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19 December 2013

Dear Shareholder

On behalf of all Directors, it is my pleasure to welcome you as a Shareholder in Real Energy (ASX:RLE). Real Energy is an exciting Australian-based oil and gas exploration company that was established in 2009 to develop a portfolio of assets in the Queensland Cooper-Eromanga basins.

The IPO closed oversubscribed with backing from institutional and high net worth investors in Asia, the US, and Australia. Real Energy, currently has 167.4 million shares on issue and a market capitalisation of \$41.8 million, based on the offer price of 25 cents per share.

Shareholders who participated in the IPO have also received one loyalty option for every 2 shares subscribed. The option has a strike price of \$0.30 per share and an 18 month expiry and vests 120 days after the IPO, provided that the subscriber remains a shareholder. Pre-existing shareholders in the company have agreed to a voluntary escrow for the first 12 months of Real Energy trading on the ASX, which is over and above the ASX-imposed escrow period.

The Company is focused on the exploration and development of unconventional basin-centered gas and condensate, shale oil and conventional oil in the Cooper-Eromanga basins. Real's acreage lies within a proven petroleum province with considerable historical drilling and infrastructure in close proximity.

The main target is the basin centered gas-condensate play in the Permian Toolachee and Patchawarra formations. The Company believes this project is relatively low-risk but carries significant material upside. Several other industry players are also exploring and developing this play in the Cooper-Eromanga basins including Chevron, which has announced plans to invest heavily.

Real Energy intends to operate in a few substantial permit areas, including ATP 917P, ATP 927P and ATP 1161PA. These permit areas cover in excess of 8,314 km² (2 million acres) and are prospective for conventional oil, shale oil and gas, and tight gas

commercial developments. There have been a number of recent positive developments that confirm the attractiveness of the opportunity.

Santos Gas Discovery

On the attached page is a map of Real's permit areas and those of the company's neighbours in the Cooper-Eromanga basins. Santos has recently drilled Kaiden-1, which is a gas discovery in Paning Member and Toolachee Formation. Santos is currently in the process of drilling Marama West-1 and is targeting the Toolebuc Shale Formation, Paning Member and Toolachee Formation. Real Energy is focused on the same formations as Santos wells and seismic interpretation indicates significant thickness of the Toolachee and Patchawarra formations in Real's acreage.

Elsewhere in the Cooper-Eromanga basins, Senex Energy released the results of a year-long program of work on oil and gas potential in its tenements in the basin, identifying 450 oil and gas leads and prospects. In addition, New Standard Energy is effectively paying \$46.5 million (through a farm-in) to gain a 52.5% in PEL 570 or \$149 per acre. This is further evidence that our Company, with 2 Million acres, represents extraordinary value. I am sure there will be many more transactions in the Cooper-Eromanga basins over the next few years.

On behalf of the Directors, I thank all shareholders for their support to date and throughout the IPO process and wish you a Merry Christmas and prosperous 2014.

Yours Sincerely

Scott Brown

Managing Director

