



REAL ENERGY

December 2014 Quarterly Report

- **Queenscliff 1 well had strong gas readings – Log interpreted net pay of 72 metres over 154 metres gross Toolachee-Patchawarra interval**
- **Additional 7 metres net gas pay in Nappamerri Formation**
- **Flow testing to commence in the next few weeks**
- **Real well placed to unlock significant value in its prospective Cooper Basin acreage**

Real Energy Corporation Limited (ASX: RLE and Real Energy) is pleased to provide shareholders with the report of the Quarter ended 31 December 2014. During the quarter, the Company has continued to progress exploration and development work at its major projects in the Cooper basin.

Exploration

During the quarter the Company has drilling its second well, Queenscliff 1 showing strong gas readings throughout the Permian Toolachee and Patchawarra formations. This well continued the good result received from Tamarama 1. The well encountered a 154 metre gas column and 72 metres of log interpreted net gas pay (final petrophysical evaluation results).

Queenscliff 1 was drilled to the total depth of 3,219 metres in the economic basement. Electric logs have been recorded and preliminary wireline log interpretation in integration with mudlog gas readings and drill cuttings have indicated the presence of gas saturated Permian Toolachee and Patchawarra formations section at the Queenscliff-1 location. The petrophysical evaluation, using standard 5% porosity cutoff for pay calculation of the basin centred gas play, indicates the well has encountered 35.5 metres of net sandstone gas pay (from gross 66.5 metres) in the Toolachee Formation and 37.2 metres of net sandstone gas pay (from gross 87.5 metres) in the Patchawarra Formation. In addition, the well also encountered 7 metres of net sandstone

Real Energy Corporation Limited

ASX: RLE

Real Energy is an oil and gas exploration and development company with a focus on the Cooper basin, Australia's most prolific conventional onshore petroleum producing basin. Real Energy has 100% ownership in 3 large permits in Queensland being ATP 917P, ATP 927P and ATP 1161PA. These permits cover 8,314 km² (2,054,435 acres).

Real Energy is focusing initially on the Toolachee and Patchawarra formations. These formations are well known throughout the basin as holding and producing gas. Seismic has identified that the Toolachee and Patchawarra formations are significant in part of our acreage. The independent geologist has assessed that Real Energy's areas have a Mean Gross Estimated Petroleum Initially-in-Place of 10.2 Tcf of gas in the Toolachee and Patchawarra formations.

Directors

Lan Nguyen – Chairman Non executive
Scott Brown – Managing Director
Norm Zillman – Non executive
Michael Mager – Non executive

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gas pay (from gross 30 metres) in the Triassic Paning Member of the Nappamerri Formation.

Queenscliff-1 is located approximately 668 metres downdip from Tamarama-1 and outside any seismically mapped structural closure. It is also 31 metres downdip from Whanto 1 to the west. Queenscliff-1 will be cased and suspended

We are very excited by the results received to date from Tamarama-1 and Queenscliff-1, which appears to confirm our hypothesis on the presence of the Basin Centred Gas in this area. Queenscliff-1 was drilled in the structurally low area of the Windorah Trough without any seismically mapped structural closure. Tamarama-1 and Queenscliff-1 successes have significantly advanced the play, and proved the continuous gas saturated Permian Toolachee and Patchawarra formations section is present in our acreage outside any structural closure. This is in the form of the continuous Basin Centred Gas play. The presence of gas saturated sandstone units in the basal part of the Nappamerri Formation and gas charged siltstone unit immediately overlying the Toolachee Formation at Queenscliff-1 location where there is no mappable structural closure at the Nappamerri level, also provides affirmative evidence on the presence of the Basin Centred Gas play similar to many basin centred gas areas in other sedimentary basins. It appears we have a very large gas accumulation in our acreage.

The Company has contracted a workover rig which is likely to be onsite in the next few days and we expect production testing of Tamarama-1 and Queenscliff-1 in the next few weeks. The completion and testing program has been designed into 2 main phases for proper evaluation of thick log-interpreted gas column in both wells. The primary objectives of the 2 phase completion and testing program are to obtain data on reservoir properties, formation pressure and gas composition in the Toolachee and Patchawarra formations which would be important for the reserves/resources certification process.

Corporate

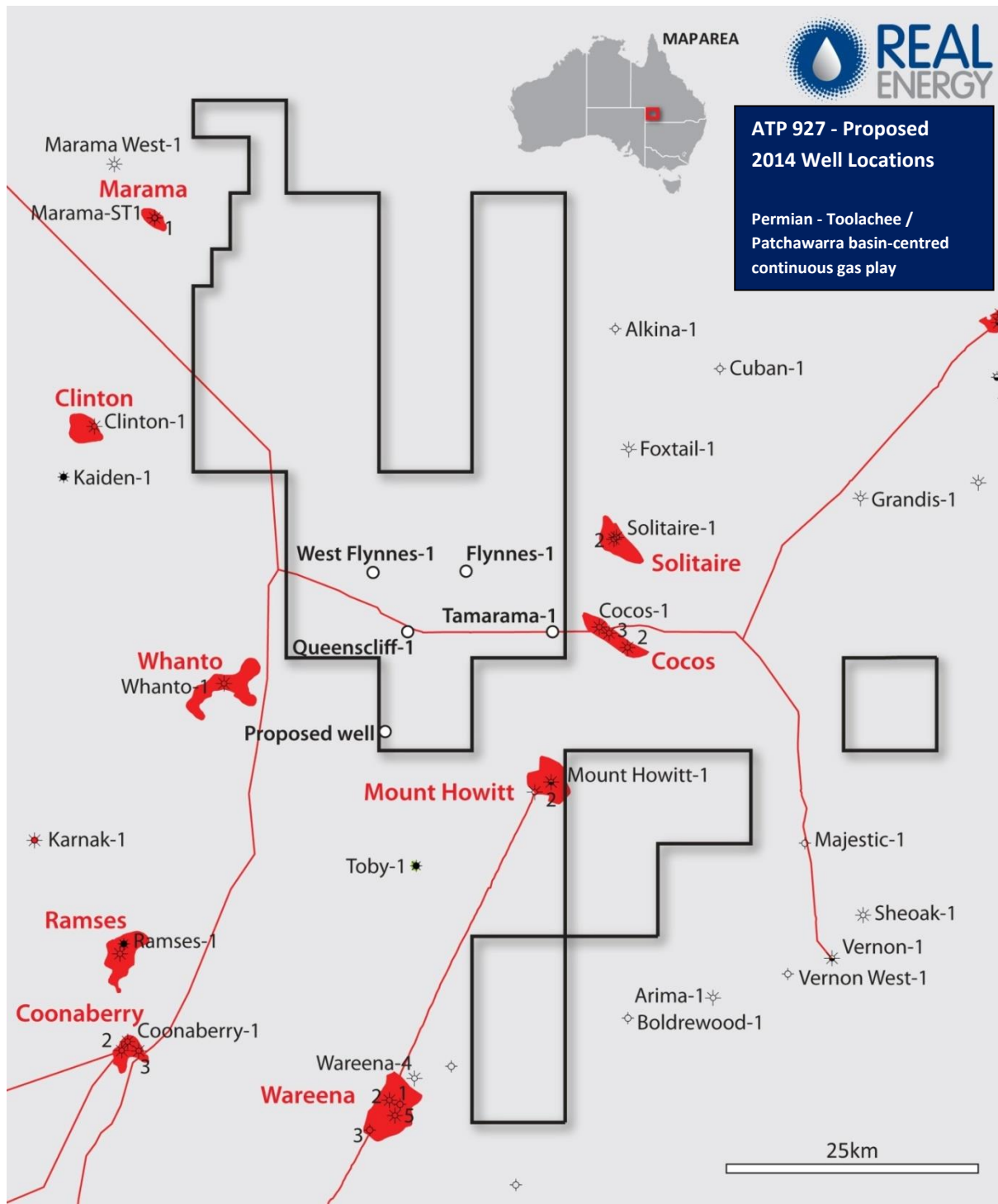
On 31 December 2014 Real Energy had \$7.88 million in cash.

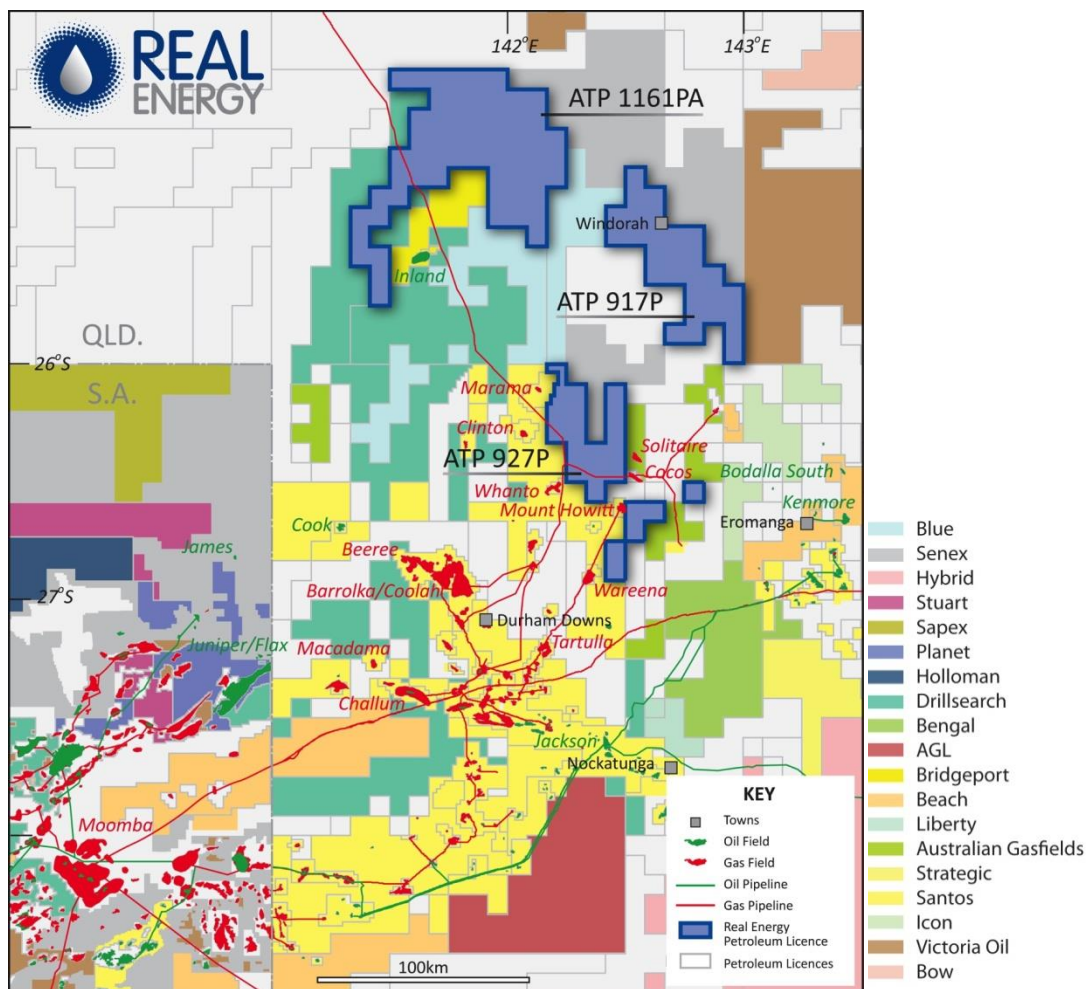
At the end of the quarter the total number of ordinary fully paid shares on issue was 183,488,033. During the quarter a total of 16,129,033 ordinary shares were issued at a price of 31 cents each to raise \$5 million before fund raising costs.

Tenement Schedule

Permit	RLE ownership %	Location
ATP917P	100	Cooper Basin, South West Queensland
ATP927P	100	Cooper Basin, South West Queensland
ATP1161PA	100	Cooper Basin, South West Queensland

There have been no changes to the Company's ownership position in the above tenements during the quarter.





Map of Real Energy's Permits

The geological information in this report relating to geological information and resources is based on information compiled by Mr Lan Nguyen, who is a Member of Petroleum Exploration Society of Australia, the American Association of Petroleum Geologist, and the Society of the Petroleum Engineers and has sufficient experience to qualify as a Competent Person. Mr Nguyen consents to the inclusion of the matters based on his information in the form and context in which they appear. The information related to the results of drilled petroleum wells has been sourced from the publicly available well completion reports.

For further information please contact:

Mr Scott Brown

Managing Director

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Or visit our website at www.realenergy.com.au

On our website you can register for email alerts.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Real Energy Corporation Limited

ABN

92 139 792 420

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) corporation & administration	(442)	(764)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	73	122
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(369)	(642)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) exploration & development	(8,145)	(8,911)
	(c) other fixed assets	(5)	(9)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(8,150)	(8,920)
1.13	Total operating and investing cash flows (carried forward)	(8,519)	(9,562)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(8,519)	(8,562)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	5,001	5,001
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (fund raising expenses)	(300)	(300)
	Net financing cash flows	4,701	4,701
	Net increase (decrease) in cash held	(3,818)	(4,861)
1.20	Cash at beginning of quarter to date	11,699	12,743
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	7,881	7,881

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	157
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payment of Directors fees/Salaries & consultant fees 157

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

+ See chapter 19 for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,200
4.2 Development	-
4.3 Production	-
4.4 Administration	300
Total	2,500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7,881	11,699
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,881	11,699

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3 +Ordinary securities	167,359,000 <u>16,129,033</u> Total: 183,488,033	121,559,800 <u>16,129,033</u> Total: 137,688,833	25 cents 31 cents	25 cents 31 cents
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	16,129,033	16,129,033	31 cents	31 cents
7.5 +Convertible debt securities (description)	Nil	Nil	Nil	Nil

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil	Nil	Nil
7.7	Options (description and conversion factor)	<i>Option numbers:</i> 720,000 - 5,000,000 - 17,588,256 - 28,239,750 - 27,500,000 - 4,000,000 - 2,000,000 - 1,000,000 - Total 86,148,006		<i>Exercise Price</i> 30 cents 30 cents 30 cents 30 cents 25 cents 34 cents 30 cents 50 cents	<i>Expiry Date & Condition</i> 30 June 2015 ¹ 30 September 2016 ² 31 May 2015 31 May 2015 14 October 2016 11 December 2016 30 June 2017 ¹ 1 October 2017
7.8	Issued during quarter	2,000,000 - 1,000,000 -		30 cents 50 cents	30 June 2017 1 October 2017
7.9	Exercised during quarter	Nil	Nil	Nil	Nil
7.10	Expired during quarter	Nil	Nil	Nil	Nil
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	Nil			

1 Options are subject to vesting conditions and employees must remain an employee of the Company prior to exercise.

2 Options are subject to escrow, vesting and forfeiture conditions and directors must remain a director prior to exercise.

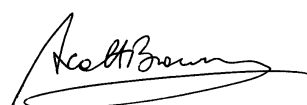
3 Options are subject to vesting and the director must remain a director prior to exercise.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does ~~/does not~~* (delete one) give a true and fair view of the matters disclosed.

Sign here:



Date: 30/01/2015

Director/~~Company secretary~~

Print name:

Scott Brown

Notes

+ See chapter 19 for defined terms.

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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