

“Making solar an attractive investment”

24th March 2014



Key Messages

- ☀ **Solar projects are expected to play a major role in power generation in Australia**
- ☀ **Soleir's tax effective project financing reduces cost of capital by 25-30%**
- ☀ **Creates an attractive alternative investment for high networth individuals**
- ☀ **Delivers substantial developer margins to Soleir – forecast fees of 0.3cps in 2016**
- ☀ **Business model is scalable throughout regional Australia**
- ☀ **Soleir's utility scale solar PV projects are viable without subsidies**

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Corporate Structure

Issued Capital

ASX Code : ROG

Shares : 1,680 million

**Unlisted Options : 200m
(ex @ 4 cps by Sep 2014),
60m (for directors @ 2.25
cps by Mar 2016), 100m (for
key consultants @ 0.9cps)**

Price and Capitalisation

**Share Price : 0.2cps
(22/3/14)**

12 month high : 0.3 cps

Market Cap : \$3.3m

Cash : ~\$800,000

Share Registry

**Energy Infrastructure and Resources
10.7%**

ERM Power 8.9%

St Baker Investments 5.9%

Resolve Geo 4.8%

Top 20 44.8%

Number of shareholders 2453

Contact Details

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Our team

Rohan Gillespie Managing Director, Red Sky Energy

Mr Gillespie has worked in the energy industry for 30 years in project management, finance and business development. Mr Gillespie's career roles have included BHP Petroleum, Commonwealth Bank, Ceramic Fuel Cells and Renewable Energy Corp.

Gerrit de Nys Non Executive Chairman, Red Sky Energy

Mr de Nys was one of the founders of the construction materials division of the Hong Kong based Shui On Group. With IMC Group, Mr de Nys grew the shipyard operations in Thailand into a business. Also with IMC Mr de Nys was instrumental in establishing the IMC Resources Group with in excess of \$100 million in seed investments in a number of ASX listed and private companies.

Guy Le Page Non Executive Director, Red Sky Energy

Mr Le Page is a founder of RM Capital and has extensive experience in the funding of small cap ASX listed companies.

Adrien Wing Coy Sec and Non Executive Director, Red Sky Energy

Mr Wing has extensive company secretarial and corporate experience with small cap ASX listed companies.

Alan O'Sullivan Executive, Financing

Mr O'Sullivan was CEO and Director of JF Infrastructure Pty Ltd (JFI) from 2002 to 2009, instrumental in building an infrastructure funds management business. Mr O'Sullivan is an experienced company director, including as Chairman.

Brett Cooper Executive, Business Development

Mr Cooper was one of the initiators and developers of the International Parking Group (IPG), acquired by JFI in 2003. Mr Cooper was instrumental in the formation of the ARAMAX business and the regional saleyards business for the Palisade regional infrastructure fund.

Bill Fox Responsible Manager, RE

Mr Fox is the Co-Responsible Manager under the RE's AFSL. He has worked in financial services since 1988. He joined Macquarie Group in 1998 to manage a portfolio of structured wholesale investments. From 2001 he focused on retail structured products, being responsible for the preparation of a range of managed investment scheme offer documents and managing retail investment products. Mr. Fox became a responsible entity director in 2007 and upon leaving Macquarie Group in 2012 became a non-executive director of three responsible entities.

Edwin Foong General Manager, Business Development

Mr Foong has an extensive background in the power and renewable energy industries from engineering through to business development, marketing and project financing. Mr Foong managed Roaring 40s wind farm development business across Australia and New Zealand developing wind farm projects of \$150m to \$300m.

Steve Matusko Executive, Investor Marketing

Mr Matusko has over 20 years experience in investment banking and structured finance, with experience in both debt and equity instruments. Mr Matusko worked with Centrelease Australia, Carlisle Partners, Babcock & Brown, AusAsean Advisors and Bankers Trust. Mr Matusko has arranged both captive and third party financings for a diverse range of assets in the technology, intellectual property and health care sectors.

Philip Jackson General Manager, Project Development

Mr Jackson has 30 years working experience in a variety of industries including the defence forces, ports, coal mining and gas exploration. Mr Jackson's core expertise is project management with particular emphasis on safety and environmental management.



Our solar projects

- Low cost low risk approach
- Initially small utility scale projects
 - 1MW to 5MW each
 - sited on low value rural land
 - permitted at Council level
- Fit within distribution grid
 - sited near sub-stations
 - minimal impact on grid
- Long life low operating risk
 - proven technology, no operations, minimal maintenance
 - fixed tilt configuration – no moving parts
- Targeting regional NSW
 - well developed grid
 - good sunlight intensity
 - first project in Dubbo



Solar's role in National Electricity Market

- Valuable generation**
 - output closely correlated with demand
 - operates in intermediate to peaking range

- Receives time-of-day premium**
 - historical analysis shows solar operates during most high price periods
 - demonstrated during recent heat wave in Victoria

- May displace gas generation**
 - gas prices moving rapidly to oil parity
 - existing hi use gas plants becoming uneconomic
 - demonstrated by Swanbank closure

- Future new generation may all be solar**
 - No carbon tax, no LRET scheme means no more wind
 - New coal is high cost and may not get permitted
 - Plenty of gas peaking capacity already

- Utility scale PV solar is viable without subsidies**

Constraints on competitors

- Traditional funding approach not presently viable**
 - based on fixed price, long term power purchase agreements (PPA)
 - allows for bank debt and geared equity returns
 - however retailers are not entering into PPAs

- Solar needs to sell on spot basis**
 - not suited to fixed price PPA funding mode
 - requires mostly equity

- Traditional funding requires lump sum turnkey contracting**
 - bank debt requires large construction companies to guarantee capital cost
 - adds as much as 30% to cost of project

- Lower than expected electricity demand**
 - defers requirement for new generation

Our funding approach

- ❑ **Utilises equity that takes price risk**
 - ❑ closely aligned with operating and revenue model
 - ❑ allows selling on a spot basis to achieve time-of-day price premiums
 - ❑ does not require fixed price, long term PPA

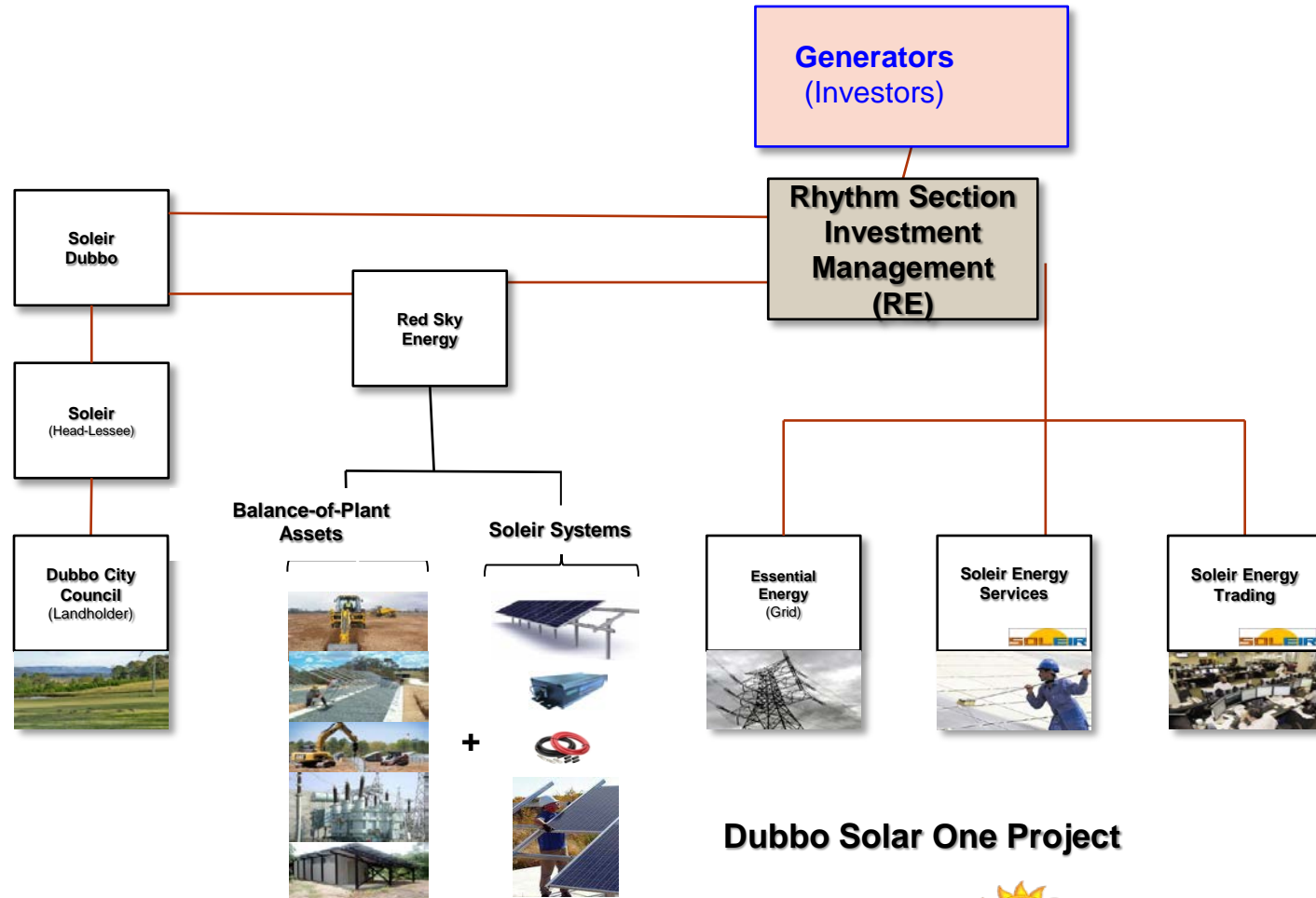
- ❑ **Product Ruling granted**
 - ❑ ATO has provided a ruling on the taxation aspects of Soleir's funding structure
 - ❑ Allows wholesale investors to directly own a portion of the proposed Dubbo Solar One Project
 - ❑ Provides certainty for investors on taxation benefits available under the funding structure

The Product Ruling is only a ruling on the application of taxation law by the ATO and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of the MIS, of the soundness or otherwise of the MIS as an investment, or of the reasonableness or commerciality of any fees charged in connection with the MIS. It should be noted that the Product Ruling is only binding on the Commissioner if the MIS is implemented in the specific manner provided in the Product Ruling. The Product Ruling only applies to those participants who are accepted to participate in the scheme after the minimum subscription is received and before the close off date of 31st October 2014. The tax benefit/consequences apply to the 2014-15 financial year and to subsequent years.

Unique financing structure

- subject to patent application
- unitised to allow individuals to invest
- directly own PV panels and inverters
- investors come in at start of scheme
- fully fund construction
- depreciation occurs upon “installed ready for use”
- can allow 100% depreciation upfront
- pre-tax returns become post-tax returns
- potentially lowers cost of funding by 30%
- potentially attractive alternative investment
- offers IRR on reference case 7-8% post tax
- compares favourably with bank shares ~4% post tax
- long term steady cash flows - 38 year scheme life
- becomes part of investor’s retirement planning

Financing contractual relationships



Developer/manager role

- ❑ **Manages project through life cycle**
 - ❑ secures rights to land, secures development consents – cost approx 4c/Watt
 - ❑ manages design, procurement and construction – most of cost is purchased items, simple construction
 - ❑ manages operations and sales

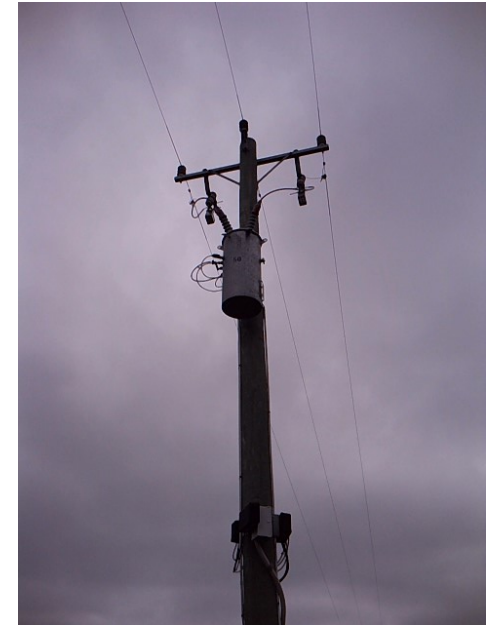
- ❑ **Low cost approach confirmed from Dubbo Solar One Project**
 - ❑ 40 year lease of land from Dubbo City Council
 - ❑ development consent for 2.5MW project
 - ❑ offer to connect from Essential Energy accepted
 - ❑ based on higher yielding micro-inverters
 - ❑ estimated capital cost \$2.30/Watt (\$5.75m for 2.5MW)

- ❑ **Funding structure allows attractive margins**
 - ❑ developer and project management fees ~20c/Watt
 - ❑ payable upon completion
 - ❑ plus ongoing profit share during high electricity prices

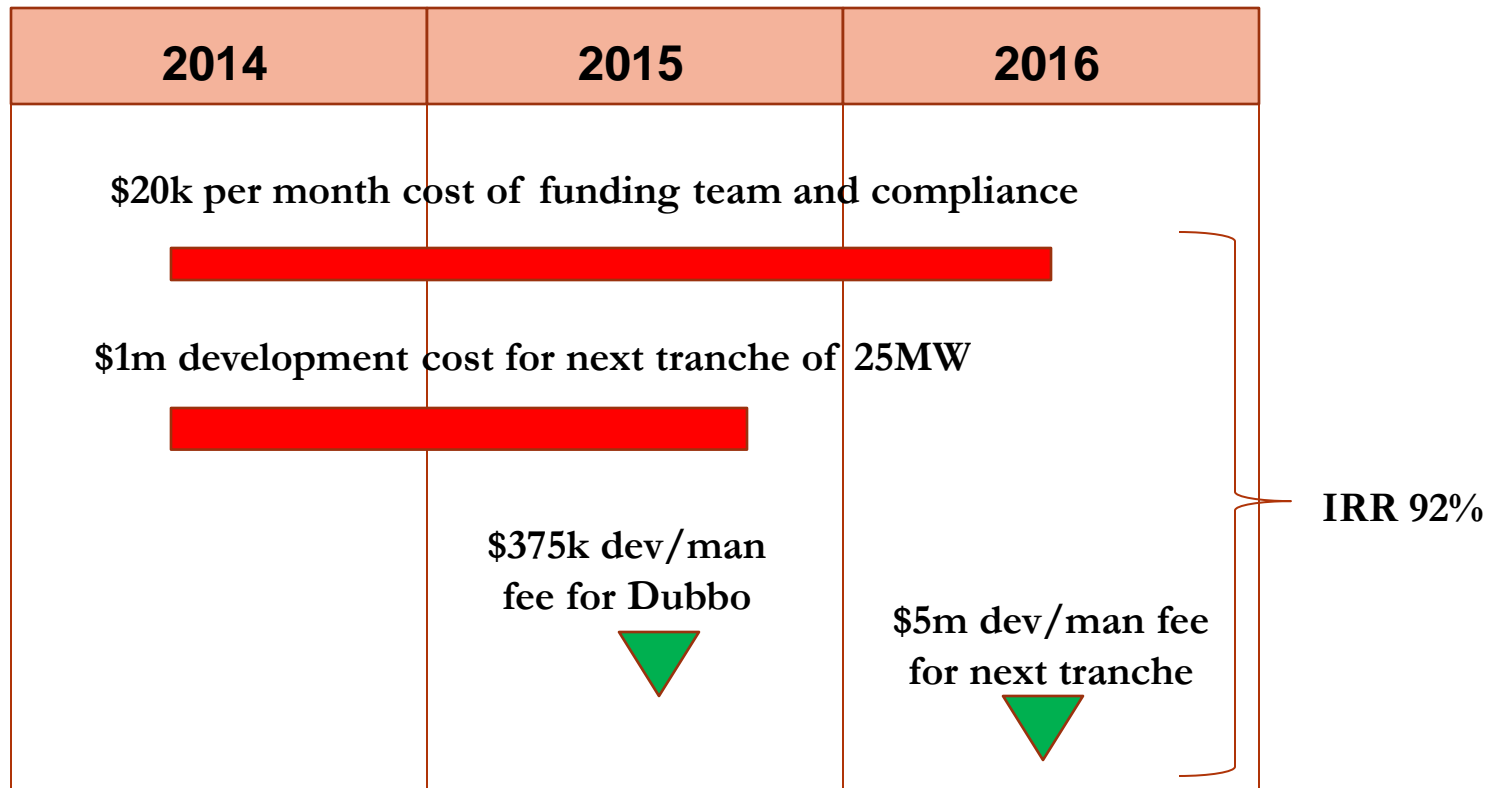


First mover advantage

- ❑ Funding structure allows projects to proceed
 - ❑ negates uncertainty of current political climate
 - ❑ removes constraints holding back other developers
- ❑ Dubbo Solar One Project is ready to go
 - ❑ regulatory approvals in place
 - ❑ suppliers short-listed
- ❑ Next tranche - portfolio of 5-10 projects totaling 25MW
 - ❑ sites identified, some optioned
 - ❑ target financial close September 2015
 - ❑ operational by June 2016
- ❑ Thereafter target 100+ Essential Energy sub-stations in regional NSW
 - ❑ capacity ~1000MW
 - ❑ opportunity for at least 400MW
- ❑ Will also consider licensing funding structure to other developers



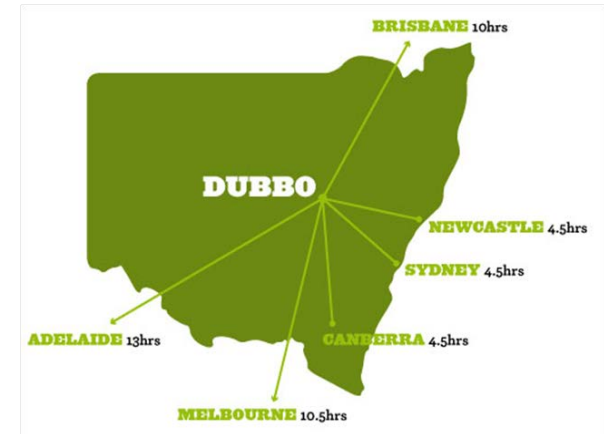
Potential developer margins



Next steps

- ❑ **Secure funding for Dubbo Solar One Project**
 - ❑ open applications in late April/early May
 - ❑ target financial close in late October
 - ❑ project operational in June 2015

- ❑ **Progress next tranche of 25MW**
 - ❑ secure project sites via lease or purchase
 - ❑ progress development consents



Red Sky subsidiary, Rhythm Section Investment Management Pty Ltd (RSIM), has a Australian Financial Services License and is the MIS promoter and responsible entity. RSIM intends to issue an information memorandum and open the application process within the next two months, and seek commitments from wholesale investors to subscribe to the MIS. A copy of the Product Ruling will be made available to all potential investors in conjunction with the information memorandum.

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The information presented herein contains predictions, estimates and other forward looking statements that are subject to risk factors that are associated with the power project development business.

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Important factors that could cause results to differ materially from those included in the forward-looking statements include timing and extent of changes in commodity prices for electricity and PV panels, risks related to development, competition, government regulation and the ability of the company to meet its stated goals.

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