



Level 17, 500 Collins Street,
Melbourne Victoria 3000

abn: 94 099 116 275
tel: +61 3 9614 0600
fax: +61 3 9614 0550
redskyenergy.com.au

ASX ANNOUNCEMENT

25th November 2013

Dubbo Project Update

Key Points:

- **Feasibility study has demonstrated enhanced investment returns from selling electricity on a spot basis;**
- **Analysis of historical data shows solar projects could achieve significant time-of-day premiums to the average electricity price;**
- **Results indicate the Dubbo Solar One Project makes acceptable investment returns even in the scenario where the carbon tax and 20% renewables scheme is cancelled;**
- **The Company now plans to proceed to build a 1MW first phase of the Dubbo project;**
- **Good progress has been made with Regulators on the new funding structure;**
- **Regulatory approval is expected in the first quarter 2014;**
- **It is planned to utilise the unitised funding structure for the 1.5MW second phase of the Dubbo project in FY2014/15;**
- **Company presentation is attached.**

The directors of Red Sky Energy Limited (“Red Sky” or “the Company”) are pleased to announce further progress on the feasibility study and new funding structure for the Company’s 2.5MW utility-scale Dubbo Solar One Project.

Further work on the feasibility study referenced a ROAM Consulting 2012 report which indicated a solar PV project in NSW could achieve pricing 95% to 175% higher than the average daily electricity price. This is due to operating hours coinciding with high peak prices during peak periods of demand and/or supply shortage. The analysis was based on six years of historical data from Australia’s National Electricity Market.

The Company has updated the project financial model based on the above, as well as making the assumption that both the carbon tax and 20% renewables scheme are cancelled by the Federal Government. The results show a pretax internal rate of return of 9.8%. On a risk adjusted basis at 12.2% these returns compare favourably with the 11.8% long term investment returns from the Australian share market.

The Company now plans to build a 1MW first phase of the Dubbo Solar One Project at an estimated cost of \$2 million and a construction period of five months. Upon completion, the project is expected to begin operation very shortly thereafter and be cash flow positive.

With respect to the new funding structure that allows unitised ownership of solar projects, good progress has been made with Regulators and major elements have been agreed. Regulatory approval is expected in the first quarter of 2014.

Once approved, the Company is planning to utilise the funding structure for a 1.5MW second phase of the Dubbo Solar One Project, which is expected to cost \$3 million and be constructed in FY 2014/15.

Red Sky acquired Soleir in November last year (see ASX announcement, 28 November 2012). Soleir is a developer of utility scale photovoltaic (PV) solar power projects. Its first utility-scale project is the 2.5MW Dubbo Solar One Project, and strong progress continues to be made at the project.

Soleir has secured a 30 year lease for the project site from the Dubbo City Council and development approval for the 2.5MW project is in place. Red Sky recently announced the project had secured an Offer to Connect from Essential Energy, which paves the way for the export of the project's electricity into the grid. Red Sky also recently completed installation of two 5kW Soleir Systems on the Dubbo Solar One Project site, for design validation and promotional purposes.

ENDS

For further information contact:

Shareholders/ Investors:

Mr Rohan Gillespie
Managing Director
Red Sky Energy Limited
Tel: +61 (0)438 722 443
Email: info@redskyenergy.com.au

Mr James Moses
Media and Investor Relations
Mandate Corporate
Tel: +61 (0)420 991 574
Email: james@mandatecorporate.com.au

About Soleir

Soleir is an Australian solar energy company focussed on utility scale projects, based on proven photovoltaic (PV) technology. Since inception Soleir has implemented a rigorous plan to reduce solar project costs in all aspects; financing, permitting, support structure and grid connection costs. The business is initially directed towards regional NSW where there is solid electricity growth, good grid infrastructure and high solar intensity. The business is underpinned by the Large Scale Renewable Energy Target which was legislated in 2010 and which requires approximately 10,000MW of new renewable projects by 2020.

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About Red Sky Energy

Red Sky Energy is an Australian energy development company focused on solar and gas. It has valuable acreage in Queensland and New South Wales which could supply into gas markets in eastern Australia. The Company has booked reserves in the prospective Clarence Moreton Basin. The board of directors and management team have over 100 years of energy industry experience. Directors of the Company are Gerrit de Nys (Non Executive Chairman), Rohan Gillespie (Managing Director) and Guy le Page (Non Executive Director).

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Company Presentation

“developing solar energy”

25th November 2013



Corporate Overview

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 (22/11/13)

12 month high : 0.4 cps (July 2012)

Market Cap : \$3.3m

Cash : \$540,000 (Nov 2013) includes \$435,000 for PEL 457,479 work programs

Share Registry

Energy Infrastructure and Resources 10.7%

ERM Power 8.9%

Resolve Geo 4.8%

St Baker Investments 4.6%

Top 20 44.8%

Number of shareholders 2453

Business Description

Red Sky Energy has a mission to build a sustainable energy business. Current focus is developing utility scale solar projects in regional NSW.

Soleir Projects

Dubbo Solar One Project : 2.5MW size, with 1MW first phase targeted for construction in January to June 2014 period. Second phase 1.5MW targeted for completion in June 2015.

Southern NSW Tranche : Notional 15-20MW portfolio of projects, targeted for development in FY 2015/16.

Molong Solar One Project : Notional 50MW project, 230kms west of Sydney.

Darlington Point Solar One Project : Notional 100MW project west of Wagga Wagga

Solar Funding Structure : Allows for unitized ownership in each project.

Gas Projects

Clarence Moreton Basin : 20% non-operated interest in exploration permits PEL 457 and 479. \$1.0m due from ERM Power upon renewal of PEL 479. ERM also has option to purchase Red Sky's 20% interest for \$5m per permit.

Surat Basin : 18.75% non-operated interest in ATP 840.

www.redskyenergy.com.au

www.soleir.com.au

Board of Directors

Mr Gerrit de Nys –
Non Executive
Chairman

Mr Rohan Gillespie –
Managing Director

Mr Guy le Page –
Non-Executive
Director

Mr Adrien Wing –
Company Secretary

Registration

Office : Level 17, 500
Collins Street,
Melbourne. 3000.
Ph 03 9614 0600

ABN : 94 099 116 275



Our solar business

- ❑ **Initially small utility scale projects**
 - ❑ 0.5MW to 10MW each

- ❑ **Short lead times**
 - ❑ 6-9 months for land, approvals, funding
 - ❑ 6-9 months to build and commission

- ❑ **Long life assets with immediate and steady cash flows**
 - ❑ proven technology, no operations, minimal maintenance
 - ❑ fixed tilt configuration – no moving parts
 - ❑ way of life drives electricity demand

- ❑ **First project – Dubbo Solar One Project**

Dubbo Solar One Project

- ❑ Size 2.5MW – development consent granted by Dubbo City Council
- ❑ Land leased for 30 year term with Dubbo City Council
- ❑ Connection Agreement close to finalisation with Essential Energy, with Offer to Connect accepted
- ❑ Total capital cost \$5.0m, minimal operating costs
- ❑ Comprises 2262 No Soleir Systems each with 4 PV panels and one 1.1kW inverter
- ❑ Soleir to be builder/project manager
- ❑ Two modules built on site in August to validate design and construction methods



Our solar projects

- ❑ Operate as peaking plants
 - ❑ output closely correlated with peak demand
 - ❑ historical data shows solar could receive 95% - 175% of average electricity prices
 - ❑ reduces cost to Essential Energy of TransGrid transmission charges (Avoided TUOS)
 - ❑ sell on a spot basis, not contracted

- ❑ Viability assuming 20% renewables scheme is cancelled
 - ❑ electricity prices expected to increase above inflation mainly due to structural change - gas price parity with oil
 - ❑ based on ROAM modelling and our capex/opex assumptions, project pre-tax IRR is 9.8%
 - ❑ on a risk adjusted basis, this is 12.2% compared to long term share market returns of 11.8%

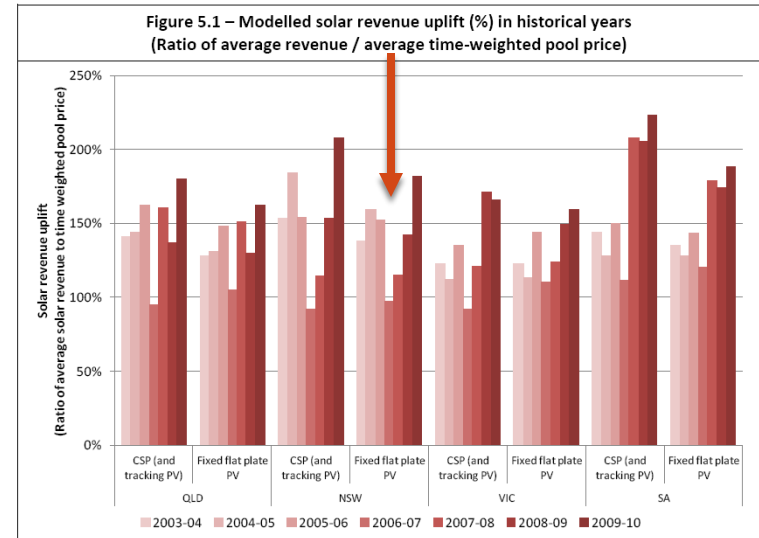
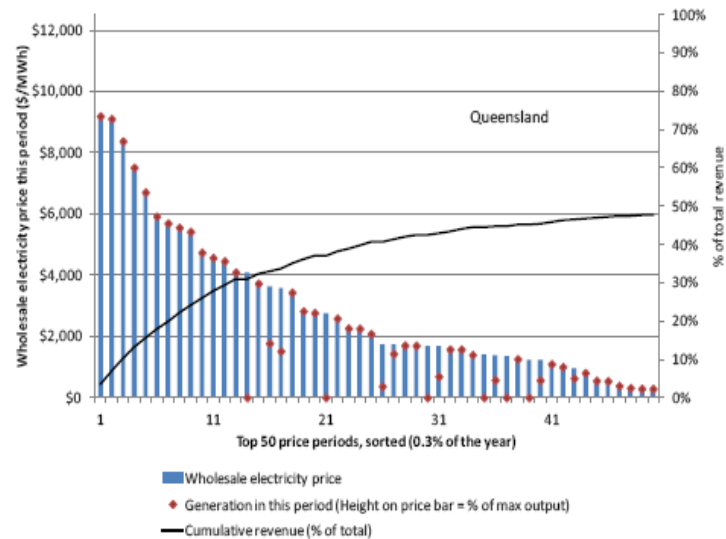


Figure 5.8 – 2009-10 highest price periods and CSP (and tracking PV) revenues



Our competitive advantage

- ❑ **Low cost development approach**
 - ❑ small projects sit within distribution network, sized at 40% of substation load
 - ❑ permitted at Council level
 - ❑ sites are low value grazing land
 - ❑ standardized design and construction methods

- ❑ **Innovative funding to match project operating mode**
 - ❑ takes advantage of unique characteristics of solar projects

Our funding structure

- ❑ **Allows unitized ownership of PV panels and inverters**
 - ❑ projects comprises thousands of 1.1kW systems grouped together
 - ❑ comprises about half of project cost
 - ❑ suits both individual and company investors
 - ❑ gives access to steady cash flows over 25-30 year project life
 - ❑ likely to have tax effectiveness through accelerated depreciation
 - ❑ simple to understand (similar to rooftop systems, not a complex product like those pre GFC)

- ❑ **Does not require long term take-or-pay sales contract**
 - ❑ all equity, no debt
 - ❑ investors take price risk
 - ❑ perfectly aligned with operating mode as peaking plant selling on spot basis

- ❑ **Continue to make good progress with regulators**
 - ❑ major elements agreed
 - ❑ expect approvals in first quarter 2014

Our business model

- ❑ **Developer role**
 - ❑ secure land and permits including connection agreement
 - ❑ secure funding
 - ❑ manage design and construction

- ❑ **Potentially significant margins**
 - ❑ developer fee upon financial close
 - ❑ project management fees
 - ❑ ongoing fund management fees for arranging finance

Our growth aspirations

- ❑ **Dubbo Solar One Project is the “blueprint”**
 - ❑ validates business model
 - ❑ establishes pool of investors
 - ❑ builds credibility with stakeholders

- ❑ **Able to be replicated many times over**
 - ❑ Essential Energy has 100 substations in regional NSW
 - ❑ capacity >1000MW
 - ❑ could support at least 400MW of small utility scale projects

- ❑ **Large target market**
 - ❑ National Electricity Market (NEM) demand is about 220TWhrs
 - ❑ For 2% pa growth, this equates to 4.4TWhrs
 - ❑ Assuming third of this is supplied by solar, requires 800 MW per year

Our near term plan

- ❑ **Build 1MW first phase at Dubbo**
 - ❑ requires \$2m
 - ❑ five months for construction
 - ❑ operate as peaking plant
 - ❑ sell output on spot basis
 - ❑ cash flow positive from start-up

- ❑ **Validates**
 - ❑ cost and time to build
 - ❑ peaking revenue model

- ❑ **Put in place funding for 1.5MW second phase**
 - ❑ continue to work with regulators on unitized ownership structure
 - ❑ aim for financial close in late 2014
 - ❑ target start-up in June 2015

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 business development with BHP Petroleum, credit executive with the Commonwealth Bank, and corporate development with energy start-ups 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, which he grew into a major business. With IMC Group, Mr de Nys grew the shipyard operations in Thailand into a business employing in excess of 2,000 people. 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.

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, and including infrastructure and environmental investment businesses.

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 is 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.

