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Date 28<sup>th</sup> January 2010

## **ASX Announcement**

### **Activities Report for the Quarter Ended 31 December 2009**

#### **Highlights**

- Cydonia Resources, a wholly owned subsidiary of Red Sky which has the right to earn 100% in two prospective permits in the Surat Basin in Queensland, contracted a drilling rig and secured landowner consent for the first well.
- A capital raising of \$4.5m before costs was successfully completed.
- Shareholder approval of the acquisition of Norwest Hydrocarbons and Surat Resources was secured on 30<sup>th</sup> November.
- Gerrit de Nys appointed as Non-executive Chairman and Murray Durham appointed as Executive Director (post 31 December).
- In summary, Red Sky Energy now has all the components in place (substantial exploration portfolio, adequate cash and an excellent team) to implement its corporate strategy.

#### **Corporate**

##### **Acquisition of Norwest Hydrocarbons and Surat Resources**

During the quarter the Company announced that it had acquired Norwest Hydrocarbons Pty Limited (NHL) and Surat Resources Pty Limited (SRL) for shares.

NHL has seven permits in northern NSW which are prospective for coal seam gas. SRL has three permits in NSW, also prospective for coal seam gas. Together they total nearly 100,000 km<sup>2</sup>.

The consideration to acquire NHL and SRL is through the issue of 160 million fully paid Red Sky shares. The acquisitions were approved at a shareholder's meeting on 27<sup>th</sup> November 2009. Both NHL and SRL are now wholly owned subsidiaries of Red Sky.

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## Capital Raising

During the quarter the Company raised \$4.5m from the issue of 125 million new fully paid Red Sky shares at \$0.036 per share. The Company received commitments from a number of institutions to complete the Placement. The manager for the Placement was Melbourne Capital.

## New Chairman and Executive Director

During the quarter Gerrit de Nys accepted an invitation from the Board of Red Sky to assume the non executive Chairman role. Gerrit has substantial business building skills and extensive contacts within Australasia. In addition Murray Durham accepted an invitation from the Board of Red Sky in January 2010 to assume an executive director role. Murray has both technical and commercial expertise within the oil/gas/coal seam gas fields and has held senior positions with Apache, BHP Billiton and Shell.

## Presentations

During the quarter, Red Sky's Managing Director presented at the 20:20 Investor Series in Sydney on 23<sup>rd</sup> November.

## Projects

### Surat Basin - Queensland

#### ATP 840, 904

During the quarter Cydonia Resources chose the well location and secured landowner consents for the first well in ATP 840. A contract was placed on TDC Drilling, with a target spud date of late January 2010. The second well is to be within ATP 904, before moving to NSW.

### Pedirka and Amadeus Basins – Northern Territory

During the quarter the operator Central Petroleum commenced a five coal seam gas well program in the Pedirka Basin within EP 93 and 107. The first well, CBM 93004 intersected approximately 140 metres of coal between 540m and 950m depth. Core samples were taken for gas content and other testing.

For further information contact:

#### Shareholders/ Investors:

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David Ballantyne (Company Secretary)  
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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Red Sky Energy Limited

ABN

94 099 116 275

Quarter ended ("current quarter")

31 December 2009

### 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 and evaluation (b) development (c) production (d) administration	(70) - - (445)	(239) - - (826)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	40	45
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	14	-
	<b>Net Operating Cash Flows</b>	<b>(461)</b>	<b>(1,020)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	(16) - -	(216) - -
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	- - -	- - -
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	30
	<b>Net investing cash flows</b>	<b>(16)</b>	<b>(186)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(477)</b>	<b>(1,206)</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(477)	(1,206)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,504	9,034
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	(531)	(520)
	<b>Net financing cash flows</b>	3,973	8,514
	<b>Net increase (decrease) in cash held</b>	<b>3,496</b>	<b>7,308</b>
1.20	Cash at beginning of quarter/year to date	4,008	197
1.21	Exchange rate adjustments to item 1.20	-	(1)
1.22	<b>Cash at end of quarter</b>	7,504	7,504

**Payments to directors of the entity and associates of the directors**

**Payments to 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	Current Directors 118 Former Directors 14
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Current Directors-fees and consulting services  
Former Directors-fees and termination of employment to 31 December 2008

**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

- 1) 150,000,000 fully paid ordinary shares were issued for acquisition of Cydonia Resources Pty Ltd
- 2) 4,575,000 fully paid ordinary shares were issued to GBU Capital Pty Ltd as corporate advisory fees.
- 3) 80,000,000 fully paid ordinary shares were issued for acquisition of Norwest Hydrocarbons Pty Ltd
- 4) 80,000,000 fully paid ordinary shares were issued for acquisition of Surat Resources Pty Ltd

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

N/A

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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 – line of credit	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,800
4.2	Development-discretionary	-
<b>Total</b>		<b>1,800</b>

### 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	7,504	4,008
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details): Security deposit	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>7,504</b>	<b>4,008</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	Norwest Hydrocarbons Pty Ltd (PEL 465,466,467 and PELA 87,90,91,94)	-	100%
		Surat Resources Pty Ltd (PELA 123(PSPA 28) and PSPA 29)	-	100%

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**Appendix 5B**  
**Mining exploration entity quarterly report**

**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.*

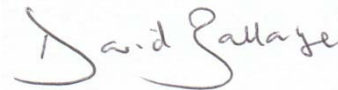
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Performance +securities</b> <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 <b>+Ordinary securities</b>	971,508,972	971,508,972		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	291,275,000	291,275,000		Fully paid
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases	Nil			
7.7 <b>Options</b> <i>(description and conversion factor)</i>	6,219,941 4,374,944 2,000,000 250,000 200,000,000 298,300,000		Exercise price 20 cents 20 cents 20 cents 20 cents 4 Cents 2 Cents	Expiry date 31/12/10 30/9/10 23/5/11 18/2/12 18/09/14 2/09/11
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	1,700,000		2 Cents	
7.10 Expired during quarter	Nil			
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil			

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## 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 ~~/does not\*~~ (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(~~Director~~/Company secretary)

Date: ...31 December 2009.....

Print name: David Ballantyne.....

## 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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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