



REAL ENERGY CORPORATION LIMITED NOTICE OF 2014 ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**Meeting** or **AGM**) of shareholders of Real Energy Corporation Limited (**RLE** or the **Company**) will be held at the Company's offices at Level 3, 32 Walker Street, North Sydney, NSW, 2060 on Friday, 5 December 2014 at 11:00 AM (Sydney time).

ORDINARY BUSINESS

1. Financial Report

To receive and consider the Financial Report of the Company and the consolidated entities, and the Reports of the Directors and Auditor for the financial year ended 30 June 2014.

2. Remuneration Report

To consider and, if thought fit, to pass as an ordinary resolution:

"That the Remuneration Report for the financial year ended 30 June 2014, as set out in the Directors' Report section of the Annual Report, be adopted".

(Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.)

3. Election of Directors

- (a) To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That **Dang Lan Nguyen**, who retires by rotation in accordance with clause 39 of the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a director of the Company'.*

- (b) To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That **Michael Mager**, who in accordance with clause 37 of the Company's Constitution, holds office only until the close of the AGM and who is eligible for re-election, be re-elected as a Director of the Company."*

4. Issue of options to Michael Mager

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That, for the purposes of section 208 of the Corporations Act 2001 and for the purposes of Listing Rule 10.11, approval is given to the immediate grant to Michael Mager of 2,000,000 options exercisable at 30 cents per share on or before 30 June 2017, on the terms and conditions set out in the Explanatory Notes."

5. Previous Issue of Shares

'To consider and if thought fit, pass the following resolution as an **ordinary resolution**:

"That the issue of 16,129,033 ordinary shares in the company on 23 October 2014 on the terms summarised in the Explanatory Notes accompanying the notice of meeting, be approved and ratified for the purposes of rule 7.4 of the ASX Listing Rules and for all other purposes".

By Order of the Board

Ron Hollands
Company Secretary
4 November 2014

ELIGIBILITY TO VOTE

For the purpose of the Meeting, the Directors have determined that shares will be taken to be held by persons registered as shareholders of the Company as at **7:00 PM (Sydney time) on Wednesday, 3 December 2014**.

PROXIES

Each shareholder who is entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote at the AGM on the shareholder's behalf.

A proxy need not be a shareholder of the Company, and may be either an individual or a body corporate.

Where two proxies are appointed by a shareholder, the shareholder may specify the proportion or number of votes which each proxy is entitled to exercise on a poll. If the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise one half of the votes (disregarding fractions) on a poll.

Due to the voting exclusions and requirements referred to in this Notice, if you intend to appoint any Director or other member of the Company's 'key management personnel'¹ (**KMP**) or their closely related parties, **other than the Chairman**, as your proxy, you should direct your proxy how to vote on **Item 2** (Remuneration Report) by marking either "For", "Against" or "Abstain" on the Proxy Form for the relevant Item of business. If you do not direct such a proxy how to vote on those Items they will **not** be able to vote an undirected proxy and your vote will not be counted. This does not apply to the Chairman, who is able to vote undirected proxies.

Direction to Chairman: *If the Chairman of the Meeting is appointed, or taken to be appointed, as proxy, the shareholder can direct the Chairman of the Meeting to vote for or against or to abstain from voting on a resolution, including **Item 2** (Remuneration Report), by marking the appropriate box opposite each resolution on the Proxy Form. However, if a shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on the proposed resolutions set out in this Notice, then **the Chairman intends to vote all available undirected proxies in favour of each of the proposed resolutions, including Item 2 (Remuneration Report)** (if a poll is called on the relevant resolution).*

CORPORATE REPRESENTATIVES

A body corporate which is a shareholder or the proxy of a shareholder may appoint an individual as its representative to exercise all or any of its powers that it could exercise at the Meeting. The representative should bring to the meeting original documentary evidence of his or her appointment, including any authority under which the appointment is signed.

¹ For the full definition of 'key management personnel', please refer to section 9 of the *Corporations Act 2001*.

VOTING EXCLUSIONS

The Company will disregard any votes cast on the resolutions as follows:

Item 2 Remuneration Report

A vote must not be cast (in any capacity) on **Item 2**, and the Company will disregard any votes cast on **Item 2**:

- by or on behalf of a KMP whose remuneration is included in the Remuneration Report; or
- by or on behalf of a closely related party² (such as close family members and any controlled companies) of a KMP whose remuneration is included in the Remuneration Report.

However, a person described above may cast a vote on **Item 2** if:

- the person does so as a proxy that specifies how the proxy is to vote (For, Against or Abstain) on **Item 2**; or
- the person is the Chairman of the Meeting and has been appointed as a proxy without being directed how to vote on **Item 2**, and the appointment expressly authorises the Chairman to exercise the proxy even though **Item 2** is connected directly or indirectly with the remuneration of a member of the KMP for the Company; and
- in either case, the vote is not cast on behalf of a person described above.

Item 4 Issue of options to Michael Mager

Resolution 4 is directly connected to the remuneration of Michael Mager, being a director a KMP Member. As required by the Listing Rules, the Company will disregard any votes cast on Resolution 4 by:

- Michael Mager; and
- Any associate of Michael Mager.

However, the company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

As required by the Corporations Act, no KMP Member or a closely related party of any such member may vote as a proxy on Resolution 4, unless:

- the person votes as a proxy appointed by writing by a person entitled to vote, and which

specifies how the person is to vote on Resolution 4; or

the person is the Chairman of the meeting and votes as a proxy appointed in writing that expressly authorises the Chairman of the meeting to vote on Resolution 4 even though that resolution is connected directly or indirectly with the remuneration of a KMP member and even though the Chairman is a KMP member.

Item 5 Previous Issue of Shares

In relation to Resolution 5, the company will disregard any votes cast on the resolution by a person who participated in the issue and any of their associates.

However, the company need not disregard a vote if it is cast:

- as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the form to vote as the proxy decides.

² For the full definition of 'closely related party', please refer to section 9 of the *Corporations Act 2001*.

PROXY DEADLINE

A Proxy Form and, if the Proxy Form is not signed by the shareholder, the power of attorney or other authority (if any) under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority), must be received by the Company at least 48 hours before the time for holding the Meeting – that is, **by 11:00 AM (Sydney time) on Wednesday, 3 December 2014.**

Documents may be lodged with the Company by:

1. Email to investor@realenergy.com.au; or
2. Facsimile (+61 2) 9954 6408; or
3. Mail to: Real Energy Corporation Limited
Level 3, 32 Walker Street
North Sydney NSW 2060

ANNUAL REPORT - ONLINE

RLE's Annual Report for the year ended 30 June 2014 is available on the RLE website at <http://www.realenergy.com.au>.

QUESTIONS FROM SHAREHOLDERS

Shareholders are invited to register questions in advance of the AGM. If you would like further information on RLE, or would like to ask a question of RLE or the Auditor at this AGM, you may submit your questions in writing to the Company. Shareholders may submit written questions to the auditor about their audit report or the conduct of the audit.

Written questions must be received no later than 5 business days before the day before the Meeting, being **5:00 PM (Sydney time) on Friday, 28 November 2014.**

EXPLANATORY NOTES

These Explanatory Notes have been prepared for the information of shareholders in connection with the business to be transacted at the 2014 Annual General Meeting of shareholders. The Directors recommend shareholders read these Explanatory Notes in full before making any decision in relation to the resolutions in question.

ITEM 1 – CONSIDER FINANCIAL REPORT

A copy of the RLE Annual Report 2014 (**Annual Report**) can be found on the Company's website (<http://www.realenergy.com.au>).

During discussion of this item, there will be an opportunity for shareholders to ask questions about, or comment on, the Annual Report and the management and performance of the Company. Shareholders will also have the opportunity to ask the auditor questions relevant to the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company, and the independence of the auditor in relation to the conduct of the audit.

ITEM 2 – ELECTION OF DIRECTORS

Item 2(a) Election of Mr Dang Lan Nguyen

Pursuant to clause 39 of the Company's Constitution, Mr Nguyen retires by rotation as a Director of the Company.

Mr Dang Lan Nguyen

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.

Directors' recommendation:

Each of the Directors (excluding Mr Nguyen) recommends that shareholders vote in favour of Item 2(a).

Item 2(b) Election of Mr Michael Mager

Mr Mager was appointed by the Directors 16 December 2013.

In accordance with the Company's constitution, he holds office only until the close of the AGM, but is eligible for re-election. Mr Mager seeks re-election as a director of the company at this AGM.

Michael Mager

A.B. (Harvard College, United States)

MPhil (University of Cambridge, United Kingdom)

Mr. Michael Mager holds a Bachelor of Arts degree from Harvard College and a master's degree from the University of Cambridge. He is also a Chartered Financial Analyst (CFA) charterholder.

Michael is a partner at Ridge Road Partners, a firm that takes control positions in businesses across a range of industries including financials, energy, and logistics. Ridge Road's investing timeframe extends indefinitely and the firm is structured as a long-term investment partnership. Previously, he was a partner and fund manager at Ward Ferry Management, a Hong Kong-based asset management firm. While at Ward Ferry, Michael led the firm's investments in the natural resource sector and was among the first institutional investors in the unconventional oil and gas space in Australia. He has identified and executed investments across the Asia-Pacific region in both public and private companies. In this capacity, Michael worked closely with management teams to help maximize shareholder value, and he has an extensive network of contacts on both the financial and operational sides of the industry.

Directors' recommendation:

Each of the Directors (excluding Mr Mager) recommends that shareholders vote in favour of Item 2(b).

ITEM 3 – REMUNERATION REPORT

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Remuneration Report includes an explanation of RLE's remuneration policy and the remuneration arrangements in place for Directors and other key management personnel.

The objective of RLE's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive;
- compensation;
- transparency; and
- capital management.

In summary, the Remuneration Report deals with:

- key management personnel;
- principles used to determine the nature and amount of remuneration;
- non-executive Director remuneration;
- details of remuneration;
- executive service agreements;
- share-based compensation; and
- additional information.

During discussion of this Item, there will be an opportunity for shareholders to ask questions about, or comment on, the Remuneration Report.

The Board submits the Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution as required by the Corporations Act ('Act').

Although the vote on this resolution does not bind the Directors or the Company, the Board respects the views of its shareholders and will take the outcome of the vote into account when considering remuneration policy in the future.

As a result of amendments to the Act generally known as the "two strikes rule", shareholders should note that the results of the vote on this item may impact the conduct of next year's AGM.

The Directors encourage shareholders to apply the same level of diligence in relation to this resolution as they do with the binding resolutions.

Directors' recommendation:

The Directors unanimously recommend that shareholders vote in favour of Item 3.

ITEM 4 – ISSUE OF OPTIONS TO MICHAEL MAGER

The company proposes to grant options to Michael Mager, a director of the Company, in accordance with section 208 of the Act and Listing Rule 10.11, as part of his overall remuneration.

The resolution proposes to issue 2,000,000 options with an exercise price of 30 cents each and an expiry on or before 30 June 2017. The options only vest after one year of service as a director and Mr Michael Mager must remain a director otherwise the options lapse. The options are non transferable and unlisted.

The number of options and exercise price will change if there is a reorganisation of capital, including, without limitation, a share split or consolidation to the extent necessary to comply with ASX listing rules and Corporation Act. Generally the number of options would increase or decrease by the reorganisation factor. For example if a reorganisation took place where the number of shares on issues were to double, then the number of options would also double. The options do not contain any rights regarding participation in new issues of the underlying securities.

At the date of this notice, Michael Mager holds 360,000 ordinary shares and 90,000 options in the Company.

The Act prohibits a public company from giving a financial benefit to its directors without Shareholder approval, unless the giving of the financial benefit falls under one of the exceptions specified in the Act. Financial benefit is defined to include the granting of options.

Although it maybe argued that the Options to be granted pursuant to Resolution 4 fall under the reasonable remuneration exemption in the Act, it is considered prudent to obtain Shareholder approval to the grant of the options under the Act and the Listing Rules.

The Listing Rules also prohibit the issue of securities to Directors without Shareholder Approval (except in certain circumstances, again, one of which may apply here). In addition, if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1

The following information is given to Shareholders as required by the Act and the Listing Rules:

- (a) The related party to whom the financial benefit will be given if this resolution is approved is Michael Mager (Director).
- (b) Michael Mager was appointed a Director of the company 16 December 2013. The Company's share price at that time was 18.5 cents per share. The Company agreed to offer the options detailed in this resolution at the date of Michael Mager's appointment.
- (c) The financial benefit to be given is the grant of 2,000,000 Options ('the Options'). There is no issue price for the Options. The Options will be issued no later than a date not more than 1 month after the date of the Company's 2014 AGM.
- (d) The Options have an exercise price of 30 cents per Option and an expiry date of 30 June 2017.
- (e) The vesting period is 1 year after appointment and Michael Mager must remain a director of the Company otherwise the Options lapse.
- (f) The Options are unlisted and cannot be transferred.

From an economic and commercial point of view, the true potential cost and detriments of or resulting from the grant of the Options is:

- No funds will be raised from the issue of the Options, however if all Options vest and are exercised the company will receive \$600,000.
- If all Options are granted and fully vest and all are subsequently exercised, the company will issue an additional 2,000,000 ordinary shares which will dilute the holding of existing Shareholders by 1% (assuming no change in issued capital of Company occurs prior to the Expiry Date of Options).
- If at the time the Options are exercised the ordinary shares of the Company are trading on ASX at a price higher than the exercise prices, there maybe a perceived cost to the company.
- In the 12 months before the date of this notice, the highest, lowest and last trading price of the Company's ordinary shares on the ASX was:
 - ✓ **Highest - \$0.45**
 - ✓ **Lowest - \$0.155**
 - ✓ **Last - \$0.26**
- The grant of the Options will form part of the Directors remuneration as in the Board's opinion the financial, legal and other responsibilities assumed by directors of publicly listed companies provide a risk that monetary fees alone do not adequately reward and do not provide adequate incentive to enable the Company to attract and keep board members and executive directors of the requisite level of experience and qualifications.

In determining the number of options to be granted, consideration was given to the relevant experience and role of Michael Mager and the overall remuneration terms. As at the date of this notice of meeting, the annual remuneration of Michael Mager was \$36,000 (including his fee as Chairman of the Remuneration Committee).

- The estimated fair value based on the Black Scholes option formula and a discount for the fact the options are unlisted is \$182,000.
- If the resolution is approved then the number of shares and options owned by Michael Mager in the Company will change if the options are granted , as follows:

	Current	Post issue of Options
Michael Mager	<ul style="list-style-type: none"> • 360,000 ordinary shares & 90 ,000 options 	<ul style="list-style-type: none"> • 360,000 ordinary shares & 2,090,000 options.

The options will be issues within 1 month of this meeting.

Directors' recommendation:

Each of the Directors (excluding Mr Mager) recommends that shareholders vote in favour of Item 4.

ITEM 5 – PREVIOUS ISSUE OF SHARES

The ASX Listing Rules restrict the number of securities which a listed company may issue in any 12 month without the approval of shareholders to 15% of the number of securities on issue at the start of the period subject to certain adjustments and permitted exceptions.

This resolution seeks shareholder approval to the previous issue of securities in the Company for the purposes of listing rule 7.4. The purpose of the seeking shareholder approval of the issue of securities in this resolution is to ensure that the previous issue of shares as described below does not reduce the Company's placement capacity under the Listing Rules.

As announced 23 October 2014, the company raised \$5 million through the issue of 16,129,033 ordinary shares at 31 cents per share. The purpose of the share issue is to allow the Company to continue its exploration activities. As previously announced on 17 October 2014, the placement offer was made to professional and sophisticated investors.

Directors' recommendation:

The Directors unanimously recommend that shareholders vote in favour of Item 5.

LOCATION OF ANNUAL GENERAL MEETING
REAL ENERGY CORPORATION LIMITED, LEVEL 3, 32 WALKER STREET, NORTH SYDNEY NSW 2060
AT 11.00 AM (Sydney time) ON FRIDAY, 5 December 2014

Public transport: Real Energy's office is located opposite North Sydney train station. The area is also serviced frequently by buses.

Car: There are also multiple public car parks located near 32 Walker Street North Sydney, notably on the Pacific Highway in North Sydney.

Proxy Form for Shareholders

Shareholder

XXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX

1. **I / We (please print):** Name _____

Address _____

_____ Security Holder Reference Number (if known) _____

2. Appointment of Proxy

I / We being a member/s of Real Energy Corporation Limited hereby appoint

☐

The Chairman of the Meeting
(mark with an "x") or

(Write here the name of the person you are appointing if this person/s is someone other than the chairman of the meeting)

or failing the person/s named, or if no person/s is named, the Chairman of the meeting, as my/our proxy and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Real Energy Corporation Limited to be held at the offices of the company at Level 3, 32 Walker Street North Sydney NSW 2060 at **11am on Friday 5 December 2014** and at any adjournment of that meeting.

3. Votes on Resolution directions to your proxy – please mark with a cross to indicate your directions

		For	Against	Abstain
Resolution 2	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(a)	Election of Lan Nguyen as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(b)	Election of Michael Mager as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options to Michael Mager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Previous Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLEASE NOTE: Undirected proxies received by the Chairman of the meeting will be voted in favour of each item of business. If you have appointed the Chairman of the meeting as your proxy (or the Chairman of the meeting becomes your proxy by default), you can direct the Chairman of the meeting to vote for, against or to abstain from voting on, Resolution 1 by marking the relevant box opposite Resolution 1. Note that under section 2, if the Chairman of the meeting is your proxy and you do not mark any of the boxes opposite Resolution 1, you are directing the Chairman to vote in favour of Resolution 1.

4. Appointment of a Second Proxy I/We wish to appoint a second proxy

State the percentage of your voting rights
Or the number of shares for this Proxy Form

☐

Mark with an "x" if you wish to appoint a second proxy

and

or

5. Authorised Signature/s

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Individual/Sole Director and Sole
Company Secretary

Director

Director/Company Secretary

Contact Name

Contact daytime telephone

Email

Date

Completed proxy forms must be received by the Company no later than 11am on Wednesday 3 December 2014 to be valid. You may return the form by:

1. Email to investor@realenergy.com.au ;or
2. Facsimile (+61 2) 9954 6408; or
3. Mail to: Real Energy Corporation Limited
Level 3, 32 Walker Street
North Sydney NSW 2060

How to Complete this Proxy Form

1. Your Name and Address

The name and address on the Proxy Form is as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. Please note: you cannot change ownership of your shares using this form

2. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of the person in Section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

3. Votes on Items of Business

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he chooses. If you mark more than one box on an item your vote on that item will be invalid.

4. Appointment of Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- (a) On each of the first Proxy Form and the second Proxy Form state that percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, your proxy appointments will be invalid. Fractions of votes will be disregarded.
- (b) Return both forms together.

5. Signing instructions

You must sign this form as follows in the spaces provided:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, either security holder may sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given above (via mail, email or fax) by not later than 48 hours before commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.