			
Director options	30 cents	5,000,000	30 September 2016 <sup>1</sup>

1. Unvested director 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.

# REAL ENERGY CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2015

	Consolidated As at 31-Dec-2015 \$'000	Consolidated As at 30-Jun-2015 \$'000
<b>NOTE 5. Reserves</b>		
<b>Movements in share based payment reserve</b>		
Opening balance	386	365
Amount expensed during the half year	-	41
Options forfeited without ever vesting	(40)	(20)
Closing balance	346	386

A carrying value of \$40,000 has been adjusted in the current half year in relation to the forfeiture of the Director Option previously issued to Michael Mager but without ever vesting.

### NOTE 6. Accumulated losses

Accumulated losses at beginning of the year	1,383	(2,608)
Net loss for the half year	(683)	3,971
Options forfeited without ever vesting	(40)	20
Accumulated losses at end of 31 December 2015	660	1,383

### NOTE 7. Earnings per shares

	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	190,763,250	173,528,920
	<b>Consolidated As at 31-Dec-2015 \$'000</b>	<b>Consolidated As at 31-Dec-2014 \$'000</b>
Net profit after income tax attributable to shareholders	(723)	(610)
	Cents	Cents
Earnings per share	(0.38)	(0.35)
Diluted earnings per share	(0.38)	(0.35)

### 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

# REAL ENERGY CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2015

### 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.

### 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:

	Level	As at 31 December 2015		As at 30 June 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash & cash equivalents	1	10,753	10,753	3,688	3,688
Other assets	1	83	83	17	17
Inventories	1	43	43	-	-
Trade & other receivables	1	119	119	6,467	6,467
<b>Financial liabilities</b>					
Trade & other payables	1	394	394	921	921

## **REAL ENERGY CORPORATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS For the half year ended 31 December 2015**

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**

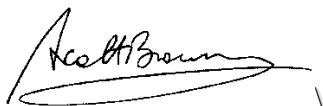
**Directors' declaration**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 14, 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, 10<sup>th</sup> March 2016



**Scott Brown**  
**Director**



# A D Danieli Audit Pty Ltd

Authorised Audit Company  
ASIC Registered Number 339233

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## **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 2015, 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 2015 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 Real Energy Corporation 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.



### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This review report relates to the financial report of the company for the half-year ended 31 December 2015 included on the website of Real Energy Corporation Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

### *Independence*

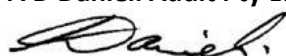
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Real Energy Corporation Limited, would be in the same terms if provided 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 2015 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**



**Sam Danieli**  
**Director**

**Sydney, 10<sup>th</sup> March 2016**