



ABN 94 099 116 275

Level 17, 500 Collins Street

Melbourne, VIC 3000

www.redskyenergy.com.au

Date 31 January 2014

Activities Report for the Quarter Ended 31 December 2013

Summary

- Red Sky's solar energy business, Soleir, made further progress on the Dubbo Solar One Project;
- Updated feasibility study demonstrated the project was optimized as a peaking plant receiving time-of-day price premiums, and was viable without Government subsidies;
- Objective is to build first phase by mid 2014;
- Regulatory approval for proposed funding structure is expected in first quarter 2014.

Operational Overview

Solar Opportunity

Feasibility Study

The Feasibility Study for its proposed 2.5MW Dubbo Solar One Project was updated. The results showed an optimal operating regime where the project sold its electricity on a spot basis, and received time-of-day price premiums. The results further showed the project was viable without Government subsidies such as the 20% renewables by 2020 scheme.

Red Sky acquired solar energy company, Soleir Limited ("Soleir"), in November last year (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. Over the last three years, the Soleir team has been working on all aspects of solar project development with particular emphasis on development and financing costs. This Feasibility Study is the culmination of this effort.

Connection Agreement

An Offer to Connect has been received from Essential Energy and accepted by Soleir. The full connection agreement is expected to be finalized early next quarter.

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. As a result of further discussions with the regulators, a revised final submission was made to regulators this quarter. Regulatory approval is expected in the coming quarter.

ERM Gas Transaction in relation to Clarence Moreton Project

As a consequence of the previously announced ERM Gas transaction, Red Sky has reverted to a 20% non-operated interest in PEL 479 and PEL 457. The next milestone being renewal of PEL 479 is going through the regulatory process and is expected in the coming quarter.

ERM Gas is making preparations to drill a minimum of four wells in PEL 479 and 457. Timing of this work program is yet to be determined.

Taroom Trough Project

This project encompasses the permit ATP 840 in southern Queensland. Through a farm-in with Clark Oil and Gas (Operator), Red Sky has a 18.75% interest across both conventional and unconventional resources. Given the substantial investment required to maintain its interest, Red Sky relinquished its interest in this permit.

Events Subsequent

On 8th January 2014 Red Sky announced it had sold its 20% interest in permits PEL 457 and 479, to ERM Gas for approximately \$1.6 million in cash. This deal is subject to Red Sky shareholder approval. A Notice of Meeting will be distributed to all shareholders in due course.

Exploration Interests as at 31 December 2013

Clarence Moreton Basin	Permit	Nature of Interest	Extent of Interest
	PEL 479	farm-in	20%
	PEL 457	farm-in	20%
	PELA 135 (formerly PSPA 37)	application	right to earn 100%. ERM Power holds an option to purchase from Red Sky.

Changes During the Quarter

During the quarter, Red Sky withdrew from exploration permit ATP840 in southern Queensland. Red Sky previously held an 18.75% interest and has avoided the funding commitment on this permit.

No other changes occurred during the quarter.

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 2013

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 related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(28)	(130)
(b) development	-	-
(c) production	-	-
(d) administration	(204)	(1,094)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	6
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	(232)	(1,218)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(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	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Refund of mining deposit	-	30
Other – Solar project development costs	(96)	(350)
Net investing cash flows	(96)	680
1.13 Total operating and investing cash flows (carried forward)	(328)	(538)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(328)	(538)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	(2)
	Net financing cash flows	-	(2)
	Net increase (decrease) in cash held	(328)	(540)
1.20	Cash at beginning of quarter/year to date	899	1,111
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	571	571

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	99
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 consulting services provided by Energy Infrastructure and Resources Ltd.	

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

- 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

None

+ See chapter 19 for defined terms.

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 (Equity Facility with YA Global)	3,000	357

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	20
4.2 Development	600*
4.3 Production	
4.4 Administration	150
Total	770

- Development expenditure will only be incurred once funds from ERM are received. Refer to subsequent events section of the Activities Report for further details.

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	136	164
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other - Bank account restricted to expenditure on PEL's 457 and 459	435	735
Total: cash at end of quarter (item 1.22)	571	899

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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	ATP840 Southern Queensland	Farm-in	18.75%	nil
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)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	*Ordinary securities	1,680,916,486	1,680,916,486	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	*Convertible debt securities (description)			

+ See chapter 19 for defined terms.

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

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	200,000,000 60,000,000 100,000,000	200,000,000 60,000,000 100,000,000	<i>Exercise price</i> 4.00 cents 2.25 cents 0.90 cents	<i>Expiry date</i> 18/09/2014 31/03/2016 20/12/2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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 give a true and fair view of the matters disclosed.

Sign here: 
 Managing Director

Date: 31 January 2014

Print name: Rohan Gillespie

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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