



ABN 94 099 116 275

Level 17, 500 Collins Street  
Melbourne, VIC 3000

www.redskyenergy.com.au

Date 21 January 2015

## **Activities Report for the Quarter Ended 31 December 2014**

### **Summary**

- Red Sky entered binding term sheet to acquire 50% interest in Colorado oil field
- Red Sky's solar energy business, Soleir, and the Dubbo Solar One Project, are stalled until uncertainty with respect to Federal Government renewable policy is clarified;
- Red Sky sold its interests in the Clarence Moreton Basin. \$467,000 remains to be paid by ERM to Red Sky upon NSW Govt registration of transfer of 20% interest in PEL 479 and 457.
- Further opportunities in onshore oil and gas were assessed.

### **Operational Overview**

#### **Binding Terms Sheet to Acquire 50% interest in Cache Oilfield, Colorado, USA**

The Company announced on 4 November 2014 that it had entered into a binding Terms Sheet with Monument Global Inc and Cache Martini No. 1 LLC ("the Vendors") recording the terms upon which, subject to the satisfaction of various conditions, ROG will invest in and acquire rights to a 50% interest in the Cache Oilfield ("Cache") oil and gas project owned and operated by the Vendors located in Montezuma Country, Colorado, USA ("the Project").

The board has continued to assess a number of new opportunities aimed at restoring shareholder value and believes Cache provides a platform to achieve this. Implementation of the transaction will be subject to shareholder and regulatory approvals as well as completion of capital raisings totalling approximately \$2.4 million before costs. The parties are working with their respective advisors to complete definitive and capital raising documents as well as necessary documentation to convene a shareholder meeting.

The Cache oilfield is located, 10 miles east of the Aneth field. The Cache field produces from the Pennsylvanian age Ismay reservoir at a depth of ~5,600 feet (average 180 feet thick) and comprises of a series of limestones, dolomites, shales and anhydrides deposited in a biohermal/biostromal carbonate mound. The Cache field produced historically from wells drilled throughout the 1960's most of which are now closed. Initial well production declined leading to the need for secondary recovery by implementing a water injection strategy.

Information received by the Company to date about current and historical production is subject to confirmation as part of the due diligence to be undertaken by the Company. The Company makes no statement regarding reserves or resources (if any) at this time as historical information was not prepared under and does not presently satisfy the requirements of the ASX Listing Rules. It is anticipated that following completion of due diligence the Company will be able to announce information regarding reserves and/or resources (if any) in accordance with the

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requirements of the ASX Listing Rules including the requirement for any estimates to be prepared by or under the supervision of a qualified petroleum reserves and resources evaluator.

It is proposed that Modern horizontal/multi-lateral drilling technology and extraction techniques be used in order to try and establish sustainable economic flow rates from new wells. An initial well is proposed to be drilled to test the production model which, if successful, will be followed by further drilling and a 3D seismic program over the field.

Due to the current downturn in oil prices, the directors are actively seeking opportunities in brown fields oil and gas that are operating on the margin but still at break even, in the current environment. It is expected that these assets will supplement the company's interest in the Cache Oil Field and greatly enhance its assets under management; while the oil price remains low and at a fraction of the historical costs normally associated in acquiring these type of assets. This acquisition on weakness strategy will allow the company to have a substantial oil and gas asset base when the oil price eventually recovers and assist in building a strong oil and gas producing company.

The Board will provide further updates to shareholders as the proposed transaction, and its conditions, progress and subject to completion of due diligence and obtaining necessary regulatory approvals, ROG intends to prepare and dispatch a notice of meeting to seek the shareholder approvals required to approve Tranche 2 of the Initial Placement and implement the Terms Sheet.

### Solar Opportunity

Red Sky acquired solar energy company, Soleir Limited ("Soleir"), in November 2012 (see ASX announcement, 28 November 2012). Soleir is a developer of utility scale photovoltaic (PV) solar power projects, and its first project is in the major regional city of Dubbo in central NSW.

### Funding Structure

The proposed funding structure provides for unitised ownership that will allow individuals to participate in the business and invest in the Dubbo Solar One Project. A product ruling in relation to the proposed funding structure was issued by the Australian Taxation Office on 12<sup>th</sup> March.

### Status

The Federal Government has completed its review of the Renewable Energy Target but is yet to make its political view known. Given this uncertainty, progress on the Soleir business and the Dubbo Solar One Project is very difficult.

### Onshore Gas

- The 20% interest in permits PEL 479 and 457 in the Clarence Moreton Basin were sold to ERM Power. \$467,000 remains to be paid by ERM to Red Sky upon NSW Govt registration of transfer of 20% interest in PEL 479 and 457.

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## Corporate

The Company proudly appointed Mr. Clinton Carey as Director on 12 January 2015.

Mr. Carey has over 20 years Management and Director level experience in a range of listed companies specializing in mining, oil and gas and technology.

Mr. Carey specializes in reverse take over's (RTO) and has successfully completed 7 RTO's in Australia, The United States of America, Canada and England. In completing these RTO's Mr. Carey was responsible for all aspects of the transaction including corporate advisory services, capital raising and company development. Mr. Carey was a director of Roper River Resources Limited when it completed an RTO of Webjet Limited.

Mr. Carey also has extensive experience in the resources sector providing management, capital raising and corporate advisory services to a range of listed mining and energy companies. He has worked for mining companies in Russia, Brazil, Canada, Australia and England. He has worked in the mining and extraction industry for over 25 years.

During the quarter, the Company received commitments to place \$600,000 at an issue price of \$0.0008 per share. The Company placed the first tranche of the placement by issuing 420,229,122 shares to professional and sophisticated investors at an issue price of 0.08 cents per share to raise approximately \$336,000. This tranche was conducted under the Company's available capacity under ASX Listing Rules 7.1 and 7.1A.

Commitments for the second tranche of the Placement, being the balance of 329,770,878 shares for issue to professional and sophisticated investors at an issue price of 0.08 cents per share to raise approximately \$263,000 have also been received. The second tranche is subject to shareholder approval. Subject to shareholder approval, two of the directors of the Company, propose to each subscribe for 62.5 million shares (\$50,000 each) pursuant to the Placement. The Company intends to send a notice of meeting to shareholders shortly.

## Interests in permits

Clarence Moreton Basin	Permit	Nature of Interest	Extent of Interest
	PELA 135 (formerly PSPA 37)	application	Right to earn 100%. ERM Power holds an option to purchase from Red Sky.

## Changes during the Quarter

No changes occurred during the quarter.

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## 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

Red Sky Energy Limited

ABN

94 099 116 275

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 (12 months) \$A'000
1.1 Receipts from product sales and debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	(18)
(b) development	-	-
(c) production	-	-
(d) administration	(84)	(645)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - Solar project management	(17)	(352)
- Agistment income	1	4
- Research and Development grant	-	145
<b>Net Operating Cash Flows</b>	<b>(99)</b>	<b>(860)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments - Soleir acquisition consideration	-	(146)
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	1,000
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities		
- Cache Oilfield project	(300)	(300)
1.11 Loans repaid by other entities	-	-
1.12 Other - Solar project development costs	(1)	(131)
- Security deposit	(20)	(20)
<b>Net investing cash flows</b>	<b>(321)</b>	<b>403</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(420)</b>	<b>(457)</b>

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**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(420)	(457)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	299	299
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 – Cost of share issues	(22)	(22)
	<b>Net financing cash flows</b>	<b>277</b>	<b>277</b>
	<b>Net increase (decrease) in cash held</b>	<b>(143)</b>	<b>(180)</b>
1.20	Cash at beginning of quarter/year to date	534	571
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>391</b>	<b>391</b>

**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	25
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and company secretarial fees paid during the quarter.

**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

None

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- 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

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### 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	10
4.2 Development	
4.3 Production	
4.4 Administration	230
<b>Total</b>	<b>240</b>

The Company will rely on its existing cash resources and future capital raising (including funds to be raised from tranche two of the existing placement) to fund its current activities.

In addition to the most recent placement completed by the Company, the Company will consider raising further funds from the placement of equity securities, including the utilisation of the equity available under Chapter 7 of ASX Listing Rules.

In light of the above factors, the Company believes that it will have sufficient cash to fund its activities. The Company expects to have negative cashflows from operations of approximately \$240,000 for the forthcoming quarter. The Company's Board and Management is focused on meeting its current objectives and confirm that it is in compliance with ASX Listing Rules, in particular, Listing Rule 3.1.

### 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	174	317

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## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other - Bank account restricted to expenditure on PEL's 457 and 459	217	217
<b>Total: cash at end of quarter (item 1.22)</b>		<b>391</b>	<b>534</b>

### 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	<b>Preference securities</b> (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	2,101,145,608	2,101,145,608	

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## Mining exploration entity and oil and gas exploration entity quarterly report

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	420,229,122	420,229,122	0.08	0.08
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	60,000,000 100,000,000	60,000,000 100,000,000	<i>Exercise price</i> 2.25 cents 0.90 cents	<i>Expiry date</i> 31/03/2016 20/12/2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

### Compliance statement

- 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).
- This statement does give a true and fair view of the matters disclosed.

Sign here:


  
Director

Date: 21 January 2014

Print name: Adrien Wing

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## Notes

- 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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