REAL ENERGY

ANNUAL REPORT 2016

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

Contents


HALLIBURTON
TechCommand Centre
C2335

Managing Director's Report

Dear Shareholder,

Real Energy made solid progress during financial year 2016 towards the development and commercialisation of our Windorah gas project in the Cooper-Eromanga Basin in South-West Queensland, where the Company controls over 4,932 km² (1.219 million acres) of 100%-owned acreage in Australia's most prolific onshore oil and gas province.

A significant development was the substantial upgrade of Real Energy's gas resources in ATP927P in July 2015, following an independent review of gas discoveries at both the Tamarama-1 and Queenscliff-1 wells.

This resource upgrade followed the successful drilling and testing program undertaken by the Company during the 2015 financial year, with the mean prospective Original Gas In Place (OGIP) resources for ATP927P effectively increasing by more than 141% to 13.761 TCF (or 13,761 BCF) from pre-drilled estimates of 5.7 TCF.

The estimates of contingent gas resources and unconventional prospective gas resources in ATP927P were independently certified by DeGolyer and MacNaughton, a leading international petroleum industry consulting firm. They also estimated the 2C Contingent resources around Queenscliff-1 and Tamarama-1 to be 276 Bcf (Billion Cubic Feet) and 3C resources of 672 Bcf.

Real Energy engaged Halliburton Australia to undertake fracture stimulation services at the Company's Tamarama-1 well, located in ATP 927P, while concurrently ordering the equipment necessary to undertake this program.

The five stage Fracture Stimulation program, designed to test the Toolachee and Patchawarra formations below 2,300 metres, was subsequently completed in May 2016. Pleasingly, the program was executed to plan and without any environmental or safety concerns.

After year end, the Company has advanced preparations for flow testing the Tamarama-1 well, which we anticipate will commence imminently. The well was recently shut down for pressure build up and we recovered the majority of the frac fluid and gas volumes increasing significantly.

Corporate

While Real Energy recorded a modest consolidated loss for financial year 2016 of $31,000 (versus a profit of $3,971,000 for FY2015), the Company enters financial year 2017 well-funded to progress the commercialisation of our flagship Windorah gas project, with $8.7 million cash at bank as at 30 June 2016.

In October 2015, the Company successfully raised funds of $2.6 million by way of a private placement through the issue of 20,800,000 ordinary shares. These funds were deployed to further develop Real Energy's oil and gas assets, as outlined above.

Real Energy's cash reserves were further boosted in November 2015 with the receipt of $5.9 Million from the Australian Taxation Office in respect of the Research and Development (R&D) Tax incentive for the financial year ended 30 June 2015.

The Company processed its R&D incentive claim for financial year 2016 after the reporting date and expects to receive a cash refund of $1.49 million when the process is complete.

Real Energy's balance sheet was significantly strengthened during financial year 2016, with the exploration assets of the consolidated group increasing by $3.5 million from 30 June 2015 to $17.7 million as at 30 June 2016. This was primarily due to the Company's gas resources being substantially upgraded, as detailed above.

During the year, Non-Executive Director Mr Michael Mager took the decision to step down from the Board. I take this opportunity to once again thank Mr Mager for his contribution to the Company and wish him well in his future endeavours.

Outlook

Real Energy is well placed to deliver shareholder value in financial year 2017 and beyond through the further development and commercialisation of our Windorah Project. Our basin-centred gas play has now been proven with two demonstration wells and has significantly lower risk and with potentially higher returns than the deeper Nappamerri Trough. More critically in the current climate, this should also result in lower costs.

The gas resource upgrade is also an important milestone for Real Energy and one that should not be underestimated. To have independently certified prospective total mean gas resource of 13.76 TCF in place is significant for a Company of our size, particularly with respect to securing potential offtake and joint venture agreements.

Moreover, our acreage in the Cooper Basin is ideally situated with all necessary infrastructure nearby, including gas pipelines. Real Energy is well positioned to leverage the much publicised and growing East Coast gas shortage in Australia, exacerbated by the competing demands of LNG operators, industrial users and the energy sector.

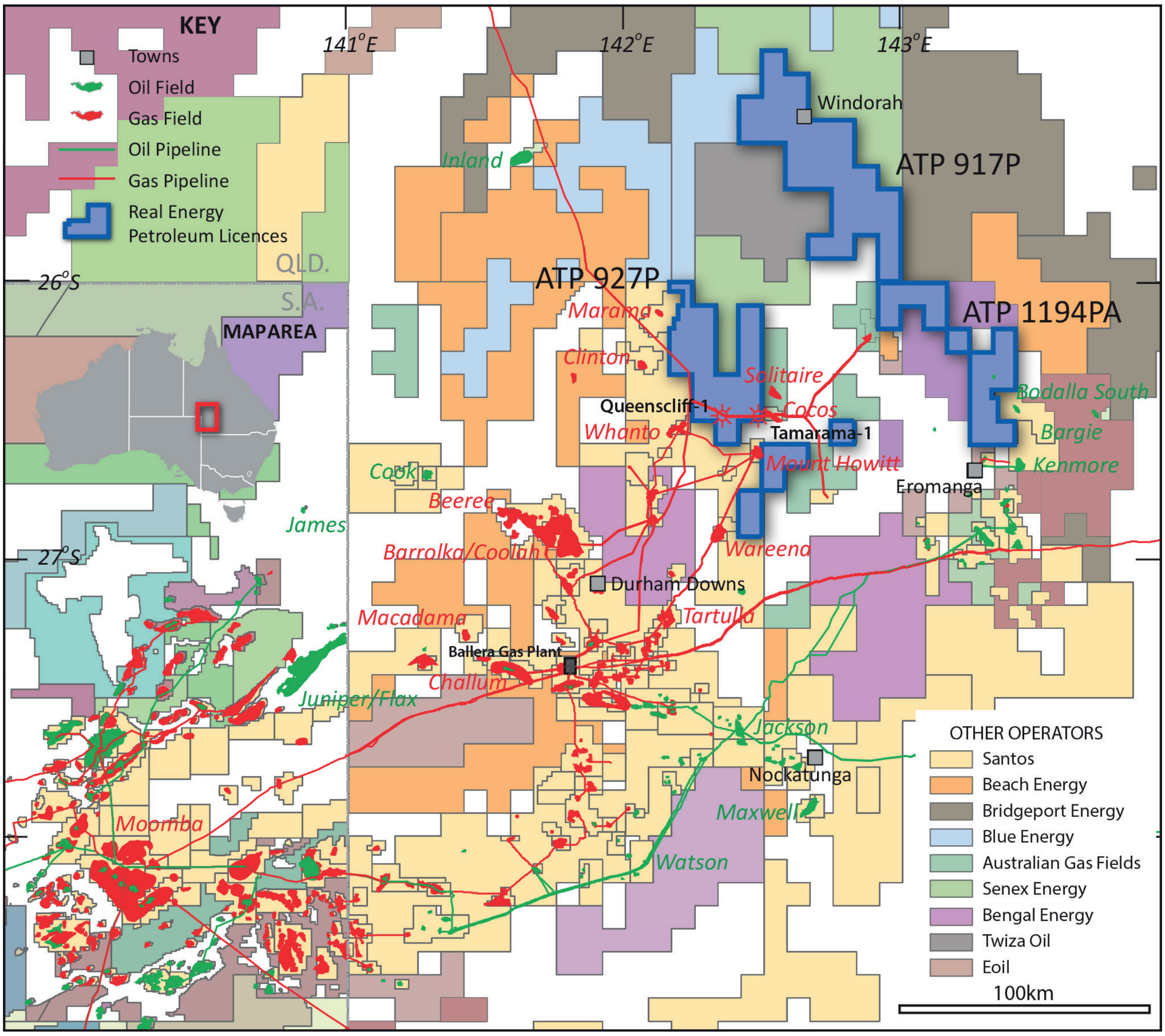
I take this opportunity to thank my fellow Board members for their ongoing support, and with them I also thank our staff and contractors for their hard work and dedication over the year.

It remains for me to thank you, our shareholders, for your ongoing loyalty and support during what has been another challenging year for all in the oil and gas industry. Along with the Board, I assure you that we remain committed to unlocking the potential of our world class oil and gas assets and delivering you value

Yours Sincerely,

Scott Brown | Managing Director

Real Energy's permits, surrounding fields and infrastructure



Real Energy's two gas discoveries, being Tamarama-1 and Queenscliff-1, are the first wells drilled to test the basin-centred gas play in Windorah Trough outside any mapped structural closure. It has opened up the Windorah Trough to the significant potential of the continuous basin-centred gas play.

DIRECTORS REPORT FOR YEAR ENDED 30 JUNE 2016

Your Directors present their report together with the consolidated financial statements of Real Energy Corporation Limited ('the Company') for the financial year ended 30 June 2016.

Operating activities

Real Energy continues to focus on the exploration and development of oil and gas acreage in the Cooper-Eromanga Basin in the South-West Queensland, a renowned Australian oil and gas province. The Company controls over 4,932 km2 (1.219 million acres) of 100%-owned acreage in the Cooper-Eromanga Basin.

During the year, the Company continued to progress exploration work at its major projects. In late May 2016, the Company undertook the 5 stage fracture stimulation successfully as nearly 90% of the designed proppants volume was successfully placed into the reservoirs. The subsequent clean-up flow is carrying out at the time of preparation of this report and gas flow test operations will resume when the required flowback operation is completed.

Operating results and financial position

The Company recorded a consolidated loss of $31,000 for the year ended 30 June 2016 (FY2015: $3,971,000 profit), with $8.7 million cash at bank. In 2016, Real Energy successfully raised $2.6 million through a private placement, issuing 20,800,000 ordinary shares, and these funds have been used to further develop the Company's assets.

The exploration assets of the consolidated group increased by $3.5 million from 30 June 2015 to $17.7 million at 30 June 2016.

The Company has processed the Research and Development (R&D) incentive claim after the reporting date and expects to receive a cash refund of $1.49 million when the process is complete.

Principal activity

The principal activity of the Company during the financial year ended 30 June 2016 was the exploration and evaluation of oil and gas projects. The principal activity did not change during the financial year.

Dividend

TThe Directors do not recommend the payment of a dividend and no dividends have been paid or declared or paid by the Company concerning the financial year ended 30 June 2016 (FY2015: $nil).

Significant changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial period under review, not otherwise disclosed in this report or the consolidated accounts.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operation of the consolidated company in future financial years.

Directors

The names and particulars of the qualifications and experience of the directors in office during and since the end of the financial year, unless otherwise stated, are as follows:

Mr Scott Brown – Managing Director

B. Bus (University of Technology, Sydney, Australia)
M. Com (University of New South Wales, Australia)
Member of the Institute of Chartered Accountants and the Petroleum Exploration Society of Australia

Scott is the co founder and Managing Director of Real Energy Corporation Limited with an extensive background in finance and management of public companies. Scott is currently Chairman of IOT Group Limited (ASX:IOT), Biofiba Limited and non executive director of Kairki Energy Limited (ASX:KIK).

Scott was previously Chief Financial Officer of Mosaic Oil NL (Mosaic, ASX: MOS), a listed oil and gas production company with interest in Queensland, New Zealand and offshore WA. During his time at Mosaic, Scott was involved in the acquisition of production properties and the growth of its business and profitability with the companies and was instrumental in putting together a Scheme of Arrangement with AGL Energy Ltd to acquire Mosaic for consideration of $142 million.

Scott was also formerly the CFO and Company Secretary with a number of public companies including Objective Corporation Limited Turnbull & Partners Limited, Allegiance Mining NL, FTR Holdings Limited and Garratt's Limited. Scott also worked at accounting firms, Ernst Young and KPMG.

Mr Dang Lan Nguyen (Non-Executive Chairman)

B.Sc. (Baku, Azerbaijan)
M.Sc. - Geology (University of New England, Australia)
Member of the Petroleum Exploration Society of Australia; the American Association of Petroleum Geologists and the Society of Petroleum Engineers

Lan is a professional petroleum geologist and engineer with over 20 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 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. He was also a Non-executive Director of ASX listed Ardent Resources Limited.

Mr Norm Zillman (Non-Executive Director)

B Sc Geology (University of Queensland, Brisbane, Australia)
B. Sc. Hons. Botany (University of Queensland, Brisbane, Australia)
Member of Australasian Institute of Mining & Metallurgy; Petroleum Exploration Society of Australia

Norm has over 45 years' experience in minerals, petroleum, coal, coal bed methane and geothermal exploration and production in Australia and internationally. His initial experience was as a petroleum geologist with international companies Aquitaine Petroleum in Australia and Papua New Guinea and Union Oil Company of California in Australia and Indonesia.

Norm has occupied the positions of Deputy CEO of Crusader Limited, General Manager Exploration and Production with Beach Petroleum NL and Claremont Petroleum Limited and Manager of the Petroleum Branch of the Queensland Department of Mines and Energy and State Mining Engineer for Petroleum and non-executive co-Chairman of Chinalco Copper Resources Limited (CYU), Non-executive Chairman of Burleson Energy Limited (BUR) and Non-executive Director of Earth Heat Resources Limited (HER).

More recently, Norm has been responsible for a number of successful public resource floats on ASX. He was the inaugural Managing Director and a co-founder of Coal Bed Methane (CBM) company Queensland Gas Company Limited (QGC) being responsible for the initial acquisition of all of its areas, the successful floating on the ASX and the discovery of QGC's first CBM gas field Argyle. He was also the inaugural Chairman and Founder of conventional oil and gas company Great Artesian Oil and Gas Limited. He was also a founder of a number of other ASX listed companies including Blue Energy Limited (BUL), Hot Rock Limited (HRL), Planet Gas Limited (PGS), Bandanna Energy Limited (BND) and Red Gum Resources Limited (RGX).

Mr Michael Mager (Non – Executive Director) – (resigned 8 October 2015)

A.B. (Harvard University, United States)
MPhil (University of Cambridge, United Kingdom)

Michael is a partner at Ridge Road Partners, an investment firm based in New York. Michael was previously a partner and fund manager at Ward Ferry Management, one of Asia's leading alternative asset management firms. Michael led its commodity investments, focusing on oil, gas, gold and bulk commodities, and co-managed one of Ward Ferry's three funds.

Michael is an investor with experience supporting the development and growth of successful companies. He has extensive contacts on both the operating and financial sides of the natural resources industry. Michael graduated from Harvard College with an A.B. and is a CFA charterholder. He also holds an MPhil in Economic and Social History from the University of Cambridge.

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 the Company Secretary of Ashley Services Group Ltd (ASH) and Company Secretary of IOT Group Limited (IOT); formerly the CFO and Wentworth Holdings Limited (WWM), He is a Chartered Accountant with over 20 years' experience in accounting, corporate finance and company secretarial matters. His career includes working in professional accounting firms and acting as Company Secretary and/or CFO for a number of companies in a range of industries. He also holds a Certificate of Public Practice and is registered tax agent.

Indemnifying of Officers

During the financial year the Company paid premiums to insure all directors and officers of the Company against possible claims brought against the individual while performing services for the Company and against expenses relating thereto, other than conduct involving a wilful breach of duty in relation to the Company.

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any of those proceedings. The Company was not a party to any such proceedings during the year.

Remuneration Report

Remuneration policy

The board's policy for determining the nature and amount of remuneration for Key Management Personal (KMP) of the consolidated entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors was developed by the remuneration committee and approved by the board. All executives receive a base salary (which is based on factors such as length of service and experience) with reference to market conditions and comparisons and superannuation guarantee required by the government. The objective of this policy is to secure and retain the services of suitable individuals capable of contributing to the consolidated entities strategic objectives and deliver sustainable total shareholder returns.

The board policy is to remunerate non-executive directors at market rate for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and review their remuneration annually based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

The remuneration for each KMP of the Company during the year was as follows:

FY2016	Cash remuneration		Non cash remuneration	
	Short term remuneration	Long term remuneration		
KMP	Salaries/fees*	Super contribution	Share based payment	Total
	$'000	$'000	$'000	$'000
Scott Brown	305	24	–	329
Lan Nguyen**	152	4	–	156
Norm Zillman	36	–	–	36
Michael Mager***	9	–	–	9
Ron Hollands	8	–	–	8
Total	**510**	**28**	**–**	**538**

* Fees payable inclusive of director fees and consultant fees. ** Consultant services were provided based on normal commercial terms and conditions. *** Michael Magar resigned on 8th October 2015.

FY2015	Cash remuneration		Non cash remuneration	
	Short term remuneration	Long term remuneration		
KMP	Salaries/fees*	Super contribution	Share based payment	Total
	$'000	$'000	$'000	$'000
Scott Brown	304	25	–	329
Lan Nguyen**	228	4	–	232
Norm Zillman	36	–	–	36
Michael Mager	36	–	41	77
Ron Hollands	11	–	–	11
Total	**615**	**29**	**41**	**685**

* Fees payable inclusive of director fees and consultant fees. ** Consultant services were provided based on normal commercial terms and conditions.

Share based payments represent the value amortised within the reporting period as an expense for options that are granted to the specified directors.

Director Interest

Directors' beneficial interest in shares and options at the date of this report is:

Directors	Balance at beginning of year		Movement during the year		Balance at end of year	
	Ordinary shares	Options*	Ordinary shares	Options**	Ordinary shares	Options*
Scott Brown	25,818,789	4,000,000	–	–	25,818,789	4,000,000
Lan Nguyen	20,500,000	–	–	–	20,500,000	–
Norm Zillman	3,800,000	1,000,000	–	–	3,800,000	1,000,000
Michael Mager**	360,000	2,000,000	(360,000)	(2,000,000)	–	–
Total	50,478,789	7,000,000	(360,000)	(2,000,000)	50,118,789	5,000,000

* Director options are exercisable at 30 cents expiring 30 September 2016.
** Michael Mager resigned on 8 October 2015

Board committees

To facilitate achieving its objectives, the Board has established 2 sub-committees comprising board members – the audit committee and remuneration committee. Each of these committees has formal terms of reference that outline the committee's roles and responsibilities, and the authorities delegated to it by the Board.

Remuneration committee

The Board has established a Remuneration Committee and its role is set out in a formal charter which is available in the Corporate Governance Statement.

The Remuneration Committee is responsible for the evaluation of the Board, committee and individual Directors' performance. The Chairman of the remuneration Committee is not Chairman of the Board and the Committee consists of two members including one independent Non-executive director and one Non-executive director. They are Norm Zillman (Chairman) and Lan Nguyen. It is intended that the Committee will meet at least one time per year, or as frequently as required.

Audit committee

The role of the audit committee is to assist the Board in monitoring the processes and controls associated with the financial reporting function that ensure the integrity of the company's financial statements. The responsibilities of the Committee are set out in a formal charter which is available in the Corporate Governance Statement.

The Audit Committee Charter sets out the policy for the selection, appointment and rotation of external audit engagement partners.

The Committee makes recommendations to the Board regarding the adequacy of the external audit and compliance procedures. The Committee evaluates the effectiveness of the financial statements prepared for Board meetings. The Committee has the necessary power and resources to meet its responsibilities under its charter, including rights of access to management and auditors (internal and external) and to seek explanations and additional information. The Chairman of the Audit Committee is not Chairman of the Board and the Committee consists of two members including one independent Non-executive director and one Non-executive director. They are Norman Zillman (Chairman) and Lan Nguyen. It is intended that the Committee will meet at least two times per year or as frequently as required

Meetings of Directors and committees

The number of directors' and committees' meetings of the Company held during the year ended the 30 June 2016 and the numbers of meetings attended by each director are as follows:

Directors	Board Meetings		Audit Committee Meetings		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Scott Brown	4	4	2	2	–	–
Lan Nguyen	4	4	2	2	–	–
Norm Zillman	4	4	2	2	–	–
Michael Mager	4	1	2	1	–	–

Employees

The company had three (3) employees at 30 June 2016 (FY2015: five).

Environmental Regulations and Performance

The Company has a statutory obligation to protect the environment in areas in which it was and is exploring. During the reporting period the Company did not fail to meet its obligations pursuant to any environmental legislation.

Likely Developments and Expected Results

The Company will continue to undertake its activities described in this report with major emphasis on expanding the Company's business through organic growth.

Further information as to likely developments in the operations of the Company and the expected results of those operations in future years have not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Company.

Dividends

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

Shares and Options

During the 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's cash position on 30 June 2016 was $8.7 Million and total number of ordinary fully paid shares on issue was 204,288,033.

During the year, 2,000,000 Director Options granted to Michael Mager became forfeit by his resignation as a non-Executive Director on 8 October 2015 without ever vesting. Carrying amount in respect of this option has been adjusted during the year. 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.

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.

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reason:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principal relating to auditor independence in accordance with *APES 110: Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standard Board.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 39 - 40 of the financial report.

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

Sydney, 27 September 2016

Scott Brown | Managing Director

Auditor's Independence Declaration

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

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Email: add3@addca.com.au
Website: 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 ENTITIES

We declare that, to the best of our knowledge and belief during the year ended 30 June 2016, 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, 27 September 2016

Liability limited by a scheme approved under Professional Standards Legislation

COVER OF EXCELLENCE

REAL ENERGY CORPORATION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2016

	Notes	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Continuing operations			
Revenue	2	1,723	6,609
Depreciation & amortisation expenses		(14)	(16)
Impairment of exploration & development assets	10	(364)	(1,058)
Share based payments	14	-	(41)
Employee benefits & expenses		(544)	(578)
Other operating expenses	3	(832)	(945)
Total Expenses		**(1,754)**	**(2,638)**
Profit/(loss) from continuing activities before income tax		(31)	3,971
Income tax expense	4	–	–
Profit/(Loss) from continuing activities after income tax	16	(31)	3,971
Total changes in equity other than those resulting from transactions with owners as owners		(31)	3,971
Earnings per share		Cents	Cents
Basic earnings per share	18	(0.02)	2.22
Diluted earnings per share	18	(0.02)	2.22

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 30 JUNE 2016

	Notes	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Assets			
Current Assets			
Cash & cash equivalents	5	8,702	3,688
Inventories	6	43	43
Other assets	7	43	17
Trade & other receivables	8	1,709	6,467
Total Current Assets		10,497	10,215
Non Current Assets			
Property, plant & equipment	9	8	21
Exploration, evaluation and development assets	10	17,668	14,541
Total Non Current Assets		17,676	14,562
Total Assets		**28,173**	**24,777**
Liabilities			
Current Liabilities			
Trade & other payables	11	1,919	921
Provisions	12	86	13
Total Current Liabilities		2,005	934
Non Current Liabilities			
Provisions	12	220	279
Total Non Current Liabilities		220	279
Total Liabilities		**2,225**	**1,213**
Net Assets		**25,948**	**23,564**
Equity			
Equity contribution	13	26,664	24,064
Accumulated costs of equity	13	(2,454)	(2,269)
Reserves	15	345	386
Accumulated profits/(losses)	16	1,393	1,383
Total Equity		**25,948**	**23,564**

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

REAL ENERGY CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

Consolidated Group	Contributed equity $'000	Fund Raising Costs $'000	Accumulated losses $'000	Reserves $'000	Total $'000
Opening balance 1 July 2014	19,063	(1,969)	(2,608)	365	14,851
Loss for the financial period	–	–	3,971	–	3,971
Transactions with shareholders issue of shares	5,001	(300)	–	–	4,701
Option written off	–	–	20	(20)	
Share based payments	–	–	–	41	41
Balance as 30 June 2015	**24,064**	**(2,269)**	**1,383**	**386**	**23,564**
Loss for the financial period	–	–	(31)	–	(31)
Transactions with shareholders issue of shares	2,600	(185)	–	–	2,415
Option written off	–	–	41	(41)	–
Share based payments	–	–	–	–	–
Balance as 30 June 2016	**26,664**	**(2,454)**	**1,393**	**345**	**25,948**

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 YEAR ENDED 30 JUNE 2016

	Notes	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Cash flow from operating activities			
R&D Tax Incentive Received		6,356	(1,029)
Interest received		200	327
Payments to suppliers & employees		(701)	(790)
Net cash provided by operating activities	25	5,855	(463)
Cash flow from investing activities			
Purchases of property, plant & equipment		(1)	(10)
Payments for exploration & evaluation assets	10	(3,255)	(13,283)
Net cash provided by/(used in) investing activities		(3,256)	(13,293)
Cash flow from financing activities			
Proceeds from the issue of shares	13	2,600	5,001
Fund raising expenses		(185)	(300)
Net cash provided by /(used in) financing activities		2,415	4,701
Net increase/(decrease) in cash held		5,104	(9,055)
Cash & cash equivalents at the beginning of the year		3,688	12,743
Cash & cash equivalents at the end of 30 June 2016	5	**8,702**	**3,688**

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 YEAR ENDED 30 JUNE 2016

NOTE 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

A. Basis of preparation

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Standards Board and the Corporations Act 2001.

The financial information has been prepared on an accruals basis under the historical cost convention and, except where stated, does not take into account current valuations of non current assets.

Non Current assets are re-valued from time to time as considered appropriate by the Directors and are not stated at amounts in excess of their recoverable amounts. Except where stated, recoverable amounts have been determined using undiscounted cash flows.

(i) Compliance with IFRS

The consolidated financial statements of Real Energy Corporation Limited also comply with International Financial Report Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Comparison figures

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation of items in the financial statements is amended, the comparative amounts have been reclassified where practical.

(iii) Adoption of new and amended accounting standards

In the current year, the Company has reviewed all the new and revised standards and interpretation issued by the AASB that are relevant to the group operations and effective for annual reporting periods on or after 1 July 2016. The Company adopted all mandatory new and amended Standards and interpretations.

It has been determined by the Company that there is no impact, material or otherwise of the new and revised standards and interpretations on the group and, therefore, no changes in 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 held year ended 30 June 2016. As a result of this review the directors 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 accounting policies.

(iv). 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 external and within the company. Actual results may differ from these estimates.

B. Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by Real Energy Corporation Limited (''Parent Entity") as at 30 June 2016. Controlled entity is the entity over which the Parent Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Entity controls another entity.

C. Going concern

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. Summary of significant accounting policies (continued)

D. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liability (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

E. Plant & equipment

Each class of property, plant and equipment is carried at cost or fair value less, any accumulated depreciation.

Plant and equipment is measured on a cost basis. The carrying value of property, plant and equipment is reviewed annually to ensure that it is not in excess of the net recoverable amount.

Depreciation

Plant and equipment are depreciated over their estimated useful life using the straight line method. The principal depreciation rates used are:

- Furniture & Fittings 15%
- Office equipments 25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

F. Trade receivables and payables

(i) Trade debtors

Trade debtors are carried at amounts due less any allowance for doubtful debts. An allowance is raised for any doubtful debts based on a review of all outstanding amounts at the reporting date. Bad debts are written off during the period in which they are identified.

(ii) Payables

These are unpaid amounts for goods and services provided to the Company prior to the end of the financial year. Payables are unsecured and are settled within the time agreed with suppliers.

G. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and service tax (GST) except:

(i) Where the amount of GST incurred is not recoverable from the relevant taxation authority.
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities is classified as operating cash flows.

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. Summary of significant accounting policies (continued)

H. Cash and cash equivalents
For the purposes of the Statement of cash flows, cash includes:

(i) cash on hand and cash on deposit with banks or financial institutions, net of bank overdrafts; and
(ii) investments in money market instruments with less than 180 days to maturity.

All intercompany transactions and balances are eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Parent Entity.

I. Employee benefits
Liabilities for wages and salaries, and annual leave are recognised, and are measured as the amount unpaid at the reporting date at the remuneration rate expected to apply at the time of settlement, including allowances for on costs if applicable, in respect of employees' services up to that date.

A liability for long service leave is recognised, and measured as the present value of future payments to be made in respect of services provided by employees up to the reporting date. Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred. The Company does not operate any defined benefit superannuation plan.

J. Leases
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

K. Capital risk management
The consolidated entity and Real Energy's objective is to safeguard its ability to continue as a going concern and to maintain a conservative capital structure so that management can focus on running its core business together with being an attractive company for shareholders and potential investors.

The Company will consider the most appropriate use of debt and equity to maximise its returns while maintaining a low risk capital structure.

L. Exploration and development expenditure
Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Once an area of interest enters a development phase, historical capitalised exploration expenditure is transferred to capitalised development expenditure.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of significant accounting policies (continued)

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

M. Share based payments

When goods or services received are acquired in a share based payment transaction, they are recognised as expenses or assets, as determined by the nature of the goods or services received, over the vesting period attached the equity instrument acquired in the transaction. A corresponding increase is recognised in equity.

The goods or services are measured by reference to the fair value of goods or services received, or where this is not possible, indirectly, by reference to the equity instrument acquired. The fair value of the equity instrument is measured at grant date.

N. Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the Income Statement is matched with the profit from ordinary activities after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be used, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be applied.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only where a legally enforceable right of set off exists and the deferred tax assets and liabilities relate to the same taxable entity.

Deferred tax assets are not brought to account unless it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of significant accounting policies (continued)

O. Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

P. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Interest revenue is recognised using the effective interest rate method taking into account rates applicable to the financial assets.

Q. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

R. Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or less, unless the asset is carried at a revalued amount in accordance with another standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

S. Options issued

There is no option issued during the year of 2016.

T. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sells the assets (i.e. Trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, expect where the instrument is classified "at fair value through profit or loss", in which cash transaction costs are recognised as expenses in profit or loss immediately.

NOTE 1. Summary of significant accounting policies (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financially asset or financial liability. Revisions to expected future net cash flows will necessitate and adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial assets at fair value through profit or loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Financial liabilities
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. Summary of significant accounting policies (continued)

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as financial liabilities at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using the probability-weighted discounted cash flow approach. The probability has been based on:

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

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTE 1. Summary of significant accounting policies (continued)

U. Critical accounting estimates and judgements

Key estimate

(i) Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

(i) Exploration and evaluation expenditure

The company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

V. New accounting standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

(i) AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will have no impact on the Company's financial instruments in the year or period of initial application.

(ii) AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective date of AASB15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contractors with customers as well as non-monetary exchanges between entities in the same line of business to facilitates sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

a) Identify the contract(s) with a customer;
b) Identify the performance obligations in the contract(s);
c) Determine the transaction price;
d) Allocate the transaction price to the performance obligations in the contract(s); and
e) Recognise revenue when (or as) the performance obligations are satisfied.

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. Summary of significant accounting policies (continued)

This standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Company's financial instruments in the year or period of initial application.

(iii) AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

a) Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets)
b) Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
c) Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
d) By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
e) Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will have no impact on the Company's financial statements in the year or period of initial application.

(iv) AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016).

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3. The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

The directors anticipate that the adoption of AASB 2014-3 will have no impact on the Company's financial statements in the year or period of initial application.

(v) AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary

NOTE 1. Summary of significant accounting policies (continued)

that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

a) A gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
b) The remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
c) Any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018.

The directors anticipate that the adoption of AASB 2014-10 will have no impact on the Company's financial statements in the year or period of initial application.

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
NOTE 2. Revenue		
Interest revenue	225	253
Other revenue	11	–
Research & development tax offset receivable	1,487	6,356
	1,723	**6,609**

The Company is expected to receive a refund of $1,486,601 in respect to research & development tax offset from FY2016. The tax offset registration is being processed by the AusIndustry and cash is anticipated by the Company when the ATO processing is complete.

NOTE 3. Other operating expenses

– Advertising and marketing fees	(106)	(188)
– Consultant fees	(165)	(209)
– Listing fees	(59)	(54)
– Rent expenses	(105)	(100)
– Travel and accommodation expenses	(47)	(67)
– Other expenses	(350)	(327)
Total	**(832)**	**(945)**

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
NOTE 4. Income tax		
Reconciliation of income tax expense/(benefit) for the year as follows:		
Net Profit/(loss) from continuing operations before income tax expense	(31)	3,971
Prima facie income tax expense on the profit/(losses) from ordinary activities at 28.5% (2015: 30%)	(9)	1,191
Share based payments	–	12
Net effect of R & D offset claim and related expenditures	(424)	(1,777)
Timing differences in deferred tax	(24)	32
	(457)	(540)
Current year tax losses not brought to account	457	540
Income tax expense/(benefit)	**–**	**–**
Current year tax loss	(457)	(540)
Adjustment for change in tax rate	87	–
Add previous year's loss	(1,744)	(1,204)
Total tax losses not brought to account	**(2,113)**	**(1,744)**
NOTE 5. Cash & cash equivalents		
Cash at bank	**8,702**	**3,688**
NOTE 6. Inventories		
Materials & supplies	43	43
	43	**43**
NOTE 7. Other assets		
Prepayment – Insurance & others	43	17
	43	**17**
NOTE 8. Trade & other receivables		
GST refund & other receivables	183	88
Interest & other receivables	1526	6,379
	1,709	**6,467**
NOTE 9. Plant & equipment		
Furniture & fittings	3	3
Less accumulated depreciation	(2)	(1)
Total furniture and fittings	1	2
Office equipment	62	60
Less accumulated depreciation	(55)	(41)
Total office equipment	7	19
Closing balance at 30 June 2016	**8**	**21**

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
NOTE 10. Exploration, evaluation & development assets		
Opening balance	14,541	2,317
Expenditure incurred during the year	3,491	13,282
Impairment provision	(364)	(1,058)
Closing balance at 30 June 2016	**17,668**	**14,541**

During the year, the Company has completed a drilling cutting study from Tamarama-1 & Queenscliff-1 relating to the permeability and porosity visual estimation of the Toolachee and Patchwarra formation. Also undertook the 5 stage fracture stimulation of Tamarama-1 from late May 2016 and clean out works and gas flow test operation is carrying out at the time of preparation of this report. Impairment provision was assessed by Directors in accordance with AASB136 on the Company own tenements during the year to ensure the exploration assets are carrying at its true and fair value.

NOTE 11. Trade & other payables

Trade creditors	1,534	740
Sundry creditors	385	181
	1,919	**921**

NOTE 12. Provisions

Current provisions		
Current leave provision	86	13
Sub total	86	13
Non-current provisions		
Non-current leave provision	15	75
Rehabilitation provision	200	200
Other provision – make good provision	5	4
Sub total	220	279
Total provisions	**306**	**292**

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service.
The estimate rehabilitation provision is the expected rehabilitation costs for the two drilling wells, Tamarama-1 & Queenscliff-1.

NOTE 13. Issued capital

(a) Shares

FY2016	No. of shares	Contributed Equity $'000
Existing shares at beginning of the year	183,488,033	24,064
Share placement at 12.5 cents	20,800,000	2,600
Option premium received	–	–
Balance at end of 30 June 2016	204,288,933	26,664
Accumulated share raising costs		(2,454)
Balance at end of 30 June 2016		**24,210**

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13. Issued capital (continued)

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

FY2015	No. of shares	Contributed Equity $'000
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 30 June 2015	183,488,033	24,064
Accumulated share raising costs		(2,269)
Balance at end of 30 June 2015		**21,795**

(b) Options

	Exercise price	No. of options	Expiry date
Unlisted options			
Investors options	25 cents	27,500,000	14 October2016
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
Unvested options			
Director options	30 cents	5,000,000	30 September 2016[1]

[1] 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.

During the year, 2,000,000 unlisted Director Options with all rights under the options have ceased alone with the resignation of the Director, Michael Mager on the 8 October 2015.

NOTE 14. Share based payments

2,000,000 Director Options granted to Michael Mager became forfeit by his resignation as a non-Executive Director on 8 October 2015 without ever vesting. Carrying amount in respect of this option has been adjusted during the year.

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Share based payments	–	**41**

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000

NOTE 15. Reserves

Movement in share based payment reserve		
Opening balance	386	365
Amount expensed during the year	–	41
Options written off	(41)	(20)
Closing balance	**345**	**386**

A carrying value of $41,000 has been adjusted in the current year in relation to the forfeiture of the Director Option previously issued to Michael Mager but without ever vesting due to his resignation on 8 October 2016.

NOTE 16. Accumulated losses

Accumulated losses at beginning of the year	1,383	(2,608)
Net profit/(loss) for the year	(31)	3,971
Options written off	41	20
Accumulated losses at end of 30 June 2016	**1,393**	**1,383**

NOTE 17. Auditor's remuneration

Remuneration of the auditor of the consolidated entities for:		
Annual audit	14	13
Half year review	10	9
	24	**22**

NOTE 18. Earnings per share

	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	197,507,563	178,495,283

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Net profit after income tax attributable to shareholders	**(31)**	**3,971**

	Cents	Cents
Basic earnings per share	(0.02)	2.22
Diluted earnings per share	(0.02)	2.22

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19. Key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Company's KMP for the year ended 30 June 2016.

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

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Short term employee benefits	510	615
Share based payments	–	41
Other long term benefits	28	29
Total KMP compensation	**538**	**685**

Short term employee benefits
These amounts include fees and benefits paid to the non-executive Chairman and non-executive directors as well as salary and paid leave benefits to executive directors and other KMP.

Other long term benefits
These amounts represent superannuation paid during the year.

Share based payments
These amounts represent the expense related to the participation of KMP in equity settled benefit schemes as measured by the fair value of the options granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

NOTE 20. 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 (acquired 26 Jun 2014)	100%	2	2

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 21. Related party transactions

Disclosures relating to key management personnel compensation are set out in the Remuneration Report. No other transactions have occurred during the period with key management personnel.

NOTE 22. Capital & leasing commitments

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Operating lease commitments – Office lease		
Not later than one year	–	–
Later than one year but not later than two years	–	–
Later than two years but not later than five years	–	–
Later than five years	–	–
	–	**–**
Petroleum lease commitments		
Not later than one year	10,000	10,000
Later than one year but not later than two years	14,000	12,200
Later than two years but not later than five years	11,200	6,200
Later than five years	–	–
	35,200	**28,400**

NOTE 23. Financial risk management

The Company's activities expose it to a variety of financial risks, market risk (including interest rate risk, commodity price risk, equity price risk and currency risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital.

The Company at present does not use derivative financial instruments and did not have any derivative instruments during the year ended 30 June 2016 (2015: nil).

The Company uses different methods to measure different types of risk to which it is exposed. Risk management is carried out by the Company under policies approved by the Board of directors. The Board meets on a regular basis and analyses and discusses the current economic climate and forecasts and provides written principles for overall risk management. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the financial performance of the Company.

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23. Financial risk management (continued)

Financial risk exposures and management

(a) Market risks

(i) Foreign exchange risk

The Company has minimal exposure to foreign exchange risk.

(ii) Price risk

The Company did not have any exposure to investment or commodity price risk.

(iii) Interest rate risk – cash flow and fair value interest rate risk

The Company does not have any borrowings and therefore no significant exposure to interest rate risk other that interest it receives on surplus cash invested on deposit. The Company invests in short term deposits and the interest return will be affected by the market rates at the time.

All other assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

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

Interest rate risk	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Impact on average cash and cash equivalent:		
Interest rate +1%	78	81
Interest rate -1%	(78)	(81)
Impact on equity:		
Interest rate +1%	78	81
Interest rate -1%	(78)	(81)

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial assets, is the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

(c) Net fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The net fair values of the financial assets and financial liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit facilities. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and liabilities.

NOTE 23. Financial risk management (continued)

Financial risk exposures and management (continued)

(e) Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity.

The Company's Board reviews the capital structure on an annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Company may balance its overall capital structure through new share issues or borrowings.

The Company's overall strategy remains unchanged at 30 June 2016.

NOTE 24. Parent information

(i) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30-Jun-2016 $'000	30-Jun-2015 $'000
Assets		
Current assets	10,190	10,214
Non-current assets	19,190	15,498
Total assets	**29,380**	**25,712**
Liabilities		
Current liabilities	2,005	934
Non-current liabilities	23	81
Total liabilities	**2,028**	**1,015**
Equity		
Issued capital	24,209	21,794
Reserves	346	387
Accumulated profits/(losses)	2,797	2,516
Total equity	**27,352**	**24,697**
Total profit/(loss)	**281**	**5,030**
Total comprehensive income/(loss)	**281**	**5,030**

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 24. Parent information (continued)

(ii) Guarantees

The parent entity has held a bank guarantee for the office promise of $69,828 and entered a bank guarantees for its corporate credit card facilities of $20,000 during the year ended 30 June 2016.

Subsidiary Real Energy Queensland Pty Ltd has lodged bank guarantees for ATP917P & ATP927P with QLD Department of Environment and Heritage Protection in regards to its exploration activities.

(iii) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

(iv) Contractual commitments

At 30 June 2016, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (FY2015: nil).

NOTE 25. Reconciliation of cash flow from operations with loss after income tax

	Consolidated 30-Jun-2016 $'000	Consolidated 30-Jun-2015 $'000
Profit/(loss) of the year	(31)	3,971
Amortisation and depreciation	14	16
Share based payments	-	41
Impairment provision	364	1,058
R&D tax incentive received	6,357	–
Changes in assets and liabilities that involve recognition in the Income Statement		
Decrease/(increase) in receivables	(1,599)	(6,106)
Decrease/(increase) in prepayments	(26)	(2)
Decrease/(increase) in inventories	-	(43)
Increase/(decrease) in payables	761	398
Increase/(decrease) in provisions	15	204
Cash flow from operations	**5,855**	**(463)**

NOTE 26. Subsequent events note

There has not arisen in the interval between the end of the financial year and the date of this report any items, transaction or event of material and unusual nature likely, in the opinion of the directors of the Company, to effect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 27. Segments reporting

AASB Operating Segments require operating segments to be identified on the basis of internal reports about the components of the group that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The chief operating decision maker has been identified as the board of Real Energy Corporation Limited. The group operates in one segment, being oil and gas exploration, evaluation and development in Australia. Accordingly, under the management approach outlined only one operating segment has been identified and no further discloser is required in the financial statements.

NOTE 27. Segments reporting (continued)

Segment information:

	For oil & gas exploration, evaluation & developments	
	As at 30 June 2016 $'000	As at 30 June 2015 $'000
Revenue		
– Interest income	225	253
– Management fee	11	–
– R&D Tax offset refund	1,487	6,356
Total Revenue	1,723	6,609
Expenses	(1,740)	(2,622)
Depreciation & amortisation expenses	(14)	(16)
Segment results	(1,754)	3,971
Assets		
Current assets	10,497	10,215
Plant & equipment	8	21
Exploration and evaluation assets	17,668	14,541
Other non current assets	-	–
Total assets	28,173	24,777
Current liabilities	2,005	934
Non-current liabilities	220	279
Net assets	**25,948**	**23,564**

Note 28. 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:

REAL ENERGY CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 28. Fair value measurement (continued)

		As at 30 June 2016		As at 30 June 2015	
	Level	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash & cash equivalents	1	8,702	8,702	3,688	3,688
Other assets	1	43	43	17	17
Inventories	1	43	43	43	43
Trade & other receivables	1	1,709	1,709	6,467	6,467
Financial Liabilities					
Trade & other receivables	1	1,919	1,919	921	921

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

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

Note 29. Dividend

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

Note 30. Company details

The registered office and principal place of the Company is:

Level 3, 32 Walker Street, North Sydney NSW 2060

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 37, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;

   (c) the financial records of the Company for the financial year have been properly maintained in accordance with s286 of the Corporation Act 2001.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2016.

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

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

Sydney, 27 September 2016

Scott Brown
Director

A D Danieli Audit Pty Ltd
Authorised Audit Company
ASIC Registered Number 339233

Audit & Assurance Services

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Independent Auditor's Report
To the Members of
Real Energy Corporation Limited
A.B.N. 92 139 792 420
And Controlled Entities

Report on the Financial Report

We have audited the accompanying financial report of Real Energy Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The director's of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable to preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a. The financial report of Real Energy Corporation Limited is in accordance with the Corporations Act 2001, including:

   i. Giving a true and fair view of the company and consolidated entity's financial positions as at 30 June 2016 and of their performance for the year ended on that date; and

   ii. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included on page 8 of the attached report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Real Energy Corporation Limited for the year ended 30 June 2016 complies with s 300A of the Corporations Act 2001.

A D Danieli Audit Pty Ltd

Sam Danieli
Director

27 September 2016

Liability limited by a scheme approved under Professional Standards Legislation

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Additional Information

Other Information for Shareholders

Additional information required pursuant to the ASX listing rules and not shown elsewhere in this report as follows:

1. Fully paid ordinary shares of Real Energy Corporation Limited (ASX: RLE).

(a) Distribution of shareholdings at 16 September 2016

Category of holding	Holders	No. of shares	% of capital
1 – 1,000	57	5,996	0.00
1,001 – 5,000	97	350,665	0.17
5,001 – 10,000	143	1,216,960	0.60
10,001 – 100,000	433	16,683,609	8.17
100,001 – and over	145	186,030,803	91.06
Total	**875**	**204,288,033**	**100.00**

The closing price for Real Energy Corporation Ltd ordinary shares on the ASX on that date was $0.09. There were 642 holders holding less than a marketable parcel ($500) based on the market price as at 16 September 2016. The total number of shares held by these 642 holders was 11,332,829.

(b) The twenty largest shareholders at 16 September 2016

Shareholder	Holding	%
Mr Scott Brown	21,942,000	10.74
HSBC Custody Nominees (Australia) Limited	18,959,997	9.28
Mr Dang Lan Nguyen	17,900,000	8.76
ABN AMRO Clearing Sydney Nominees Pty Ltd	13,339,831	6.53
Sino Portfolio International Limited	13,320,000	6.52
CitiCorp Nominees Pty Ltd	11,996,536	5.87
HSBC Custody Nominees (Australia) Ltd-GSCO ECA	11,167,264	5.47
Skill Tact Limited	5,400,000	2.64
Aim Resources Investments Limited	5,400,000	2.64
HSBC Custody Nominees (Australia) Limited – A/C2	4,500,000	2.20
Sino Portfolio International Limited	4,000,000	1.96
HSBC Custody Nominees (Australia) Limited – A/C3	2,867,402	1.40
John Wardman & Associates Pty Limited	2,160,000	1.06
Brown Brothers Pty Limited	1,800,000	0.88
Mrs Vanessa Elizabeth Brown	1,800,000	0.88
Mr Norman Zillman & Mrs Lorraine Zillman	1,800,000	0.88
Wealth Chain Developments Limited	1,800,000	0.88
The Trust Company (Australia) Limited	1,600,000	0.78
Tanvinh Resources Pty Limited	1,580,000	0.77
Mr Norman Zillman & Mrs Lorraine Zillman	1,400,000	0.69
Total	**144,733,030**	**70.83**

(c) Substantial holders

As at 16 September 2016, the Company has the following substantial shareholders:

1) Och-Ziff Holding Corporation holds 24,232,263 fully paid ordinary shares

2) Mr Scott Brown holds 25,818,789 fully paid ordinary shares

3) Mr Dang Lan Nguyen holds 20,500,000 fully paid ordinary shares

4) Sino Portfolio International Limited holds 17,320,000 fully paid ordinary shares

(d) Voting rights

All ordinary shares carry one vote per share without restriction. One a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. There are no voting rights attaching to options.

2. Schedule of petroleum tenements

Permits	Area (sq Km)	Expiry Date	% Interest FY2016	% Interest FY2015
ATP 917P	2,171	30/06/2019	100	100
ATP 927P	1,718	30/09/2019	100	100
ATP 1194PA	1,043	Under application	100	100

3. Estimates of Resources

(a) Contingent resources - The estimates of contingent resources are based on the area surrounding the two successful gas wells, Queencliff-1 & Tamarama-1, located within the exploration permit ATP 927P. Discovery status is based on definition under the SPE/WPC Petroleum Resource Management System (PRMS) 2007. A summary of the gross estimates of contingent gas resources for ATP 927P is provided below:

Resources Category	BCF (Billion Cubic Feet)
1C	77
2C	276
3C	672

(b) Prospective Resources - In addition to the Contingent Resources, the mean gross prospective natural gas resources for ATP 927P are:

Resources Category	BCF (Billion Cubic Feet)
Prospective OGIP Resources	13,761
Prospective Recoverable Gas Resources	5,483

4. Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 22 September 2016 and can be viewed at: http://www.realenergy.com.au/about-real-energy/corporate-governance.html.

Corporate Directory

Real Energy Corporation Limited

Directors

Scott Brown, B.Bus, M.Com
(Managing Director and Chief Executive Officer)

Norman Zillman, B.Sc., B.Sc Hons
(Non-executive Director)

Lan Nguyen, B.Sc., M.Sc.
(Non-executive Chairman and Director)

Company Secretary

Ron Hollands, B.Bus, M.B.A

Registered Office

Level 3, 32 Walker Street NORTH SYDNEY NSW 2060
Australia

ASX Code

RLE

Auditor

A D Danieli Audit Pty Ltd
Level 14, 275 George Street
SYDNEY NSW 2000

Taxation Advisers

BDO
Level 10
1 Margaret Street
SYDNEY NSW 2000

Share Registry

C/O Real Energy Corporation Ltd Link Market Services Ltd
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