



# Red Sky Energy Limited

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AGGREGATING QUALITY US ONSHORE OIL & GAS ASSETS

Investor Presentation  
June 2015

# Disclaimer

This presentation may contain certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with estimation of reserves, the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

The Independent Valuation Report (IVR) referred to in this presentation is 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] which is included in the Company’s Notice of the General Meeting to be held on 17<sup>th</sup> July 2015, copies of which can be obtained from the company’s website [www.#.com.au](http://www.#.com.au) and the ASX website (as an announcement on 16th June 2015 under the company’s code ROG). The IVR contains detailed assumptions and further information which should be referred to when considering references to the IVR in this presentation.

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# Executive Summary

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<p><b>Strategic Direction</b></p>	<ul style="list-style-type: none"> <li>▶ Decision to undertake asset aggregation strategy in October 2014</li> <li>▶ The Company is now focussed on building a portfolio of US-based onshore conventional oil &amp; gas assets</li> <li>▶ <b>First deal is being executed</b> with definitive binding agreement to acquire a 50% equity interest in the Cache Oilfield (“Cache”) entered</li> <li>▶ A <b>pipeline of conventional oil &amp; gas assets to acquire has been identified</b>, which the Company is pursuing</li> <li>▶ Highly credentialed incoming technical and corporate team</li> </ul>
<p><b>Cache Oilfield</b></p>	<ul style="list-style-type: none"> <li>▶ Cache is located in Colorado, USA and was discovered in 1964</li> <li>▶ In excess of 5 million barrels have been produced</li> <li>▶ Independent Valuation Report (IVR)* states:             <ul style="list-style-type: none"> <li>• ~24million barrels OOIP; <b>~5m barrels still remain recoverable</b></li> <li>• 24 historic wells drilled; one remains operational producing 10 – 20 barrels per day</li> <li>• Production cost of \$18.67 per barrel based on production of 350 BOPD</li> </ul> </li> <li>▶ <b>Acquisition price of \$1.2m - \$2.1m vs IVR fair market valuation range of \$29.66m to \$35.27m with a preferred valuation of \$30m*</b></li> </ul>
<p><b>Near-Term Production</b></p>	<ul style="list-style-type: none"> <li>▶ Workover to be completed on existing wells</li> <li>▶ Capital raising to fund drilling of <b>new well targeting 250 – 500 BOPD</b> production (IVR assumes production rate of 350 BOPD)</li> </ul>

\*Global Resources & Infrastructure Pty Ltd IVR.

# Company Snapshot

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## Capital Structure

ASX Code	ROG
Shares Outstanding	2,430,916,486
Options (var ex prices & dates)	160,000,000
Performance Rights	225,000,000
Market Cap (@ 0.1c)	\$2,430,916
Cash (30 Apr.)	\$470,000

## Shareholder Register (1 Jun.)

Energy Infrastructure and Resources Pty Ltd	7.40%
ERM Power Limited	6.17%
St Baker Investments Pty Ltd	4.13%
Cyprus Investments Pty Ltd	3.56%
Resolve Geo Pty Limited	3.29%
<b>Top 20 Shareholders</b>	<b>53.77%</b>



# Incoming Team

- ROG has entered into a definitive acquisition agreement with Monument Global Resources Inc. (MGRI). As part of the agreement, MGRI will continue as manager of the oilfield.
- MGRI is a management consultancy with significant experience in the US oil & gas industry and have acquired a number of fields
- MGRI will bring significant experience and knowledge to ROG management team

## **Kerry Smith**

*Exec. Chairman  
(proposed)*

Founder of Monument Global Resources, Inc. (a vendor of Cache interests). 30+ years as an Independent Contractor and oil & gas operator. Experienced in all areas of oil & gas production including data interpretation, usage of new methods to enhance operations, evaluation of oil and gas reserves, and analysis of research together with seismic studies to develop the most cost effective drilling program. He has experience in all areas of well exploration preparation, production enhancement and well stimulation and design.

## **William Reinhart**

*Non-Exec. Director  
(proposed)*

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

## **Ed Coalson**

*Project Consultant*

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. An expert in the Rocky Mountain 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. Dr. Coalson has 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.

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# Current Directors

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## **Russell Krause**

*Non-Exec. Chairman*

25+ years of executive management and director level experience in a range of corporate advisory, stockbroking and investment banking roles with some of Australia's leading financial services firms. Mr. Krause also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies. Mr. Krause is currently a Director of ASX-listed oil & gas producer, Austex Oil Limited (ASX:AOK) and ELK Petroleum Limited (ASX:ELK). He is also Chairman of Carbine Tungsten Limited (ASX:CNQ).

## **Clinton Carey**

*Managing Director*

20+ years as a manager and director in a range of listed companies in the resources, oil and gas and technology sectors. Mr Carey has extensive experience in the resource sector providing management, capital raising and corporate advisory services to a range of listed mining and energy companies. He has worked for mining and energy companies in Russia, Brazil, Australia and England.

## **Adrien Wing**

*Non-Exec. Director & Co. Sec*

Mr Wing is a Certified Practising Accountant and specialises in the public company environment. He practised in the audit and corporate divisions of a chartered accounting firm before providing corporate & accounting consulting and company secretary services to public companies. His experience includes accounting, administration, compliance, company secretarial, re-structuring and recapitalising companies on the ASX.

# Aggregation Strategy

- Directors elected to undertake an asset aggregation strategy, taking advantage of the significant decrease in acreage valuations
- The aggregation strategy will create a portfolio of producing oil & gas assets with substantial leverage to rising energy prices & management synergies
- Targeting brownfields oil & gas fields that are operating on the margin (& potentially distressed) but are at least break-even production in the current price environment
- The Cache Oil Field is the first acquisition identified under this aggregation strategy, with production costs estimated by MGRI based on its history of operating the field of ~US\$18.67 per barrel\*
- Transaction with MGRI will add;
  - significant experience and expertise of the US oil & gas market & operations,
  - strong pipeline of acquisition opportunities, and
  - MGRI as a major shareholder of Red Sky Energy

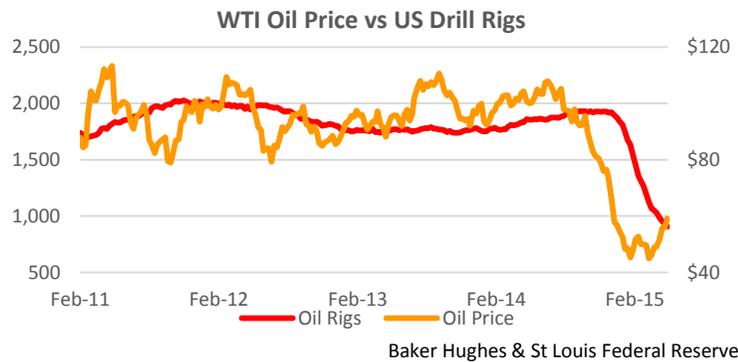
\*Global Resources & Infrastructure Pty Ltd IVR.

# Market Opportunity

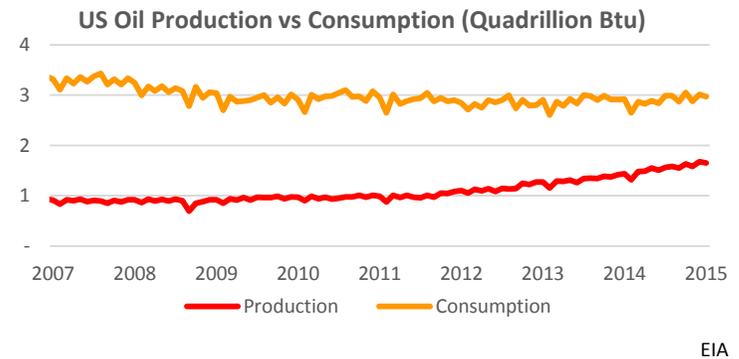
Demand remains strong & new supply is being impacted by current market dynamics

## Aggregation Opportunity

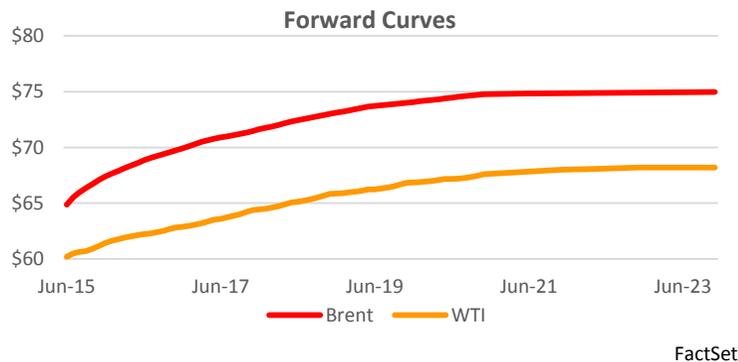
- After peaking in Oct. '14, US rig count has plunged as capital expenditure was sharply cut following the collapse of oil prices



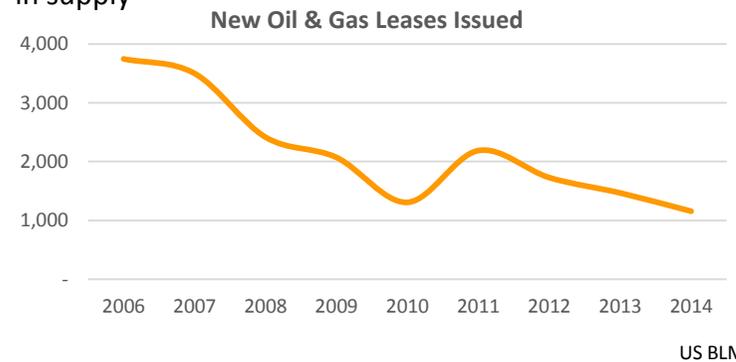
- US oil production has steadily increased (up 80%), with supply being driven by growth in unconventional fields



- Futures price curves for Brent crude & WTI (@ 2 Jun. '15) are in contango, consistent with historic high levels of inventory



- New oil & gas leases issued have steadily declined, in conjunction with delayed production suggests narrowing in supply



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# Cache Transaction

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- ROG will acquire a 50% equity interest in the holder of the Cache Field from the current owners Monument Global Resources Inc. and Mr Robert Morris (the Vendors)
- ROG has advanced USD\$300,000 for:
  - the purposes of an oil improvement program; and
  - the right to acquire a 50% interest in the Cache field.
- ROG will acquire the 50% interest in Cache in consideration of the issue to the Vendors of ROG scrip at a deemed issue price of 0.1c.
  - The quantum of ROG scrip received by the Vendors will depend on the outcome of the capital raising according to the below table:

	Min. Raise (\$0.7m)	Max Raise. (\$1.85m)
Scrip Received by Vendors	2.1bn	1.2bn

- ROG will forgive repayment of the USD\$300,000 advance, which will become part of the cash contributed by ROG to the project

- ROG will undertake a capital raising to raise up to \$1.85m, with a minimum raise of \$0.7m

Indicative Capital Structure	Min. Raise (\$0.7m)	Max. Raise (\$1.85m)
Current Shares Outstanding	2.43bn	2.43bn
Capital Raising Issue	0.7bn	1.85bn
Scrip Consideration Issue	2.14bn	1.29bn
Exercise of Performance Rights	0.07bn	0.15bn
<b>Proforma Shares Outstanding</b>	<b>5.34bn</b>	<b>5.72bn</b>
<i>Dilution to existing shareholders</i>	54%	57.5%

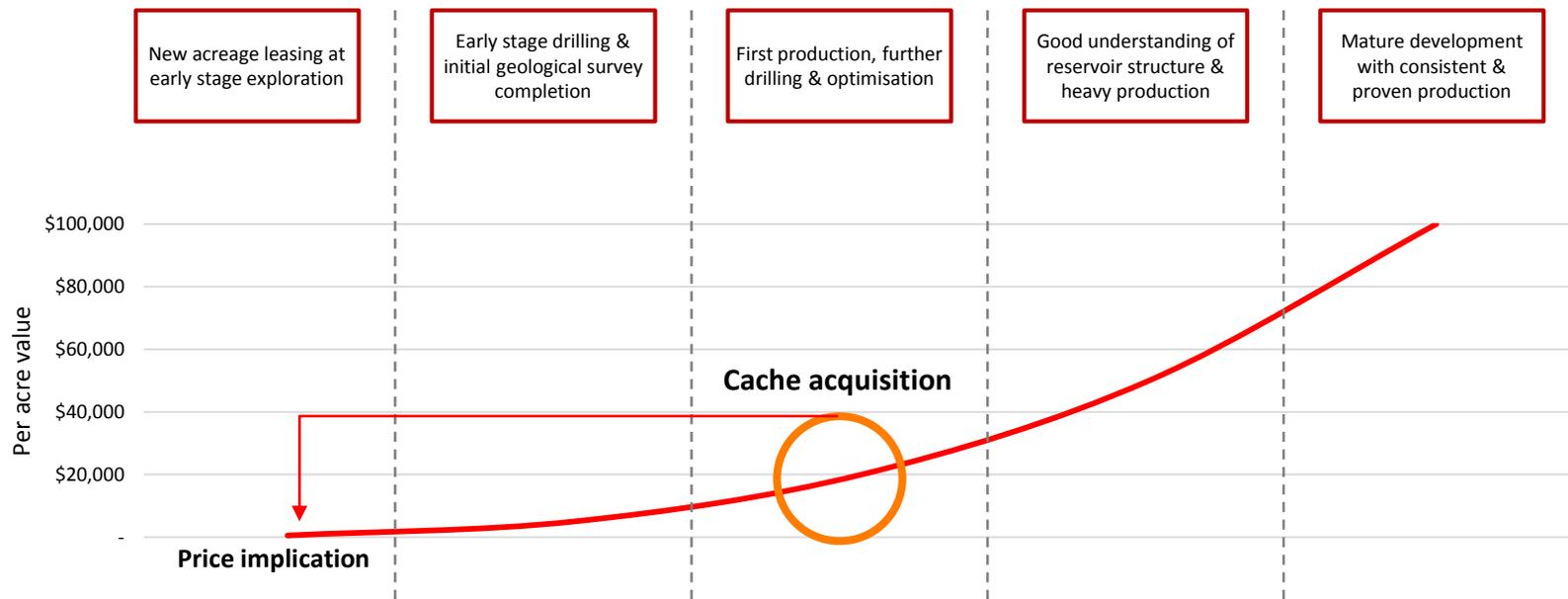
Indicative Timetable	
Offer Open	16 Jun. '15
Roadshow	22 Jun. – 3 Jul. '15
Acceptance Forms Due	15 Jul. '15
Settlement Date & Offer Close	17 Jul. '15
General Meeting	17 Jul. '15
Expected Trading of Shares	21 Jul. '15

Timetable is indicative only and may be subject to change at the discretion of the Lead Manager

# ROG Opportunity

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- Due to current market dynamics, acreage positions are able to be acquired at attractive entry prices with significant upside in a rising energy price environment
- Typical value pathway established for oil & gas fields:

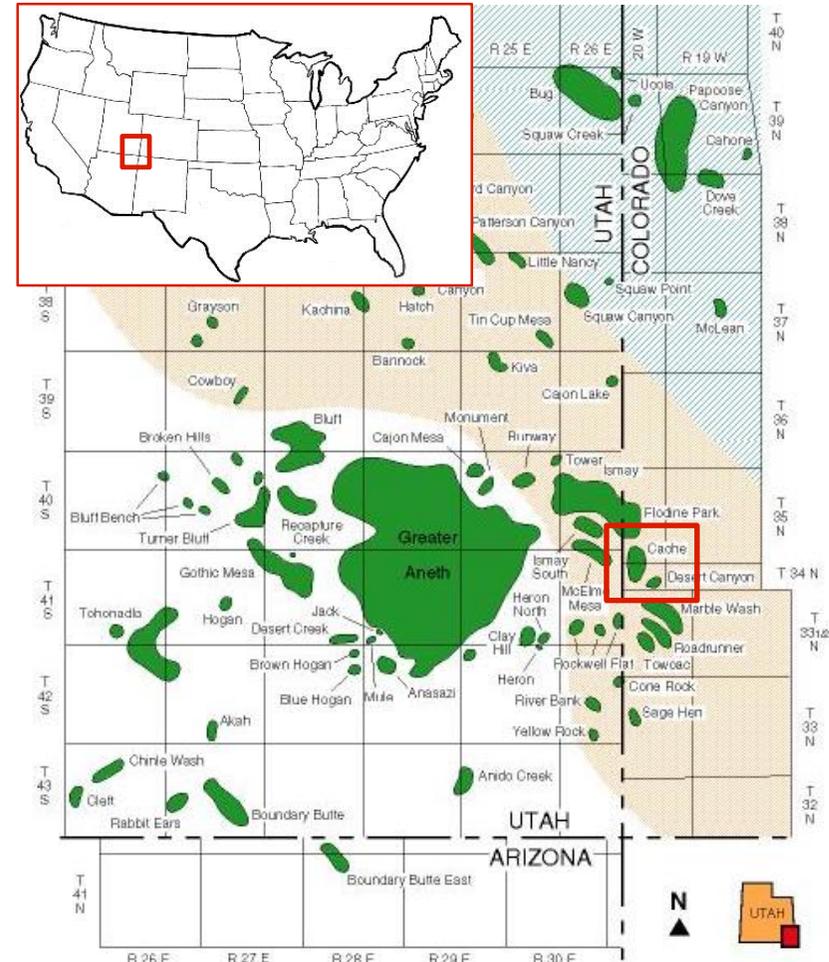


- ROG acquisition range of \$1.2 – \$2.1m (subject to capital raise outcome) for 50% Cache interest implies per acre valuation range of \$650 - \$1,200 per acre
- Entry-level greenfields price for a proven and defined asset

# Cache Oil Field

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- Located in the Paradox Basin, Montezuma County in Colorado
- 10 miles east of the Greater Aneth Field (1.5bn barrels OOIP & peak production of 100,000 BOPD)
- Discovered in 1964, with first production in 1965 (24 historic wells drilled)
- 1,840 acres
- Vendors have a 100% operated working interest, 80% net revenue interest
- 12 – 15 BOPD current conventional production of sweet 44°-45 ° API oil (one operating well)
- ~24 million barrels original oil in place (OOIP)\*
- Cache has produced ~5 million barrels to date
- 80% OOIP remains (19.33MMSTB)\*
  - Expected that 5 million barrels remain recoverable
  - An additional million barrels of recovery is being targeted with CO2 injection techniques, as has successfully been deployed at the Aneth field



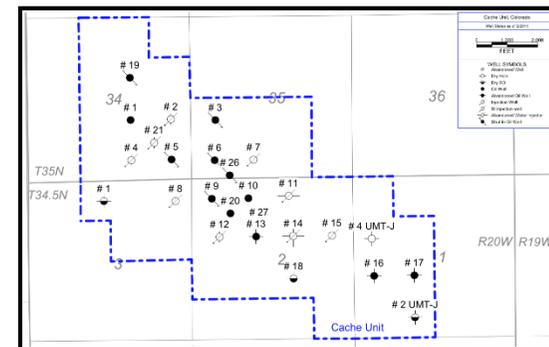
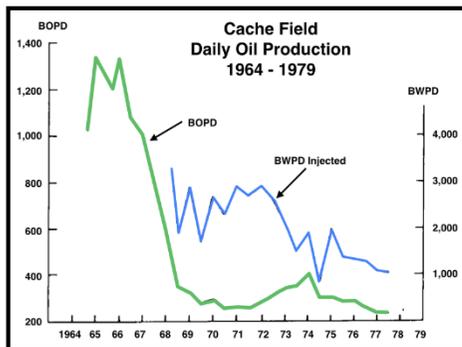
\*Global Resources & Infrastructure Inc. IVR

# Production History

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- 24 wells (conventional vertical wells) have been drilled at 40-acre spacing to date, of which 21 have produced oil
- Initial flow rates were strong (1,400 - 3,000 BOPD) but rapidly declined once initial reservoir pressures fell, as expected from a gas-solution drive reservoir
  - Waterflood secondary recovery method was implemented to maximize field production
- By 1978, 3.2 million bbls of oil and 6.3 BCF of gas produced (no independent gas cap in the field)
- Over last 30 years, the bulk of oil production came from 3 producing wells; #1 (the discovery well), #10 and #12 at flow rates of 20 - 30 BOPD
- Only #1 well is currently producing (12 - 15 BOPD)
  - Remaining wells have been shut-in or abandoned for mechanical reasons

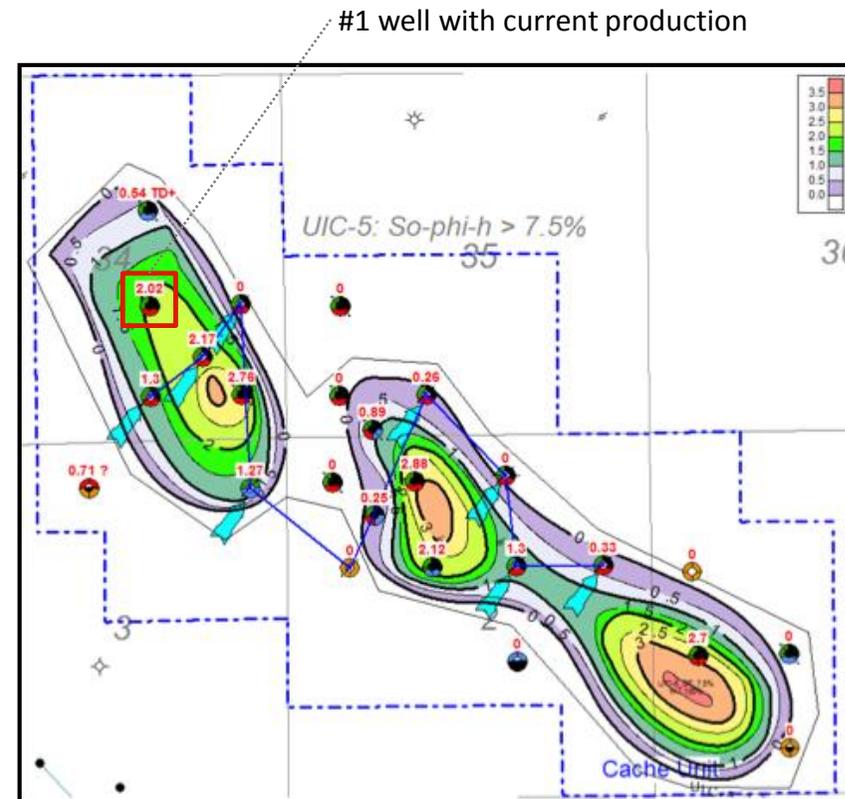
- As was common practice during the 1970's, the reservoir was injected with a hot acid solution (28% HCL) to enhance production
  - This injection failed as the acid did not fully enter the formation and has broken down the cement between the pipe and the formation
  - Remedial operations in the current wells show very little pipe or cement remains over the main reservoir zones and is likely to be the primary contributor to early mechanical failure of the wells
  - Little remedial or recovery activity is possible to enhance production from existing wells
- The original discover and developer of Cache (Amoco) sold to private interests during the 1980s who undertook little maintenance activity and no additional drilling



# Current Status

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- A number of factors suggest that significant recoverable oil is still present within Cache:
  - Only 20% of OOIP has been produced to date\*
  - Historic production declined due to poor field management practices under previous ownership
  - Reservoir displays significant vertical & lateral heterogeneity suggesting legacy vertical wells may have been inefficient
  - Recent log analysis & interval mapping suggests areas within the field only achieved low level recovery
- The Vendors have invested US\$2m+ cleaning & preparing site
  - Environmental approvals in place
  - Native title agreements in place
  - Water disposal wells in place
  - Ancillary equipment and infrastructure in place
- New well drill site has been identified



Plan view of the Cache Oil Field

\*Global Resources & Infrastructure Inc. IVR

# Cache Development Program (3 years)

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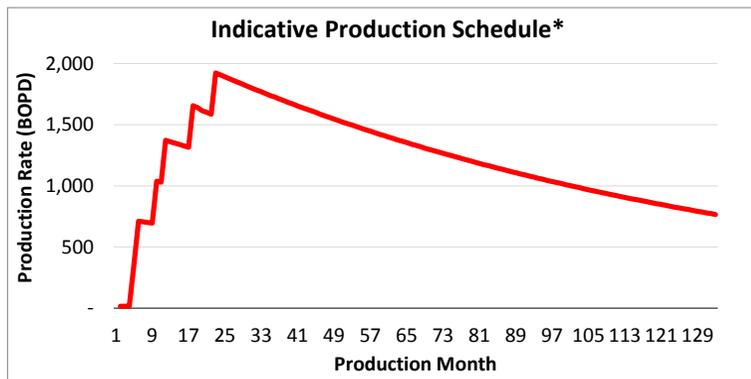
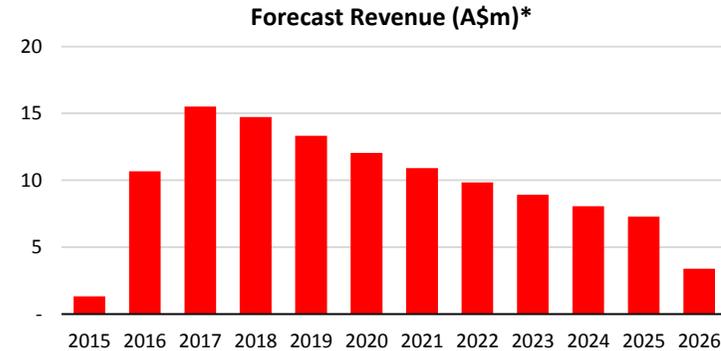
- Modern horizontal / multi-lateral drilling & completion techniques should enhance oil production rates from future wells
- The current operator has proposed the following work program:
  1. General field workover
  2. An initial two-well test programme to confirm enhanced efficacy of modern production techniques & confirm location of primary oil reserves in southern part of field
    - Current proposed capital raising will provide funds for first well
  3. Upon success of stage two, a 3-D survey over the field to identify future production wells to be drilled
  4. Drilling 5 - 10 wells with a 20 acre spacing to maximise remaining oil production capability
  5. Potential exists to further enhance oil production by implanting secondary CO2 flooding, which has been successfully implemented in the nearby Aneth Field



# Cache Valuation

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- Global Resources & Infrastructure Pty Ltd has prepared an independent opinion of the Fair Market Value of ROG's 50% equity interest in the Cache Field\*:
  - Preferred value of **A\$30.02m** with a valuation range of A\$29.66m to A\$35.27m
- 10-year valuation model\* assumes:
  - Oil price of \$50m - \$70m per barrel
  - Production costs of \$18.67 per barrel (ex CapEx)
- Indicative production schedule\* assumes initial production of 350 BOPD, with peak production of 1,923 BOPD
  - This assumes 6 wells being completed over 3 years with a capex of \$8.45m over the same time period
  - Conservative against historic peak production of 3,000 BOPD
  - Significant areas within field expected to have retained original pressure regime



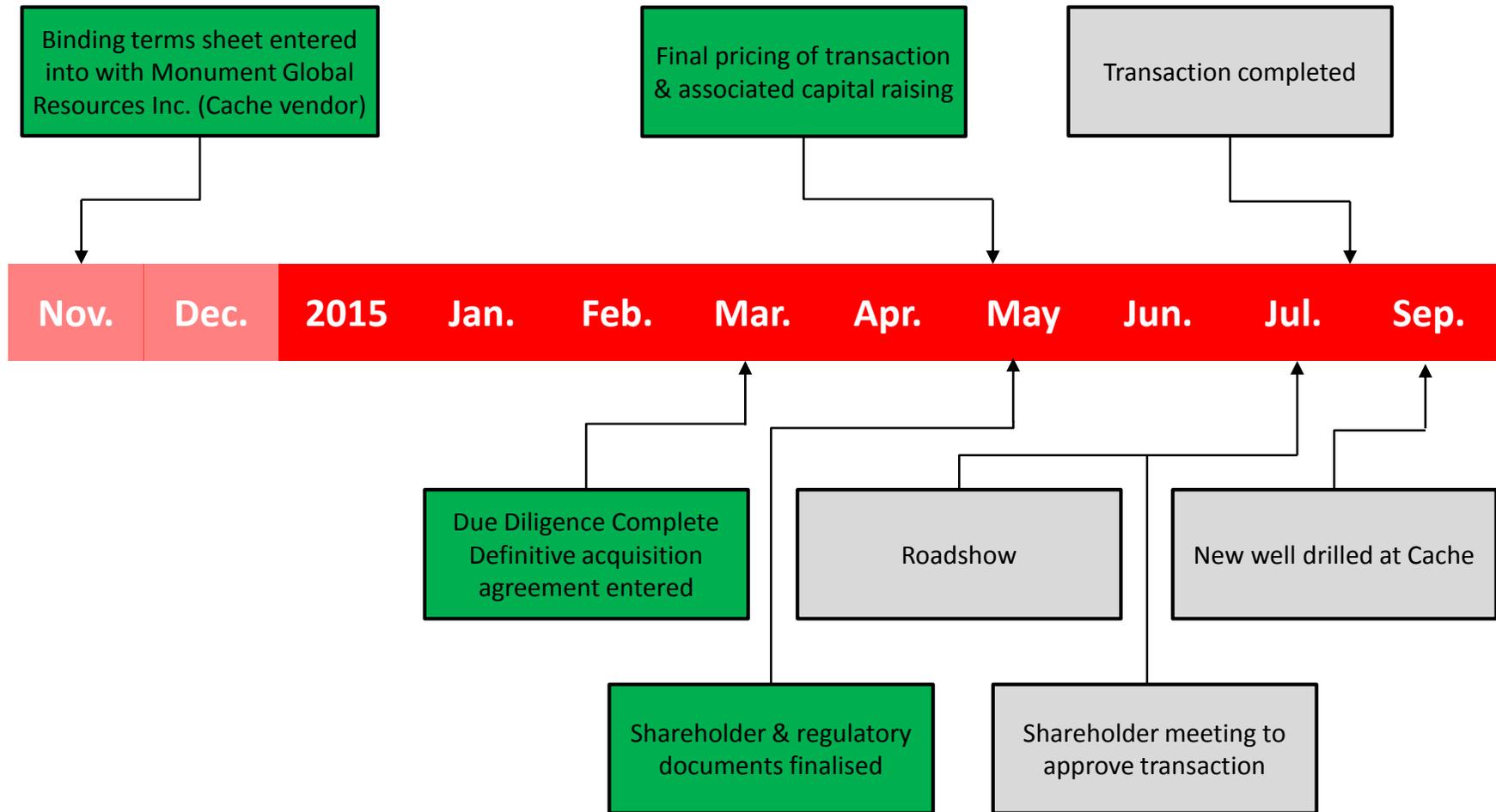
### Net Present Value Summary\*

Discount Rate	Initial Production	Production	Value
12%	250 BOPD	3.45 MMBLS	\$29.66m
12%	350 BOPD	4.83 MMBLS	\$30.02m
12%	500 BOPD	4.97 MMBLS	\$35.27m

\*Global Resources & Infrastructure Pty Ltd IVR.

# Transaction Milestones

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# Executive Summary

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- Strategic redirection of the company to take advantage of opportunity in significant revision in acreage valuations
  - Building a portfolio of quality producing onshore oil & gas assets that will be levered to a rising energy price environment & management synergies
  - Entered into definitive acquisition agreement with MGRI, an energy development house with strong track record and pipeline of assets
  - Incoming world class technical and corporate team
  
- First acquisition (Cache) definitive acquisition agreement executed
  - 'Ground-floor' acquisition price of between \$1.2m - \$2.1m vs IVR preferred valuation of \$30m\*
  - Implies asset value per share of ~0.6c upon completion of transaction
  - Completion of acquisition and associated capital raising expected by July 2015
  - Upon completion of transaction, indicative market cap. of ~\$5.5m with assets valued at \$30m (per IVR preferred valuation\*)
  
- Cache Field represents significant opportunity for value creation
  - Excellent small scale asset with historic production ready for modern recovery methods to maximise production
  - Existing production will provide immediate cashflow to ROG
  - Cache will re-establish value on balance sheet, allowing the opportunity to acquire assets of larger scale

\*Global Resources & Infrastructure Pty Ltd IVR.

# Contacts

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