

## Activities Report for the Quarter ended 30 June 2015

31 July 2015

### Summary

- During the Quarter ROG continued implementation of its first acquisition under its new strategy of developing a quality US based portfolio of onshore conventional oil and gas assets, including issuing a notice of meeting accompanied by an Independent Expert's Report and Independent Valuation Report\* assessing the acquisition.
- Subsequent to the end of the Quarter the acquisition of 50% of the Cache Oilfield, Montezuma County, Colorado, USA was completed on 31 July 2015 through the issue of 1.742bn shares
- \$1.742m was raised through the issue of 1.742bn shares at \$0.001 as part of the Cache transaction on 31 July 2015
- ROG has begun the process of securing a drilling permit to complete a new production well at Cache
- Key technical and corporate expertise joined the ROG board on 31 July 2015 to drive the execution of ROG's new strategy

### Review of Operations

During the Quarter Red Sky Energy ('ROG', or the 'Company') continued implementation of the acquisition of 50% of the Cache Oilfield, located in Montezuma Country, Colorado, USA (the 'Project') and associated capital raising.

The acquisition and associated capital raising were completed after the end of the Quarter on 31 July 2015.

Implementation of the transaction and capital raising was subject to shareholder & regulatory approvals. The notice of the Extraordinary General Meeting (EGM) to approve the transaction was sent to shareholders during the Quarter on 16 June 2015. The meeting was held after the end of the Quarter on 17 July 2015, where all resolutions were passed. The Notice of Meeting despatched as part of supporting documentation for the EGM included an Independent Expert's Report and Independent Valuation Report\* assessing the acquisition, which provided an opinion as to the fair market value for the 50% interest of Cache being acquired of between \$29.66m - \$35.27m, with a preferred valuation of \$30.02m.

Under the terms of the acquisition ROG has now acquired the 50% equity interest in Cache through the issue of 1.742bn fully paid ROG shares at a deemed price of \$0.001. As part of the acquisition, the Company completed a capital raising of \$1.742m through the issue of shares at an issue price of \$0.001.

Further to the acquisition of Cache and associated capital raising, Mr Kerry Smith and Mr Bill Rinehart were also elected as directors at the Extraordinary General Meeting and under the terms of the transactions joined the ROG board upon completion of the acquisition on 31 July 2015. The incoming team forms a critical element to the overall success of the Company's new strategy. Mr Kerry Smith is the founder of Monument Global Resources Inc and the major vendor of the Cache field. He has 30+ years as an Independent Contractor and oil & gas operator. He is experienced in data interpretation, usage of new

*\* Refer to the Independent Valuation Report (IVR) which accompanied the notice of the EGM – see page 72 for further details.*

methods to enhance operations, evaluation of oil and gas reserves, and analysis of research together with seismic studies to design drilling programs. Experience in all areas of well exploration preparation, production enhancement and well stimulation and design.

Mr Rinehart has 36 years in Geology and Geophysics, with extensive geologic experience in most major oil & gas provinces of North America. He has held senior positions with Mobil Exploration, including as Head of Exploration for North America, and Producing unit for over a decade. BS in Geology from Washington State University with a primary focus on Mineralogy and Metallic Ore Deposits.

In addition to Mr Smith and Rinehart joining the Board, Mr Edward Coalson will join the management team as the project consultant. Mr Coalson has 40+ years in geology and geophysics, Dr. Coalson has worked on a wide range of projects, most recently focused in the Piceance, Bighorn, Paradox and Green River basins. He is an expert in the Rocky Mountains and Mid-Continent. His prior experience includes roles with Coyote Oil & Gas Company, Strike Oil & Gas, LLC, Vecta Oil & Gas Company, Ltd., Cabot Oil & Gas Corporation, Bass Enterprises Production Company, and American Hunter Exploration Company. He holds a Ph.D. in Geology from the Colorado School of Mines, an MS in Geology from the University of Wyoming and a BS in Geology from Cal-State Long Beach.

### **Cache Oilfield, Colorado, USA**

Cache was discovered in 1964 by Amoco and is located in the Paradox Basin, Montezuma County, Colorado, USA. The field covers 1,840 acres and is 16kms east of the Greater Aneth Field (1.5bn barrels original oil in place ("OOIP") & peak production of 100,000 BOPD). Production records indicate that approximately 5 million barrels of high quality, sweet, 44 - 45° API, oil have been produced from Cache. Early field studies indicated that OOIP was estimated to be ~24 million barrels, suggesting that only about 20% of the OOIP has been produced.\*

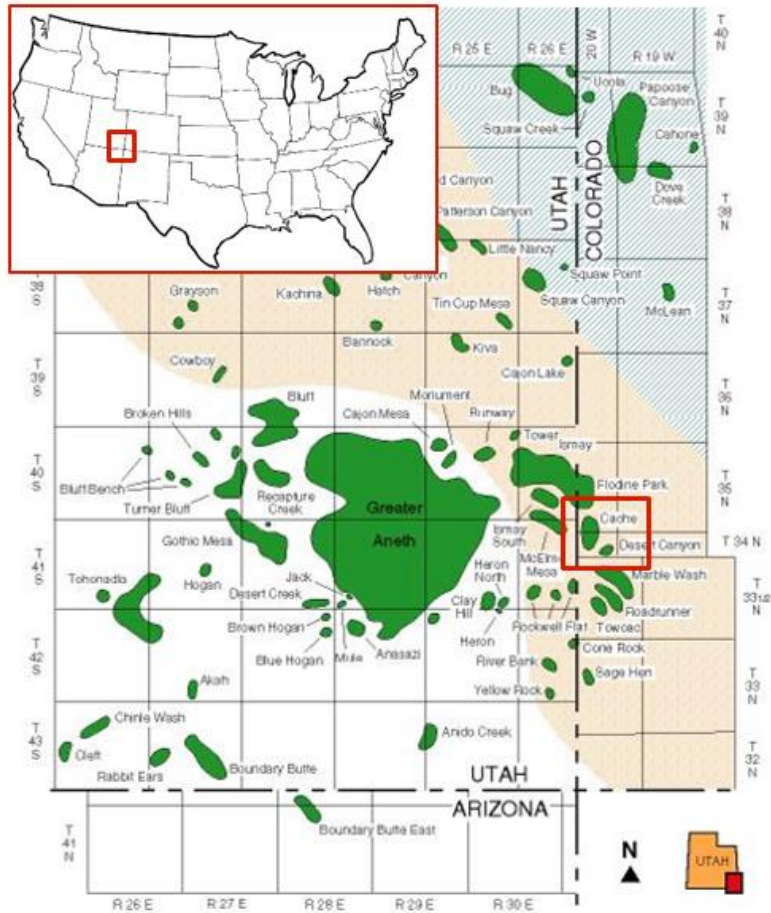


Figure 1. Regional Location map

At Cache the Pennsylvania age Ismay reservoir is the main producing reservoir. It is generally found at a depth of ~1,700 metres, averages 55 metres thick and is comprised of a series of limestones, dolomites, shales and anhydrides deposited in a biohermal / biostromal carbonate mound. Like the Aneth field, the primary trapping mechanism at the Cache field is mostly stratigraphic, with a minor structural component as the porous and permeable limestones pinch out away from the core of the mound.

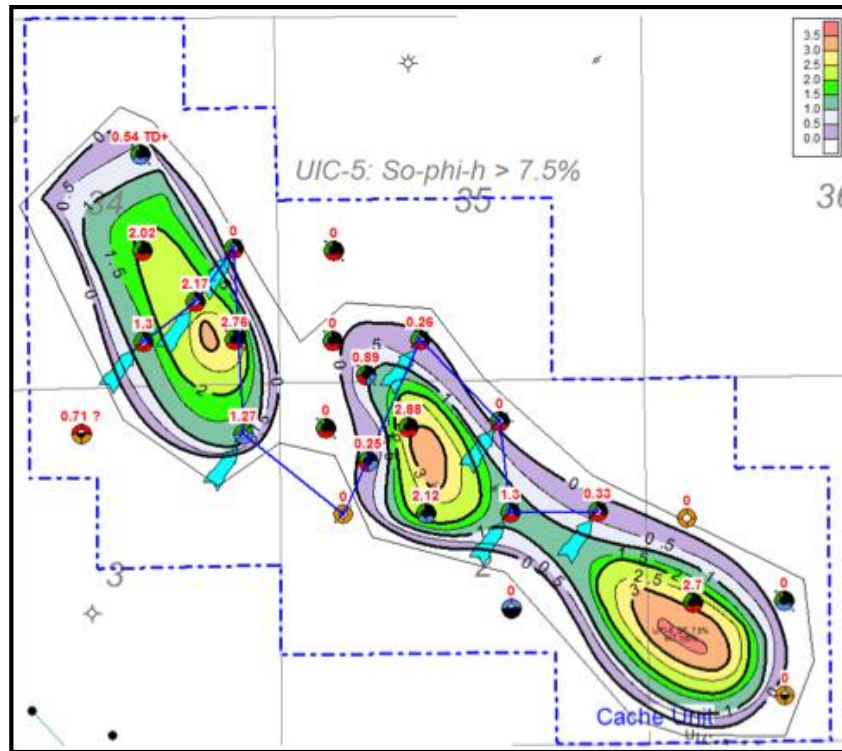


Figure 2. Plan view of carbonate mounds

The estimated reserve in the Independent Valuation Report (IVR), which form part of the recent notice of meeting, is 19.58 million barrels with an estimated recoverable reserve of between 5.1 and 6 million barrels providing the opportunity for substantial redevelopment. The IVR\* identified a number of factors why recoverable oil reserve is still present at Cache which include:

- Only 20% of the OOIP has been produced to date,
- the reservoir interval displays significant vertical and lateral heterogeneity suggesting that historic vertical well intersections may have been inefficient in maximising oil production,
- most of the current wells failed for mechanical reasons, several very early in their history suggesting that the completion and enhanced recovery techniques failed to maximise production, and
- recent log analysis and interval mapping indicates that the southern part of Cache has been poorly drained and may in fact contain primary reservoir pressures.

The Company intends to use modern horizontal-multilateral drilling and completion techniques to potentially enhance the oil production rates. By drilling laterally within the reservoir intervals the Company believes it can maximise the probability of intersecting zones of higher porosity and permeability leading to sustainable oil flow rates. Within the IVR it has assumed production rates of between 250 and 500 BOPD for the first well, with a preferred production rate of 350 BOPD.

### **New Strategy**

The Company is continuing to actively seek opportunities in brownfields oil and gas projects in the US that are operating on the margin, but are still at break even in the current environment of depressed energy prices.

The incoming Directors and management team are currently evaluating several additional projects for possible acquisition in the near term. ROG has assembled a team with a strong track record of in the development and operation of oil and gas fields with the United States.

The strategy is to acquire existing producing oil and gas fields which have been underexploited whereby modern techniques can enhance production. ROG's incoming management team have over 100 years combined experience in, locating, evaluating and developing oil and gas interests in mainland USA.

The success in horizontal drilling of oil resources, along with CO2 injection techniques used in older fields has shown that production has been increased and elongated. ROG will use these advances in oil extraction to its benefit by purchasing old oil fields and enhancing weakening production.

ROG has chosen Texas, the Mid-Continent and the Rocky Mountain regions as our initial areas of concentration since they are active oil and gas markets in which our team has a significant network, has successfully operated assets and within which numerous acquisition strategic partnership opportunities can arise.

### 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 2014.

#### 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.

### Interests in permits

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

Changes during the Quarter:

No changes occurred during the Quarter.

Subsequent to the end of the Quarter, the Company acquired its 50% interest in the Cache Oilfield as described above.

For and on behalf of the board,

Russell Krause  
Chairman  
Red Sky Energy Limited

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**\* Independent Valuation Report:** Refer to the "Independent Valuation Report considering the Fair Market Value of the equity interest available to Red Sky Energy Limited in the Cache Oilfield, Colorado, USA" prepared by Global Resources & Infrastructure Pty Ltd [ABN 45 132 038 861] (the Independent Valuation Report or "IVR") which accompanied the Company's Notice of the General Meeting released to ASX as an announcement on 16 June 2015 under the Company's ASX code ROG). The IVR contains detailed assumptions and further information which should be referred to when considering references to the IVR in this announcement

#### **QUALIFIED PETROLEUM RESERVES AND RESOURCES EVALUATOR**

Information in this report relating to hydrocarbon reserve estimates have been compiled by Mr Ian Buckingham, Director of Global Resources and Infrastructure Pty Ltd and author of the Independent Valuation Report included in the Company's Notice of Meeting for extraordinary general meeting held on 17 July 2015, released to ASX as an announcement on 16 June 2015 with the consent of Mr Buckingham. Ian has over 40 years of experience in petroleum geophysics and geology and is a member of the AAPG. Ian consented to the inclusion of the information relating to prospective hydrocarbon reserves in the form and context in which it appears in the IVR. The prospective reserve estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resource Management System. The Company confirms it is not aware of any new information or data that materially affects the information included in the IVR and that all the material assumptions and technical parameters underpinning the estimates in the IVR continue to apply and have not materially changed.

## 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")

30 June 2015

#### Consolidated statement of cash flows

| Cash flows related to operating activities                      | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and debtors                     | -                          | -                                     |
| 1.2 Payments for (a) exploration & evaluation                   | -                          | -                                     |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) administration  | (394)                      | (509)                                 |
| 1.3 Dividends received  | -                          | -                                     |
| 1.4 Interest and other items of a similar nature received       | 2                          | 3                                     |
| 1.5 Interest and other costs of finance paid                    | -                          | -                                     |
| 1.6 Income taxes paid   | -                          | -                                     |
| 1.7 Other - Solar project management                            | (6)                        | (9)                                   |
| - Agistment income  | -                          | 1                                     |
| - Other income  | -                          | 1                                     |
| <b>Net Operating Cash Flows</b>                                 | <b>(398)</b>               | <b>(513)</b>                          |
| <b>Cash flows related to investing activities</b>               |                            |                                       |
| 1.8 Payment for purchases of: (a) prospects                     | -                          | -                                     |
| (b) equity investments  | -                          | -                                     |
| (c) other fixed assets  | -                          | -                                     |
| 1.9 Proceeds from sale of: (a) prospects                        | -                          | 250                                   |
| (b) equity investments  | -                          | -                                     |
| (c) other fixed assets  | -                          | -                                     |
| 1.10 Loans to other entities                                    |                            |                                       |
| - Cache Oilfield project  | (30)                       | (86)                                  |
| 1.11 Loans repaid by other entities                             | -                          | -                                     |
| 1.12 Other – sale of AFSL entity                                | 40                         | 40                                    |
| <b>Net investing cash flows</b>                                 | <b>10</b>                  | <b>204</b>                            |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(388)</b>               | <b>(309)</b>                          |

+ 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) | (388)        | (309)        |
|      | <b>Cash flows related to financing activities</b>          |              |              |
| 1.14 | Proceeds from issues of shares, options, etc.              | 120          | 120          |
| 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                               | -            | -            |
|      | <b>Net financing cash flows</b>                            | <b>120</b>   | <b>120</b>   |
|      | <b>Net increase (decrease) in cash held</b>                | <b>(268)</b> | <b>(189)</b> |
| 1.20 | Cash at beginning of quarter/year to date                  | 470          | 391          |
| 1.21 | Exchange rate adjustments to item 1.20                     | -            | -            |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>202</b>   | <b>202</b>   |

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

|      |  | Current quarter<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 137                        |
| 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, consulting 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

+ See chapter 19 for defined terms.



**Appendix 5B**

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

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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

None

### Financing facilities available

Add notes as necessary for an understanding of the position.

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

### Estimated cash outflows for next quarter

|                                | \$A'000    |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 600        |
| 4.2 Development                |            |
| 4.3 Production                 |            |
| 4.4 Administration             | 200        |
| <b>Total</b>                   | <b>800</b> |

As part of the acquisition the Company completed a capital raising subsequent to the quarter for \$1.7 million through the issue of shares at an issue price of \$0.001. Please refer to the Company's activities report for further information regarding the capital raising.

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 202                        | 470                         |
| 5.2 Deposits at call                             | -                          | -                           |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other  | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>202</b>                 | <b>470</b>                  |

+ 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 | <b>Preference securities</b>                                     |               |   |  |
|     | <i>(description)</i>   |               |   |  |
| 7.2 | Changes during quarter   |               |   |  |
|     | (a) Increases through issues                                     |               |   |  |
|     | (b) Decreases through returns of capital, buy-backs, redemptions |               |   |  |
| 7.3 | <b>+Ordinary securities</b>                                      | 2,430,916,486 | 2,430,916,486                                 |  |
| 7.4 | Changes during quarter   |               |   |  |
|     | (a) Increases through issues                                     | 329,770,878   | 0.08  | 0.08   |
|     | (b) Decreases through returns of capital, buy-backs              |               |   |  |
| 7.5 | <b>+Convertible debt securities</b>                              |               |   |  |
|     | <i>(description)</i>   |               |   |  |

+ See chapter 19 for defined terms.

**Appendix 5B**

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

|      |   |  |  |  |   |
|------|---|--|--|--|---|
| 7.6  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted |  |  |  |   |
| 7.7  | <b>Options</b><br>(description and conversion factor)<br><b>Performance Rights</b>                            | 60,000,000<br>100,000,000<br><br>75,000,000<br>150,000,000 |  | Exercise price<br>2.25 cents<br>0.90 cents<br><br>Nil<br>Nil | Expiry date<br>31/03/2016<br>20/12/2016<br><br>11/03/2018<br>11/03/2020 |
| 7.8  | Issued during quarter<br><b>Performance Rights</b>  | 75,000,000<br>150,000,000                                  |  | Nil<br>Nil   | 11/03/2018<br>11/03/2020  |
| 7.9  | Exercised during quarter  |  |  |  |   |
| 7.10 | Expired during quarter  |  |  |  |   |
| 7.11 | <b>Debentures</b><br>(totals only)  |  |  |  |   |
| 7.12 | <b>Unsecured notes</b> (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:

Director

Date: 31 July 2015

Print name:

Adrien Wing

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+ See chapter 19 for defined terms.

## 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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**Red Sky Energy Limited**  
**Exploration Interests**  
**As at 30 June 2015**

| 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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+ See chapter 19 for defined terms.