

RED SKY ENERGY LIMITED [ACN 099 116 275]

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 10.30 am

DATE: Friday, 17 July 2015

PLACE: The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, Victoria

This Notice of General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Nexia Melbourne Pty Ltd [ABN 32 052 362 348] have prepared an Independent Expert's Report and has provided an opinion that it believes the issue of shares the subject of Resolution 1 of this Notice of Meeting is FAIR AND REASONABLE to non-associated shareholders of the Company.

A copy of the Independent Expert's Report is contained in Annexure One of this Notice of General Meeting. It is recommended that all shareholders read the Independent Expert's Report in full.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company on +61 3 9614 0600

RED SKY ENERGY LIMITED

ACN 099 116 275

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting (**Meeting**) of Red Sky Energy Limited (**the Company** or **Red Sky**) will be held at The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, Victoria at 10.30am (Melbourne, Victoria time) on Friday, 17 July 2015.

Further details in respect of each of the resolutions proposed in this Notice of General Meeting are set out in the Explanatory Memorandum (**Memorandum**) accompanying this Notice of General Meeting. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice of General Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered shareholders of the Company at 7.00pm (Melbourne time) on 15 July 2015.

BUSINESS

RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE SHARES IN CACHE MARTINI No. 1, LLC

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to Resolution 2 being passed, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) shareholders approve the issue of up to 2,136,000,000 (2.136 billion) fully paid ordinary shares in the Company at a deemed issue price of AUD\$0.001 (0.1 cents) to Monument Global Resources Inc. a company incorporated in Delaware, USA and Mr Robert Morris (and/or their respective nominee(s) including Cyprus Investments Pty Ltd) partly as consideration for the acquisition of 50% of the units of Cache Martini No. 1 LLC, a company incorporated in Wyoming, USA, as described in and on the terms set out in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting .”

VOTING PROHIBITION

No votes may be cast in favour of this resolution by any of the persons who proposing to make the acquisition of the Company's shares (Monument Global Resources Inc. and Mr Morris (or their respective nominee(s)) or Cyprus Investments Pty Ltd) and their associates. The Company will disregard any votes cast in favour of the resolution by such a person. However, the Company will not disregard a vote on this resolution if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person entitlement to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 2 – ISSUE OF SHARES TO VENDORS' ADVISOR

Subject to Resolution 1 being passed, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11 shareholders approve the receipt of up to 90,000,000 (90 million) fully paid ordinary shares in the Company (being part of the shares which may be issued as consideration for the acquisition of 50% of the units of Cache Martini No. 1 LLC if Resolution 1 is passed) at a deemed issue price of AUD\$0.001 (0.1 cents) by Cyprus Investments Pty Ltd [ABN 97 087 185 804], a company which is associated with a director of the Company, Mr Clinton Carey which are to be transferred by Monument Global Resources Inc and/or Mr Robert Morris (or their respective nominee(s)) or may be issued to Cyprus Investments at the direction of Monument Global Resources Inc and/or Mr Morris, as described in and on the terms set out in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting .”

VOTING EXCLUSION

The Company will disregard any votes cast on this resolution by:

- *a person who may participate in the proposed issue; and*
- *a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, or by a person who is to receive the securities; and*
- *an associate of those persons.*

However, the Company need not disregard a vote if:

- *it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

RESOLUTION 3 – APPROVAL FOR PLACEMENT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 1,850,000,000 (1.85 billion) fully paid ordinary shares at an issue price of AUD\$0.001 (0.1 cents) per share to professional, sophisticated or other exempt investors including clients of Halcyon Corporate Pty Ltd or other AFSL holders to raise up to AUD\$1,850,000 before costs of the issue (with a minimum raising of AUD\$700,000 before costs) as described in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting.”

VOTING EXCLUSION

The Company will disregard any votes cast on this resolution by:

- *any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and*
- *any associates of those persons.*

However, the Company need not disregard a vote if:

- *it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

RESOLUTION 4: APPOINTMENT OF DIRECTOR – MR KERRY SMITH

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, Mr Kerry Smith, a person who, being eligible and having consented to act, be elected as a director of the Company with effect from completion of the Transaction described in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting.”

RESOLUTION 5: APPOINTMENT OF DIRECTOR – MR WILLIAM REINHART

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, Mr William Reinhart, a person who, being eligible and having consented to act, be elected as a director of the Company with effect from completion of the Transaction described in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting.”

RESOLUTION 6: APPROVAL FOR TRANSACTION UNDER ASX LISTING RULE 10.1

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.1, shareholders approve to Company’s acquisition of 50% of the units of Cache Martini No. 1 LLC, a company incorporated in Wyoming, USA, as described in and on the terms set out in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting.”

The Company will disregard any votes cast on this resolution by:

- *a party to the transaction; and*
- *any associates of those persons.*

However, the Company need not disregard a vote if:

- *it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

By the order of the Board



Adrien Wing
Director and Company Secretary

Dated 15 June 2015

The accompanying Explanatory Memorandum and the Proxy Form and Voting Instructions form part of this Notice of Meeting.

PROXY AND VOTING INSTRUCTIONS

Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

- (a) one proxy if the member is only entitled to one vote; and
- (b) one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the office of the Company's share registry shown on the proxy form or sent by facsimile transmission to the Company's share registry on +61 (0)2 9287 0309 or online following the instructions on the proxy form not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy. The Chair intends to vote all proxies in favour of each of the resolutions.

Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting. Shareholders can download and fill out the 'Appointment of Corporate Representation' form from Link Market Services Limited's website – www.linkmarketservices.com.au. Select the "Investor Services" tab and click on Forms.

Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 15 July 2015, 7:00pm (Melbourne, Victoria time) are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

How the Chair Will Vote Undirected Proxies

The Chair of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions on which the Chair is permitted to vote proxies.

RED SKY ENERGY LIMITED
ACN 099 116 275
("the Company" or "Red Sky")

NOTICE OF GENERAL MEETING
EXPLANATORY MEMORANDUM

PURPOSE OF INFORMATION

This Explanatory Memorandum ("**this Memorandum**") accompanies and forms part of the Company's Notice of General Meeting ("**this Notice**") to be held at The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, Victoria at 10.30am (Melbourne, Victoria time) on 17 July 2015. The Notice of General Meeting incorporates, and should be read together with, this Memorandum.

KEY TRANSACTION INFORMATION

The following table contains an overview of some of the key transaction information together with cross-references to sections of this Memorandum where further information can be obtained. Notwithstanding the summary below, shareholders are encouraged to read this Memorandum (together with its annexures) in full.

What is the Transaction?	The transaction involves the acquisition by the Company of 50% of the units (broadly analogous to shares) of Cache Martini No.1 LLC.	Refer 'Background' page 7.
What is Cache's Project?	Cache owns and controls a 100% operated working interest and an 80% net revenue interest in an oil and gas project in Montezuma County, Colorado, USA. The Project is the sole asset of Cache accordingly the acquisition of a 50% interest in Cache results in the acquisition of an indirect interest in 50% of the Project.	Refer 'Project Overview' page 10.
How many shares will be issued to the vendors?	The consideration for the acquisition of 50% of the units of Cache is the issue of a minimum of 1,236,000,000 (1.236 billion) and up to 1,290,000,000 (1.29 billion) fully paid ordinary shares in the Company at a deemed issue price of AUD\$0.001 (0.1 cents) per share. The exact number of shares issued as consideration for the acquisition will depend on the amount of funds raised in the capital raising. The Company will also issue up to 900,000,000 additional shares to the vendors (or their nominee/s) if less than the maximum placement amount of AUD\$1,850,000 is raised. The additional shares will be issued so that the Company maintains its agreed proportional interest in Cache and the Project despite the Company's contribution to the Cache Project being less than AUD\$1,500,000. These additional shares are not part of the acquisition consideration. Details of the formula used for calculating the number of additional shares issued are provided on page 8.	Refer 'Background' page 7.
What are the conditions to the acquisition?	The acquisition is conditional upon: - completion of due diligence by the Company; - the Company receiving shareholder approvals required to implement the transaction and receipt of regulatory approvals if and as required;	Refer 'Background' page 7.

	- the Company raising sufficient funds to contribute up to AUD\$1,500,000 (with a minimum of AUD\$600,000) to the development and administration of the Project and/or investigation and acquisition of new opportunities and projects for Cache. The placement of up to 1.85 billion shares at an issue price of AUD\$0.001 (0.1 cents) per share to raise up to AUD\$1.85 million (before costs) pursuant to Resolution 3 is proposed for the purpose of satisfying this condition; - the parties meeting monthly to (amongst other things) consider budgets; - completion of the terms of the admission of the Company as a member of Cache under Cache's operating agreement; - shareholder approval for the appointment of Mr Kerry Smith and Mr William Reinhart as directors of the Company with effect at completion of the Transaction (refer 'Current and Proposed Board' on page 11 for further details); and - Cache assigning the overriding royalty interests totalling 3% described below.	
What are the advantages and disadvantages of the transaction?	The Company has engaged Nexia Melbourne Pty Ltd to prepare an independent expert's report to consider whether the proposed acquisition is fair and/or reasonable to the non-associated shareholders of the Company. In forming the view that the transaction is fair and reasonable to the non-associated shareholders of the Company Nexia have identified the following advantages and disadvantages of the proposed transaction: <u>Advantages</u> - The proposed transaction is, in the Independent Expert's opinion, fair. - The proposed transaction will improve the financial position of the Company. - The proposed transaction may give rise to re-pricing of the Company's shares and improve liquidity. - The proposed transaction is the only offer capable of acceptance at the date of the Independent Expert's report and there is an absence of alternative offers. - The Company's shareholders will receive a premium of loss of control. <u>Disadvantages</u> - The interests of non-associated shareholders interests will be significantly diluted from 89.8% to between 38.2% and 40.9% and the vendors will have	Refer Annexure One – Independent Expert Report.

	significant influence of the board, holding two of five seats. • Change in the business operations, including holding an asset in the USA, may change the risk profile for the Company's shareholders. • The project is likely to require significant capital expenditure which may require further capital raises which may be dilutive to the Company's shareholders. The Independent Expert's Report forms Annexure One to this Memorandum	
What is the proposed capital structure of the Company?	The current and proposed capital structure of the Company is set out in the tables on pages 10 and 11 of this Memorandum.	Refer 'Current and Proposed Capital Structure' page 11.

BACKGROUND

On 30 October 2014 Red Sky entered into a binding term sheet with Monument Global Resources Inc ("**Monument**") and Cache Martini No. 1 LLC ("**Cache**") whereby, subject to the satisfaction of certain conditions, Red Sky acquired the right to invest in and acquire rights in an oil and gas project located in Montezuma County, Colorado, USA ("**the Project**").

The binding Terms Sheet has since been replaced by a definitive Unit Purchase Agreement which was executed on 13 March 2015. The Unit Purchase Agreement provides for the acquisition of 50% of the units¹ of Cache from Monument and Mr Robert Morris ("**the Vendors**"), subject to the satisfaction or waiver of conditions described below.

Cache owns and controls a 100% operated working interest and an 80% net revenue interest in the Project which is described further in the section of this Memorandum headed "*Project Overview*". The proposed acquisition of 50% of the issued units of Cache (and hence an indirect 50% interest in its ownership and control of interests in the Project as the Project constitutes the sole asset of Cache) is described in this Memorandum as the "**the Transaction**".

Pursuant to the terms of the Terms Sheet, Red Sky made advances totalling three hundred thousand US dollars (USD\$300,000) ("**the Advance**") to Monument and Cache for the purpose of funding an oil improvement program at the Project. In the event that Red Sky does not proceed with the Transaction, the Advance is to be repaid by the Monument and Cache to Red Sky by no later than 29 April 2016 from revenues received from production at the Project or any other source available to them.

The key terms of the Transaction are as follows:

- The Transaction is conditional upon:
 - completion of due diligence by the Company;
 - the Company receiving shareholder approvals required to implement the Transaction;
 - receipt of regulatory approvals if and as required;

¹ Units of a limited liability company ("LLC") such as Cache are broadly analogous to an Australian company's shares, and are not units in a trust.

- the Company raising sufficient funds to contribute up to AUD\$1,500,000 (with a minimum of AUD\$600,000) to the development and administration of the Project and/or investigation and acquisition of new opportunities and projects for Cache (**"the Cache Funding Contribution"**). The placement of up to 1.85 billion shares at an issue price of AUD\$0.001 (0.1 cents) per share to raise up to AUD\$1.85 million (before costs) pursuant to Resolution 3 (**"the Placement"**) is proposed for the purpose of satisfying this condition;
- the parties meeting monthly to (amongst other things) consider budgets;
- completion of the terms of the admission of the Company as a member of Cache under Cache's operating agreement;
- shareholder approval for the appointment of Mr Kerry Smith and Mr William Reinhart as directors of the Company with effect at completion of the Transaction; and
- Cache assigning the overriding royalty interests totalling 3% described below.

The meeting is being held to seek the shareholder approvals which are part the above conditions, including the elections of Mr Smith and Mr Reinhart as directors of the Company with effect at completion of the Transaction.

- The consideration for the acquisition of the 50% of the units of Cache (**"the Acquisition Consideration"**) is the issue of up to 1,290,000,000 (1.29 billion) fully paid ordinary shares in the Company at a deemed issue price of AUD\$0.001 (0.1 cents) per share.
 - A minimum of 1,236,000,000 (1.236 billion) shares will be issued as the Acquisition Consideration.
 - An issue of up to 54,000,000 (54 million) shares is dependent upon the extent of the capacity of the Company to make the Cache Funding Contribution. This capacity is in turn dependent upon the amount the Company raises under the Placement. As such the parties have agreed as a matter of convenience that the proportion of this tranche of up to 54 million shares to be issued will be calculated by reference to the amount of the Cache Funding Contribution in excess of the minimum Cache Funding Contribution of AUD\$600,000.

The following example illustrates this adjustment mechanism: if the Company makes a Cache Funding Contribution of AUD\$1,050,000 (being AUD\$450,000 above the minimum Cache Funding Contribution of AUD\$600,000) the number of shares issued would be calculated by multiplying 54,000,000 by 50% (being the percentage represented by the actual Cache Funding Contribution of AUD\$450,000 dividend by the difference between the maximum and minimum Cache Funding Contribution, being AUD\$900,000).

- Up to 90 million of the Acquisition Consideration shares (being 36 million shares plus the up to 54 million issued according the amount of the proceeds of the Placement) from the Acquisition Consideration are to be issued to the Vendors and transferred by them to Cyprus Investments Pty Ltd (**"Cyprus Investments"**) (a company which is associated with Mr Clinton Carey, a Director of the Company). These shares will be transferred by the Vendors from the Acquisition Consideration to satisfy prior obligations of the Vendors to Cyprus Investments in respect of the provision of advisory services by Cyprus Investments under arrangements made between the Vendors, Cache and Cyprus Investments prior to the Company's entry into the Transaction. For convenience the Vendors may direct the Company to issue the shares directly to Cyprus Investments.
- The Company undertaking the Placement and issuing up to 1,850,000,000 (1.85 billion) fully paid ordinary shares at an issue price of AUD\$0.001 (0.1 cents) per share, to raise up to \$1,850,000, with a minimum raising of \$700,000 (700 million shares).
- The proceeds of the Placement will be used by the Company to make the Cache Funding Contribution. If the maximum Placement amount (AUD\$1,850,000, before costs) is raised

under the Placement, the amount of proceeds to be applied will be AUD\$1,500,000. At the minimum Placement level (AUD\$700,000, before costs), the amount of proceeds to be applied will be AUD\$600,000. If more than the minimum (AUD\$700,000) and less than the maximum (AUD\$1,850,000) is raised under the Placement, the amount to be applied will be in direct proportion to the amount raised (that is, the same percentage of the maximum amount to be applied (AUD\$1.5 million) as the percentage of the maximum Placement). If minimum Placement level is achieved but the balance of the funds raised after costs of the Placement would be insufficient to make the minimum the Cache Funding Contribution, the Company will apply existing funds to payment of the costs to enable the amounts above to be provided.

- The acquisition of 50% of the units of Cache assumes that the Company will have the capacity to fund the Cache Funding Contribution to the full extent of AUD\$1,500,000. This capacity is in turn dependent upon the Company raising the maximum amount under the Placement. As such the parties have agreed that if the Company is unable to fund the full extent of the Cache Funding Contribution, and to avoid any need to dilute the Company's interest in the Project, additional shares will be issued to the Vendors (up to 900 million shares) to effectively compensate for the shortfall in funding capacity of the Company. The number of additional shares to be issued to the Vendors will be determined by reference to the difference between the actual Cache Funding Contribution made by the Company and AUD\$1,500,000 (being the maximum Cache Funding Contribution) divided by the deemed issue price of the shares (being \$0.001 each).

For example, if a Cache Funding Contribution of AUD\$1,050,000 is made by the Company the number of additional shares issued to the Vendors would be calculated by dividing: (a) the difference between the maximum Cache Funding Contribution (AUS\$1,500,000) and the actual Cache Funding Contribution (A\$1,050,000), being AUD\$450,000; by (b) the deemed issue price \$0.001. Accordingly, under this example, 450,000,000 additional shares would be issued to the Vendors.

The additional shares will be issued so that the Company's maintains its agreed proportional interest in Cache and the Project, despite the Placement raising less than AUD\$1.85 million, and the Cache Project Contribution to be provided by the Company being less than AUD\$1.5 million. The additional shares are not part of the Acquisition Consideration. The table on page 10 sets out the total number of shares to be issued to the Vendors if the minimum and maximum Placement amounts are raised, and at the midpoint between the at the minimum and maximum Placement levels.

- Release of the Advance, being USD\$300,000 plus accrued interest (anticipated to be approximately USD\$2,500 at or about the time of completion of the Transaction) if Completion occurs. As a result the amount of the Advance will be funds provided by the Company to Cache for Project expenditure. The Advance, and its release, are not part of the Acquisition Consideration.

The Placement and the Transaction are interdependent. Both are conditional upon shareholders passing all of the proposed resolutions. The Transaction (and thus completion of the Placement) is also conditional upon the minimum of AUD\$700,000 being raised by the Placement, to enable the minimum Cache Funding Contribution of AUD\$600,000 to be provided.

The table on page 10 sets out the number of shares to be issued under the Placement for at the minimum and maximum Placement levels, and at the midpoint between the at the minimum and maximum Placement levels.

Cache has agreed to grant the Vendors and their nominees (including Cyprus Investments) overriding royalty interests totalling 3% in recognition of assistance and support to Cache.

Halcyon Corporate Pty Ltd ("**Halcyon**") has been mandated by the Company to provide corporate advisory and capital raising services (the latter on a best endeavours basis) in respect of the Transaction. The Company has agreed to pay Halcyon a corporate advisory fee of between \$80,000 and \$200,000 (depending on the amount raised by the Placement) and a capital raising fee of 6% of

funds raised, upon and subject to completion of the Placement. The corporate advisory fee and capital raising fee are payable in cash from the proceeds of the Placement.

PROJECT OVERVIEW

The Project is an oil and gas project located in Montezuma County, Colorado, USA approximately one mile east of the Utah state line. It is comprised within the Cache Unit held under a Federal Unit Agreement.

The Cache field is located in the Paradox Basin (Blanding Sub-Basin) of south-eastern Utah and south-western Colorado. The Cache oilfield was discovered in October 1964, with the completion of the Cactus No. 2 discovery well later named the G. L. Veach No. 1 well. A total of 23 wells have since been drilled (mostly by Amoco in the late 1960's and early 1970's) of which, 20 have produced oil and three were dry holes. Most are now shut-in. Well spacing is 40 acres per well.

Given the recent increases in understanding of the Cache field's geology coupled with a greater knowledge of its production history and the engineering issues associated with this production, the Company believes that the field can be reinvigorated by way of the undrained reserves and additional recoverable oil that potentially could be accessed by the application of modern drilling and completion techniques.

Further detail is included in the Independent Valuation report prepared by Global Resources & Infrastructure Pty Ltd, referred to in and accompanying the Independent Expert's Report in Annexure One.

Assuming the Placement is fully subscribed, between AUD\$600,000 and AUD\$850,000 of the Cache Funding Contribution is proposed to be expended on costs of drilling a well in the Cache oilfield to 5,500 feet. Up to a further AUD\$700,000, to a total of up to AUD\$1.3 million, is proposed to be expended on costs of test drilling of the well to test the gothic shale underlying the Cache oilfield and horizontal drilling from the well to test extraction techniques. The balance is to be used to fund the investigation and potential acquisition of new opportunities and projects for Cache, and administrative and operating expenses.

Following completion of the Transaction, the management of Cache and its activities including the conduct of the Project will be undertaken pursuant to an operating agreement between Cache and its unitholders (the Company and the Vendors). The operating agreement is similar to a shareholders agreement for Australian companies.

The operating agreement provides for decisions concerning Cache and its activities to be made by the Board of Cache. The Board will be made up of managers (equivalent to directors of Australian companies) appointed by the unit holders, being two managers appointed by Monument, two appointed by the Company and one appointed by Robert Morris. Board members can only be removed or replaced by the unit holder which appointed him or her. Decisions of the Board are made on by majority vote. Decisions are binding on Cache and the unitholders, but cannot require a unit holder to incur a liability or provide further funds to Cache.

The respective unit holdings upon completion of the Transaction (50% by the Company, 40.5% by Monument and 9.5% by Mr Robert Morris) are provided for in the operating agreement. Where agreed to be provided by a unit holder, further funds may be provided by unit holders as loans or capital contributions. The Board may agree to pay interest on capital contributions. The terms of any loans would be determined by agreement between the Board and the lender. There are no current arrangements of the payment of interest on capital contributions or loans, it being noted the Advance will be forgiven and cease to be a loan upon completion of the Transaction.

Profits and losses are to be allocated or borne by unit holders according to their percentage ownership of units (however as with Australian limited liability companies unitholders have no liability for losses).

The operating agreement also provides for matters such as the provision of information to unit holders (including information required for compliance with the Listing Rules of ASX), keeping accounts, the procedure for transferring units and events of dissolution of Cache. The operating agreement is stated to be governed by the laws of the State of Wyoming.

The Project has been managed and operated by Monument. Monument will continue as manager of the Project following completion of the Transaction.

Monument advises upon and is involved in formulating plans for the development of the Project and is responsible for its administration. This includes preparing and presenting proposed work and expenditure programs and budgets to the Board of Cache, and implementing programs as adopted by the Board in accordance with the Board's directions.

Monument receives a management fee for its services as agreed pursuant to work programs and budgets. The management fee is USD\$20,000 per month. As operator, it is also entitled to be indemnified by Cache for liabilities incurred on behalf of Cache other than where due to defaults by the operator.

CURRENT AND PROPOSED CAPITAL STRUCTURE

Shares

The effect of the Transaction including the Placement on the capital structure of the Company is set out in the tables below:

Shares	Minimum Placement (\$700,000)	Placement of \$1,275,000 (midpoint)	Maximum Placement (\$1.85m)
Existing Red Sky Shares	2,430,916,486 (45.51%)	2,430,916,486 (43.65%)	2,430,916,486 (42.49%)
New Red Sky Shares to be issued to the Vendors, (including the Acquisition Consideration^ (refer to Resolutions 1 and 2)	2,136,000,000 (39.99%)	1,713,000,000 (30.76%)	1,290,000,000 (22.55%)
New Red Sky Shares to be issued under the Placement at AUD\$0.001 (0.1 cents) per share (refer to Resolution 3)	700,000,000 (13.10%)	1,275,000,000 (22.89%)	1,850,000,000 (32.34%)
Shares issued on conversion of "Series A" and "Series C" Performance Rights, as applicable^	75,000,000 (1.40%)	150,000,000 (2.69%)	150,000,000 (2.62%)
Total Shares following Transaction	5,341,916,486 (100.00%)	5,568,916,486 (100.00%)	5,720,916,486 (100.00%)

^ Note 1: The shares to be issued to the Vendors under Resolution 1 will be held as follows after the transfer of shares to Cyprus Investments (or the issue at the direction of the Vendors directly to Cyprus Investments):

Shares	Minimum Placement (\$700,000)	Placement of \$1,275,000 (midpoint)	Maximum Placement (\$1.85m)
Monument (or nominee)	1,701,000,000 (31.84%)	1,336,500,000 (24.00%)	972,000,000 (16.99%)
Mr Robert Morris (or nominee)	399,000,000 (7.47%)	313,500,000 (5.63%)	228,000,000 (3.99%)

Shares	Minimum Placement (\$700,000)	Placement of \$1,275,000 (midpoint)	Maximum Placement (\$1.85m)
<i>Cyprus Investments</i>	36,000,000 (0.67%)	63,000,000 (1.13%)	90,000,000 (1.57%)
Total new Red Sky Shares to be issued to the Vendors	2,136,000,000 (39.99%)	1,713,000,000 (30.76%)	1,290,000,000 (22.55%)

⁺ Note 2:

- (a) Upon completion of the Transaction (including the Placement), the market capitalisation of the Company at the Placement issue price will exceed \$5 million, being the milestone applicable to "Series A" Performance Rights in the table below. If the market capitalisation of the Company at the market price exceeds \$5 million, the "Series A" Performance Rights will convert to ordinary shares. The above table assumes the market capitalisation of the Company at the market price exceeds \$5 million and the "Series A" Performance Rights convert to ordinary shares.
- (b) If more than AUD\$1 million is raised under the Placement, the milestone applicable to "Series C" Performance Rights in the table below will convert to ordinary shares.
- (c) Whether and if so when "Series B" Performance Rights in the table below may convert will depend in part on the number of shares issued and the subsequent trading prices of the shares on ASX.

Other Securities

The Company also has the following performance rights and options on issue:

Performance Rights

Series	Milestone:	If achieved by:	Number
A	Market capitalisation of the Company of \$5 million or more	11 March 2018	75,000,000
B	Market capitalisation of the Company of \$7.5 million or more	11 March 2020	75,000,000
C	Raising a minimum of \$1 million of capital	11 March 2020	75,000,000
	TOTAL		225,000,000

The above Performance Rights were issued pursuant to and subject to the terms of the Company's Performance Rights Plan adopted by resolution at the general meeting held on 11 March 2015.

As referred to above, if more than AUD\$1 million is raised under the Placement, the milestone applicable to "Series C" Performance Rights in the table below will convert to ordinary shares. If the market capitalisation of the Company at the market price exceeds \$5 million, the "Series A" Performance Rights will convert to ordinary shares.

Options

Number	Exercise Price (AUD\$)	Expiry Date
60,000,000	\$0.0225 (2.25 cents)	31 March 2016
100,000,000	\$0.0009 (0.9 cents)	20 December 2016

CURRENT AND PROPOSED BOARD

Proposed Directors

Subject to Resolutions 4 and 5 being passed, the following proposed Directors nominated by the Vendors will join the Board upon successful completion of the Transaction.

Kerry Smith – proposed Executive Chairman and Director

Mr Kerry Smith is a founder of Monument Global Resources, Inc, one of the Vendors. Mr Smith has over 30 years as an Independent Contractor and Oil and Gas Operator. He is experienced in all areas of oil and 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 – proposed Non-Executive Director

Mr Reinhart has extensive geologic experience in most major oil and gas provinces of North America, with over 35 years of supervisor and executive management experience with technology, cross discipline teams, new business development, exploration and production operations and strategy development and implementation. Mr Reinhart has a resume of many top line oil and gas companies for which he has achieved consistent company-wide bottom-line results.

Education:

Master of Science in Geology, Washington State University, Pullman, Washington 1979
(Thesis subject: Marine Manganese Nodule Ore Deposits, Central Pacific Ocean).

Bachelor of Science in Geology, Washington State University, Pullman, Washington 1976
Primary area of study, Mineralogy and Metallic Ore Deposits.

Certifications and Associations:

Certified Petroleum Geologist, American Association of Geologists, Certification number 5062

American Association of Petroleum Geologists, active member since 1983

New Orleans Geological Society, active member since 1992

Rocky Mountain Association of Geologists, active member since 1977

Dallas Geological Society, active member since, 2006

Current Directors

The profiles of the existing Directors who will remain on the Company's Board following completion of the Transaction are provided below:

Clinton Carey - Managing Director

Mr Carey has over 20 years management and Director level experience in listed companies specializing in mining, oil and gas and technology. Mr Carey was a director of Roper River Resources Limited when it completed a reverse take over of Webjet Limited. He has worked for mining companies in Russia, Brazil, Canada, Australia and England. Mr Carey is associated with Cyprus Investments.

Mr Carey will continue in the position of Managing Director of the Company after completion of the Transaction.

Russell Krause – current Non-Executive Chairman and Director

Mr Krause has over 25 years 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), Singaporean registered AuzMinerals Resources Group Pte Ltd, and Novus Capital Limited

Mr Krause will step down as Non-Executive Chairman upon completion of the Transaction and continue to serve on the Board of the Company as a non-executive director.

Adrien Wing - Non-Executive Director and Company Secretary

Mr Wing was appointed as a Director on 7 March 2014. Mr Wing is a Certified Practicing Accountant. He practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the Australian Securities Exchange as a corporate/accounting consultant and company secretary.

CURRENT DIRECTORS' RECOMMENDATIONS

None of the current Directors of the Company makes a recommendation in respect of the Resolutions as each may benefit if the Transaction and Placement are completed.

Mr Carey has an interest in the outcome of Resolutions 1 and 2 as the controller of a proposed recipient of shares.

Mr Carey, Mr Krause, and Mr Wing each may benefit as a consequence of the Transaction and Placement proceeding. If the Transaction and Placement proceed, up to 50 million of the Performance Rights held by companies of Mr Carey, Mr Krause and Mr Wing may convert to ordinary shares, as described above.

INDEPENDENT EXPERT'S REPORT

The Company has obtained an Independent Expert's Report from Nexia Melbourne Pty Ltd [ABN 32 052 362 348] (**the Independent Expert**) in respect of the acquisition of relevant interests in the Company's ordinary fully paid shares that will be obtained by the Vendors if Resolution 1 is approved and the Company completes the Transaction.

The finding of the Independent Expert is that the proposed acquisition of ordinary shares to be issued to the Vendors if Resolution 1 is approved is **fair and reasonable** to non-associated shareholders.

The Independent Expert's Report should be read in full and is set out in Annexure One. Shareholders should refer to the Independent Expert's Report and the matters set out in this Memorandum when considering how to vote on Resolution 1.

RESOLUTIONS

RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE SHARES IN CACHE MARTINI No. 1, LLC

Resolution 1 seeks approval from the Company's shareholders for:

- the issue of up to 2,136,000,000 (2.136 billion) fully paid ordinary shares to the Vendors (the details of the calculation of the actual number of shares which will be issued are set out in this Memorandum); and
- the resultant acquisition of a relevant interest in the Company's ordinary shares by of the Vendors and their associates for the purposes of item 7 of section 611 of the Corporations Act.

Item 7 of Section 611 of the Corporations Act 2001 (Cth)

The Company is seeking approval to issue the up to 2,136,000,000 Acquisition Consideration shares to the Vendors (or their nominee(s)). No issue will be made to any nominee if that nominee (alone or

with its associates) would obtain a relevant interest in 20% or more of the issued voting shares of the Company unless permitted by Resolution 1.

Chapter 6 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of an ASX listed company if, because of that acquisition, that person's (or someone else's) voting power (when aggregated with the voting power of their associates) increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Item 7 in the table of section 611 of the Corporations Act provides an exception to the prohibition set out above if a company obtains the approval of its shareholders for the acquisition at a general meeting of its shareholders. The detail of what constitutes a "*relevant interest*" is extensively defined in the Corporations Act. It includes holding voting shares, being able to exercise control over voting shares and having power to dispose of, or control the disposal of, voting shares. It does not matter how remote the relevant interest is or how it arises. If two or more persons can jointly exercise one of these powers, each of them is taken to have that power.

The Vendors will obtain aggregate relevant interests in more than 20% of the issued share capital of the Company on completion of the Transaction.

The Company has instructed the Independent Expert to consider Resolution 1 in the Independent Expert's Report.

The ordinary shares which are the subject of Resolution 1 include the up to 1.29 billion Acquisition Consideration shares to be issued to the Vendors (or their respective nominees) in consideration for the Company's acquisition of 50% of the units of Cache, and the up to 900 million further shares which are to be issued to the Vendors if less than \$1.85 million is raised by the Placement. The total number of shares specified in Resolution 1 is less than the aggregate of these numbers of shares because fewer than 1.29 billion Acquisition Consideration shares will be issued if any of the 900 million further shares are to be issued if the Placement raises less than AUD\$1.85 million. The number of shares specified in Resolution 1 is the maximum total shares which may be issued to the Vendors. The table on page 11 sets out the number of shares to be issued to the Vendors if the minimum and maximum Placement amounts are raised, and at the midpoint between the at the minimum and maximum Placement levels.

The shares will be issued to the Vendors (or their nominees) as follows:

- Monument: 81% of the shares which are the subject of Resolution 1, noting that part of this proportion will be transferred to Cyprus Investments (or may be issued at the direction of the Vendors directly to Cyprus Investments). Monuments' 81% portion of the shares would be equal to 1,730,160,000 shares (32.39%) (before any transfer or issue by direction to Cyprus Investments) if the maximum number of shares that may be issued under Resolution 1 are issued; and
- Mr Robert Morris: 19% of the shares which are the subject of Resolution 1, noting as above that part of this proportion will be transferred to Cyprus Investments (or may be issued directly to Cyprus Investments). Mr Morris' 19% portion of the shares would be equal to 405,840,000 shares (7.60%) (before any transfer or issue by direction to Cyprus Investments) if the maximum number of shares that may be issued under are issued.

Under arrangements for the provision of advisory services by Cyprus Investments made between the Vendors, Cache and Cyprus Investments prior to the Company's entry into the Transaction, up to 90,000,000 of the Acquisition Consideration shares will be transferred by the Vendors to Cyprus Investments (or may be issued at the direction of the Vendors directly to Cyprus Investments). These shares are part of the Acquisition Consideration shares which are the subject of Resolution 1 and are not additional shares. The calculation of the number of shares to be transferred or issued at the Vendor's direction to Cyprus Investments if less than the maximum Placement amount is raised are set out below.

The relevant interests of the Vendors (Monument and Mr Morris) in the shares comprising part of the Acquisition Consideration, including shares to be transferred or issued to Cyprus Investments, are sometimes referred to in this Memorandum in aggregate. This is not to indicate that Monument and Mr Morris are necessarily associates of each other or will necessarily remain associates of each other or have any interest in the Company's shares the other receives, but identifies the aggregate relevant interests of the Vendors if, or as if, they are or were to be treated as associated. The Company does not consider that the Vendors (Monument and Mr Robert Morris) are associates of each other for the purposes of the Corporations Act. However, as noted in paragraph 24 of the Independent Expert's Report, having regard to ASIC regulatory guidance in respect of circumstances in which parties with a shared goal or purpose may, for the purposes of a transaction, be deemed to be associates, in the interest of full disclosure the Company has elected to seek shareholder approval under item 7 of section 611 of the Corporations Act on the basis that the Vendors are associated. Cyprus Investments is not an associate of the Vendors and has no relevant interests in the shares to be issued to the Vendors other than the shares which are to be transferred or issued to it from the Acquisition Consideration. The maximum relevant interest of each Vendor severally, if not associated, would be less than the maximum relevant interest of the Vendors if associated.

If the only minimum Placement raising of \$700,000 is achieved and the Transaction completes the Vendors will in aggregate receive and (subject to the transfer or direct issue of part of the Acquisition Consideration shares to Cyprus Investments) hold aggregate relevant interests in a maximum total of 39.99% of the Company's fully paid ordinary shares. Following the transfer or direct issue of part of the Acquisition Consideration shares to Cyprus Investments the Vendors would have maximum aggregate relevant interests in 39.32% of the Company's ordinary fully paid shares if the only minimum Placement raising of \$700,000 is achieved.

If the maximum Placement of \$1,850,000 is achieved and the Transaction is completed, the maximum aggregate relevant interests of the Vendors would be 22.55%. Following the transfer or direct issue of part of the Acquisition Consideration shares to Cyprus Investments the Vendors would have maximum aggregate relevant interests in 20.98% of the Company's ordinary fully paid shares if the maximum Placement of \$1,850,000 is achieved.

The issue of the shares the subject of Resolution 1 to the Vendors (or their nominees) is conditional upon the Transaction being completed successfully. Accordingly, the shares which are the subject of Resolution 1 will only be issued upon, and subject to, the Company completing the Transaction. However, the order in which the completion of the Transaction occurs may result in the shares which are the subject of Resolution 1 (including the shares to be received by Cyprus Investments) being issued first and other shares which are to be issued in connection with other components of the Transaction including the Placement being issued subsequently (albeit almost immediately after the shares which are the subject of Resolution 1 being issued). The maximum total relevant interests of the Vendors, if the shares which are the subject of Resolution 1 (including the shares to be received by Cyprus Investments) are issued first would be 46.77%. This percentage total relevant interest would not be maintained, and the percentages referred to above would be held following completion of the Transaction and Placement.

Each of the Vendors has advised the Company of their intentions (should they obtain a relevant interest in the Company through an issue of shares as proposed in Resolution 1) as follows:

- Neither of the Vendors has a current intention to inject further capital into the Company.
- Neither of the Vendors, to the extent they are able, intends to change the business of the Company, noting that the Company's business, activities and direction will, upon completion of the Transaction focus on the development and commercialisation of the Project and the identification of potential new complimentary projects and opportunities.
- Neither Vendor has an intention to seek to change the future employment of the present employees of the Company in connection with its acquisition of a relevant interest in the Company.

- Neither Vendor has a current intention to transfer any assets between it (or any of its associates) and the Company. As referred to above, Cache may investigate and acquire new opportunities and projects. New opportunities and projects may be taken up by the Company in part or in whole directly or through its interest in Cache.
- There is no intention for either Vendor to otherwise seek to redeploy the fixed assets of the Company in connection with the Vendor's acquisition of a relevant interest in the Company.
- Neither Vendor has an intention to seek to significantly change the financial or dividend distribution policies of the Company.

The shares which are the subject of Resolution 1 are expected to be issued at the time of completion of the acquisition of units in Cache, which is anticipated to occur on the date 15 business days after the meeting (subject to fulfilment of all other conditions).

The Independent Expert has determined that the proposed acquisition by the Vendors that will occur on issue of the shares the subject of Resolution 1 is **fair and reasonable**. The Independent Expert's Report should be read in full and is set out in Annexure One. Shareholders should refer to the Independent Expert's Report and the matters set out in this Memorandum when considering how to vote on Resolution 1.

Listing Rule 7.2 (exception 16) provides that an issue approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act does not also require approval under Listing Rule 7.1. Accordingly, a separate shareholder approval under Listing Rule 7.1 will not be sought for the issue of shares the subject of Resolution 1.

A voting prohibition applies to this resolution under item 7 of the table in section 611 of the Corporations Act.

RESOLUTION 2 – ISSUE OF SHARES TO VENDORS' ADVISOR

Under the terms of the acquisition of 50% of the units of Cache, to give effect to arrangements between the Vendors, Cache and Cyprus Investments for the provision of advisory services made prior to the Company's entry into the Transaction up to 90 million of the shares that are to be issued to the Vendors under Resolution 1 as part of the Acquisition Consideration are to be transferred to Cyprus Investments by the Vendors to satisfy prior obligations of the Vendors to Cyprus Investments in respect of the provision of advisory services by Cyprus Investments under arrangements made between the Vendors, Cache and Cyprus Investments prior to the Company's entry into the Transaction. The shares may be issued at the direction of the Vendors directly to Cyprus Investments, for convenience. The effect will be that Cyprus Investments receives shares in the Company as part of the Transaction.

Cyprus Investments is a company associated with Mr Clinton Carey, a director of the Company.

The number of shares to be received by Cyprus Investments will be determined according to the amount of the proceeds of the Placement. If the maximum of AUD\$1,850,000 is raised under the Placement (so the maximum of AUD\$1.5 million Cache Funding Contribution will be provided) Cyprus Investments will receive 90,000,000 fully paid ordinary shares in the Company.

If only AUD\$700,000 were to be raised under the Placement (so the minimum of AUD\$600,000 Cache Funding Contribution can be provided) Cyprus Investments would receive 36,000,000 shares subject to the other conditions of the Transaction being satisfied. If more than AUD\$700,000 and less than AUD\$1,850,000 is raised under the Placement, the number of shares to be received by Cyprus Investments will be calculated by reference to the sum of the Cache Funding Contribution made by the Company in accordance with the formula described on page 8. A worked example of the application of this formula is set out on page 8 of this Memorandum.

The shares are included in the Acquisition Consideration for the units in Cache and are not additional shares. The shares will be issued at a deemed issue price equal to the Placement issue price (AUD\$0.001 (0.1 cents) per share). No shares will be issued unless the Transaction proceeds.

As the shares will be received by Cyprus Investments, shareholder approval being sought for the Company to issue the shares.

ASX Listing Rules

Listing Rule 10.11 requires a company to obtain the approval of shareholders for issuing shares to a related party of the Company. A related party includes a director of the Company or an entity controlled by a Director or which is otherwise a related party of the Company.

Listing Rule 7.1 requires the prior approval of shareholders in General Meeting to issue securities if the number of those securities exceeds 15% of the number of the same class of securities at the commencement of the relevant 12 month period. This rule does not apply in respect of an issue made with the approval of holders of ordinary securities under Listing Rule 10.11. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1 and the Company retains its 15% annual placement capacity under Listing Rule 7.1.

Corporations Act 2001 (Cth)

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give a 'financial benefit' to a 'related party' unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given arm's length terms, that is on terms that:

- (a) would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a).

The Company considers that the proposed issue of securities the subject of Resolution 2 will be on arm's length terms and, as such, falls within the exception set out in section 210 of the Corporations Act. The Company has reached this view as the shares are part of the consideration for the Company's acquisition of units in Cache from the Vendors, and the on-transfer (or direct issue by direction) results from terms agreed between the Vendors and Cyprus Investments which are not related parties of each other at a time when Cyprus Investments was not a related party of the Company.

The Listing Rules do not contain a similar exception. Therefore the Company is seeking approval under Listing Rule 10.11 notwithstanding the proposed issue being on arm's length terms.

Specific information:

Pursuant to and in accordance with Listing Rule 10.11, the following information is provided in relation to the Placement:

- The related party which will receive the shares is Cyprus Investments Pty Ltd [ABN 97 087 185 804].
- Maximum number of ordinary fully paid shares to be issued under this resolution is 90,000,000 shares.
- The shares are expected to be issued at the time of completion of the acquisition of units in Cache, which is anticipated to occur on the date 15 business days after the meeting (subject to fulfilment of all other conditions) and the shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- Cyprus Investments is a company which is associated with a director of the Company, Mr Clinton Carey.

- The shares will be issued for no cash payment, with a deemed issue price of AUD\$0.001 (0.1 cents) per ordinary fully paid share as part of the Acquisition Consideration (and not as additional shares). The terms of the issue are as described in this Memorandum in respect of the acquisition of units of Cache.
- The shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary fully paid shares.
- No funds will be raised by the issue of the shares. The shares will be issued as part of the Acquisition Consideration for the units in Cache as described in this Memorandum.

A voting exclusion statement applies to this resolution under the Listing Rules

RESOLUTION 3 – APPROVAL FOR PLACEMENT

The Company proposes raising up to AUD\$1.85 million by issuing up to a maximum of 1,850,000,000 (1.85 billion) fully paid ordinary shares at an issue price of AUD\$0.001 (0.1 cents) per share to professional, sophisticated and otherwise exempt investors including clients of Halcyon or other AFSL holders under the Placement. A minimum of AUD\$700,000 and a maximum of AUD\$1,850,000 (in each case before costs) is sought. If the minimum of AUD\$700,000 is raised Company will be able to satisfy the condition that the minimum AUD\$600,000 Cache Funding Contribution will be provided. The Placement will not be completed, and no shares will be issued, unless the minimum of AUD\$700,000 is raised and the Transaction proceeds.

If more than the minimum (AUD\$700,000) and less than the maximum (AUD\$1,850,000) is raised under the Placement, the Company is to issue the number of shares to the Vendors determined by dividing the difference between the amount which is to be applied as the Cache Funding Contribution (which at the minimum Placement level is of AUD\$600,000) and AUD\$1,500,000, divided by AUD\$0.001 (0.1 cents) (to a maximum of 900,000,000 shares). A worked example of the application of this formula is set out on page 9. These shares will be issued under Resolution 1, at a deemed issue price equal to the Placement issue price (AUD\$0.001 (0.1 cents) per share). The additional shares will be issued so that the Company's maintains its agreed proportional interest in Cache and the Project despite the funds to be provided by the Company as the Cache Project Contribution being less than AUD\$1.5 million. The additional shares are not part of the Acquisition Consideration. No additional shares will be issued if the maximum Placement amount (AUD\$1,850,000) is raised.

If the minimum of AUD\$700,000 is raised by the Placement but the balance after costs of the Placement would be less than the minimum \$600,000 Cache Funding Contribution, the Company will apply existing funds to the Cache Funding Contribution to enable the minimum Cache Funding Contribution to be provided. If the maximum amount of \$1.85 million is raised under the Placement by issuing shares pursuant to the approval under Resolution 3, the Company may apply existing funds to payment of the costs or issue additional shares under its capacity to do so under the Listing Rules without further shareholder approval to pay some or all of the costs of the issue, thus preserving funds raised under the Placement for application as the Cache Funding Contribution.

The Company has agreed to pay Halcyon a corporate advisory fee of between \$80,000 (at the minimum Placement level) and \$200,000 (at the maximum Placement level) and a capital raising fee of 6% of funds raised upon and subject to completion of the Placement.

This resolution seeks approval from the Company's shareholders for the Placement.

None of the subscribers for the shares to be issued under this resolution will be related parties of the Company.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. The effect of passing this resolution will be to allow the Company to issue up to 1,850,000,000 (1.85 billion) shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer

period, if allowed by ASX), without using the Company's 15% annual placement capacity under Listing Rule 7.1.

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the Placement:

- The maximum number of ordinary fully paid shares to be issued under this resolution is 1,850,000,000 (1.85 billion) fully paid ordinary shares to raise AUD\$1.85 million (before costs). The Placement will not proceed unless the minimum raising of \$700,000 (before costs) is achieved.
- The ordinary fully paid shares will be issued in a single tranche on completion of the Placement and, in any event, no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- The issue price will be AUD\$0.001 (0.1 cents) per ordinary fully paid share.
- The ordinary fully paid shares are proposed to be issued to professional, sophisticated and otherwise exempt investors including clients of Halcyon or other AFSL holders.
- The shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary fully paid shares.
- The Company will use the funds raised from the shares issued under the Placement, after payment of costs, for the Cache Funding Contribution (being the contribution of funds by the Company to the development and administration of the Project and/or investigation and acquisition of new opportunities and projects for Cache). As noted above, the Company may pay costs from existing funds to preserve funds raised under the Placement for application as the Cache Funding Contribution.

A voting exclusion statement applies to this resolution under the Listing Rules.

RESOLUTIONS 4 and 5: APPOINTMENT OF DIRECTORS

Clause 8.1 of the Company's Constitution allows shareholders in general meeting to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Mr Kerry Smith and Mr William Reinhart who are to be appointed upon and subject to successful completion of the Transaction, seek election from the Company's shareholders. Each of the proposed Directors has been nominated to the Company by the Vendors. Resolutions 4 and 5 are proposed as part of seeking shareholder approvals to satisfy the conditions which are to be fulfilled in order for the Transaction to proceed. The appointments will only take effect if the Transaction proceeds.

A summary of the qualifications and experience of each of the proposed Directors is set out earlier in this Memorandum.

Mr Kerry Smith is the founder of Monument. The Company is advised that Mr Smith does not control Monument however he does hold a share interest which would give rise to a relevant interest in the shares held by Monument for the purposes of the Corporations Act. Mr William Reinhart is not an associate of the Vendors.

RESOLUTION 6: APPROVAL FOR TRANSACTION UNDER ASX LISTING RULE 10.1

ASX Listing Rule 10.1 provides that a company must obtain approval from its shareholders prior to acquiring or disposing of a substantial asset from particular entities who hold positions considered to be of influence. These persons include related parties, substantial holders and associates. ASX also retains discretion (under ASX Listing Rule 10.1.5) to apply ASX Listing Rule 10.1 to a person whose

relationship with either the entity, or a person referred to in ASX Listing Rule 10.1, is such that, in ASX's opinion, the transaction should be approved by shareholders.

In consultation with the Company, ASX have indicated that they consider that the receipt of up to 90,000,000 shares comprising part of the Acquisition Consideration by Cyprus Investments (a company associated with Mr Clinton Carey, a Director of the Company) to be a transaction which, under the discretion afforded to ASX under ASX Listing Rule 10.1.5, warrants approval under ASX Listing Rule 10.1. The shares to be issued to Cyprus Investments are also the subject of Resolution 2 and form part of the Acquisition Consideration, approval for the issue of which is sought under Resolution 1.

As noted earlier in this Memorandum, the Company has obtained an Independent Expert's Report (which forms Annexure One to this Notice) for the purposes of Resolution 1. The Independent Expert has provided confirmation to the Company that its conclusion and methodology would be unchanged if it were to consider the Transaction for the purposes of ASX Listing Rule 10.1.

The finding of the Independent Expert is that the proposed acquisition of ordinary shares to be issued if Resolution 1 is approved is **fair and reasonable** to non-associated shareholders.

A copy of Notice including the Independent Expert's Report will be available at the Company website (www.redskyenergy.com.au).

A voting exclusion statement applies to this resolution.

ANNEXURE ONE

INDEPENDENT EXPERT'S REPORT



the next solution

RED SKY ENERGY LIMITED
ISSUE OF SHARES TO
MONUMENT GLOBAL RESOURCES INC AND ROBERT MORRIS

Independent Expert's Report
pursuant to Section 611 of the Corporations Act

12 JUNE 2015

Nexia Melbourne Pty Ltd Financial Services Guide

This Financial Services Guide is dated 12 June 2015.

Nexia Melbourne Pty Ltd (ABN 25 825 209 842) ("Nexia") holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Nexia has been engaged by Red Sky Energy Limited ("**ROG**" or "**the Company**") to provide an Independent Experts Report ("**the Report**") for inclusion with the Notice of Meeting of Shareholders to be held on or about 17 July 2015 to consider resolutions associated with the issue of securities under Section 611 of the Corporations Act.

The Corporations Act, 2001 requires Nexia to provide this Financial Services Guide ("FSG") in connection with its provision of this Report. Nexia does not accept instructions from retail clients. Nexia provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Nexia does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Nexia is only responsible for this Report and this FSG. Nexia is not responsible for any material publicly released by the Company in conjunction with this Report or the Proposal. Nexia will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Nexia's client is the Company to which it provides the report. Nexia receives its remuneration from the Company. In respect of this Report and other services, Nexia will receive a fee of up to \$20,000 plus reimbursement of out-of-pocket expenses from the Company. Directors or employees of Nexia or other associated entities may receive partnership distributions, salary or wages from Nexia.

Nexia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Nexia has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.

Nexia has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Nexia Australia, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

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Glossary

Abbreviated Term	Definition
Act	The Corporations Act 2001
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Cache	Cache Martini No.1 LLC, a Wyoming limited liability company, and holder of the rights and entitlements to the Project
Company	Red Sky Energy Limited
Directors	Directors of the Company
EM	Explanatory Memorandum
Monument	Monument Global Resources Inc., a Delaware corporation, and the operators of the Project
NAV	Net Asset Value
Nexia	Nexia Melbourne Pty Ltd - AFSL Holder 247362
Proposal	The Transaction and the Placement
ROG	Red Sky Energy Limited
QMV	Quoted Market Value
Placement	The issue of between 700 million and 1.85 billion ROG shares at an issue price of \$0.001, to raise between \$0.7 million and \$1.85 million
Project	The Cache Oilfield oil and gas project located in Montezuma Country, Colorado, USA
Report	This Independent Expert Report prepared by Nexia in relation to the Proposal
RG 111	ASIC Regulatory Guide 111 - Content of Experts Reports
RG 112	ASIC Regulatory Guide 112 - Independence of Experts
ROG Shareholders	Shareholders of ROG not associated with the Proposal
Shares	Fully paid ordinary shares in the Company
Specialist	Mr Ian Buckingham FRMIT (Geology), BAppSc. (Applied Geology), MBA, FAusIMM, MAAPG, MPESA MAICD. Managing Director of Global Resources & Infrastructure Pty Ltd
Transaction	The acquisition of 50% of the Cache Oilfield project through the issue of up to 2.136 billion shares in ROG
Vendors	Monument Global Resources Inc. and Robert Morris, an individual

12 June 2015

The Directors
Red Sky Energy Limited
Level 17, 500 Collins Street
MELBOURNE VIC 3000

Dear Sirs,

**INDEPENDENT EXPERT'S REPORT
ISSUE OF SHARES REQUIRING SHAREHOLDER APPROVAL UNDER S611 OF THE CORPORATIONS
ACT**

As Directors of Red Sky Energy Limited (**ROG**, or **the Company**) you have requested Nexia Melbourne Pty Ltd (**Nexia**) to prepare an Independent Expert's Report (**the Report**) in relation to a proposed issue of up to 2.136 billion¹ shares to Monument Global Resources Inc. (**Monument**) and Robert Morris (collectively, the **Vendors**).

The Proposal (as described in section 1.2 below) will be presented to ROG Shareholders for approval at an Extraordinary General Meeting to be held on or about 17 July 2015 (**EGM**).

You have requested Nexia to provide an opinion on whether the Proposal, the subject of all the Resolutions in the Notice of Meeting, is fair and reasonable to the non-associated shareholders of the Company (**ROG Shareholders**).

Unless otherwise specified, all dollar amounts in the Report are in Australian Dollars (AUD).

1. INTRODUCTION

1.1 BACKGROUND

1. ROG is a listed company on the Australian Securities Exchange (**ASX**), which is primarily engaged in the acquisition, exploration, evaluation and development of oil and gas properties.
2. Within the last 12-18 months, the Company has had two major projects/investments. The first was a 20% non-operated interest in on-shore gas exploration permits in the Clarence Moreton Basic, which was sold in January 2014. The Company also owns a solar energy business, Soleir Limited, to develop utility scale photovoltaic solar power projects, however this project is dependent upon Australian Federal Government funding and has currently been put on hold.

¹ Whilst up to 2.136 billion shares are to be issued to the Vendors, a maximum of 2.1 billion shares will ultimately be retained by the Vendors as the balance is to be transferred to Cyprus Investments Pty Ltd, their corporate advisors. This is further discussed in Section 1.2

3. The Company now has limited assets or operating activities and has a current indicative market capitalisation of circa \$2.4 million as at 5 May 2015.
4. On 30 October 2014, the Company entered into a binding Term Sheet with the Vendors that subject to satisfaction of various conditions, ROG will acquire up to a 50% interest in the Cache Oilfield oil and gas project owned and operated by the Vendors and located in Montezuma Country, Colorado, USA (**the Project**). The Project assets consisting of rights and entitlements to the oil field as well as plant and equipment held via Cache Martini No.1 LLC (**Cache**), a USA limited liability company. The binding Term Sheet has since been replaced by a definitive Unit Purchase Agreement which was executed on 13 March 2015 whereby the Company will acquire 50% of the units² in Cache.
5. Under the terms of the Term Sheet, the Company has also entered into a loan agreement with Cache to provide a USD 0.3 million loan (**the Advance**) for the purposes of funding working capital and ongoing operations of the Project. The Advance was provided in early November 2014 and under the terms of the loan agreement, the Advance and any accrued interest is to be forgiven by ROG if the Proposal is approved. Should the Proposal not be approved, then the Advance and any accrued interest must be repaid by the Cache. Interest accrues at 1.9% per annum

1.2 CACHE ACQUISITION AND RELATED RESOLUTIONS

6. As noted above, and fully set out in the Notice of Meeting (**NOM**), the Company will acquire 50% of the Project, by acquiring a direct interest of 50% of the units in Cache with the consideration comprised of the issue of between 1.236 billion and 1.29³ billion ROG Shares at an issue price of 0.1 cents (**the Transaction**).
7. The Transaction is also conditional upon the Company contributing between \$0.6 million to \$1.5 million to facilitate the development and administration of the Project, and investigation and acquisition of new opportunities and projects for Cache. The Company intends to satisfy this condition by raising between \$0.7 million to \$1.85 million through the issue of between 700 million and 1.85 billion shares at an issue price of 0.1 cents per share (**the Placement**).
8. If only the minimum Placement amount of \$0.7 million is raised, the Company must issue an additional 900 million fully paid ordinary shares in the Company to the Vendors at a deemed issued price of 0.1 cents. If more than the minimum and less than the maximum \$1.85 million is raised under the Placement, the Company will issue additional shares to the Vendors in direct proportion to the amount raised. No additional shares will be issued if the maximum Placement amount of \$1.85 million is raised. The additional shares issued under this provision of the agreed terms are therefore in respect of a release of the Company's obligations to contribute all of the funding to the project, rather than consideration for the Transaction.

² Units of an American limited liability company ("LLC") such as Cache Martini No. 1 LLC, are broadly analogous to an Australian company's shares and are not units in a trust.

³ The additional 54 million ROG shares will be issued if the maximum amount of the Placement is raised.

9. Included in the consideration for the Transaction is the issue of between 36 million and 90 million ROG shares (based on the minimum and maximum amounts raised under the Placement) to the Vendors, which on the Vendors direction are to be issued directly to Cyprus Investments Pty Ltd in part payment for its advisory services to the Vendors. Cyprus Investments is a company associated with Mr Clinton Carey, a director of the Company. We are instructed that Mr Carey was initially appointed to provide advisory services to the Vendors before he became a Director of the Company.

10. The following table shows the total number of shares issued to the Vendors under the Proposal, and the amount of shares ultimately retained by the Vendors based on the amount raised under the Placement.

Table 1: Total shares issued and retained by Vendors

No. of shares (millions)	Min Raise (\$0.7 m)	Max Raise (\$1.85m)
Consideration shares issued	1,236	1,290
Additional shares issued	900	0
Total shares issued to Vendors	2,136	1,290
Shares transferred by Vendors to Cyprus	(36)	(90)
Total shares retained by Vendors	2,100	1,200

11. Halcyon Corporate Pty Ltd (**Halcyon**) has been mandated by the Company to provide corporate advisory and capital raising services in respect of the Transaction. The Company has agreed to pay Halcyon a corporate advisory fee of between \$0.08 to \$0.2 million (depending on the amount raised under the Placement) and a capital raising fee of 6% of funds raised in the Placement.
12. The Transaction is the subject of Resolution 1 in the NOM and is dependent upon shareholder approval of all other resolutions in the Notice of Meeting. An overview of each of the Resolutions for which shareholder approval is sought is set out below:
- *Resolution 1:* The issue of up to 2.136 billion fully paid ordinary shares in the Company to the Vendors.
 - *Resolution 2:* The issue of between 36 million to 90 million fully paid ordinary shares in the Company to Cyprus Investments as described in paragraph 9 in respect of services provided to the Vendors. These shares are included in the total amount to be issued to the Vendors under Resolution 1.
 - *Resolution 3:* The Placement of between 700 million to 1.85 billion ordinary shares of the Company at an *issue price* of 0.1 cents per share to raise between \$0.7 million to \$1.85 million; and
 - *Resolutions 4 and 5:* Shareholder approval for the appointment of Mr Kerry Smith and Mr William Reinhart as directors of the Company at the completion of the Transaction

Full details in respect to each Resolution are set out in the Notice of Meeting and Explanatory Memorandum.

13. The Transaction (Resolution 1) is the subject of our opinion and report. However, given the Transaction and Placement are interdependent and are both conditional upon shareholders passing all of the proposed resolutions, for the purposes of this Report we regard both the Transaction and Placement as the **Proposal**.
14. On 10 April 2015, the Company also issued 75 million performance rights to each of the following Company directors: Mr Russell Krause, Mr Adrien Wing and Mr Clinton Carey (i.e. a total of 225 million performance rights were issued).
15. Each Performance Right entitles the holder to receive one fully paid ordinary share of the Company on achievement of the applicable milestone. Each of the three directors named above is entitled to 75 million performance rights comprised of the following:

Series	Milestone	Achieved by	Total Number of rights
A	Company market capitalisation of \$5.0 million or more	11 March 2018	75 million
B	Company market capitalisation of \$7.5 million or more	11 March 2020	75 million
C	Raising a minimum of \$1 million of capital	11 March 2020	75 million

Source: ROG management

16. The Directors advise that the satisfaction of the milestones is a simple attainment of the threshold and not, for example based on market capitalisation sustained over a minimum time period. On this basis we consider it reasonable to use the issue price as the basis for estimating whether the market capitalisation threshold will be achieved or not. If the Transaction is completed, total issued capital of the Company will exceed 5 billion shares (see table 3 below) and at the Placement issue price of 0.1 cents, the Company's market capitalisation is likely exceed \$5 million, therefore we consider the milestone under Series A is likely to be reached and a total of 75 million shares issued. If more than \$1 million is raised under the Placement, the milestone under Series C will also be reached and a further 75 million shares issued. We note that the inclusion of the Series B shares would not have a significant impact on our analysis.
17. We detail in Table 2 below the likely share issues based on the various actions likely to be effected by way of the Proposal, under both the maximum and minimum raise of the Placement:

Table 2: Possible share issues as a result of the Proposal

No. of shares (millions)	Entity	Min Raise (\$0.7m)	Max Raise (\$1.85m)
Shares issued under the Transaction	Vendors (Monument and Robert Morris)	2,100	1,200
	Cyprus Investments Pty Ltd (Mr C Clinton)	36	90
	TOTAL	2,136	1,290
Shares issued under the Placement	Placement Investors	700	1,850
	TOTAL	700	1,850
Shares issued on Conversion of Performance	Penause Pty Ltd (Mr R Krause)	25	50
	Cyprus Investments Pty Ltd (Mr C Clinton)	25	50

No. of shares (millions)	Entity	Min Raise (\$0.7m)	Max Raise (\$1.85m)
Rights	Northern Star Nominees Pty Ltd (Mr A Wing)	25	50
	TOTAL	75	150
TOTAL		2,911	3,290

18. The following Table 3 shows the potential dilution to ROG Shareholders before and after the Proposal, and based on both the minimum and maximum amounts raised under the Placement and any shares issued on conversion of the Performance Rights.

Table 3: Potential ROG shareholding

	Current		Min Raise (\$0.7m)		Max Raise (\$1.85m)	
	Shares (million)	%	Shares (million)	%	Shares (million)	%
ROG Shareholders (non-associated)	2,183	89.8%	2183	40.9%	2183	38.2%
Halcyon	36	1.5%	36	0.7%	36	0.6%
Current directors (Mr C Carey Mr A Wing, Mr R Krause)	212	8.7%	323	6.0%	452	7.9%
Vendors (Monument & Mr R Morris)	-	-	2,100	39.3%	1,200	21.0%
Other Placement Investors	-	-	700	13.1%	1,850	32.3%
Total	2,431	100.0%	5,342	100.0%	5,721	100.0%

19. Table 3 above shows that the current ROG shareholders not associated with the Proposal will be diluted from 89.8% to between 38.2% and 40.9% of the Company, following the Transaction and Placement, dependent upon the quantum of the Placement. Given the minimal difference in shareholding percentage for the non-associated ROG Shareholder and that the Directors have indicated to us a high level of confidence in raising the full \$1.85 million under the Placement, our quantitative assessment for the purposes of our Report is based upon the maximum amount being raised.
20. As previously noted, the Transaction and Placement are interdependent and are, for the purposes of this Report, **the Proposal**.

2. PURPOSE AND SCOPE OF THIS REPORT

21. ROG is a public listed company incorporated in Australia and with more than 50 shareholders is accordingly subject to the Chapter 6 Takeover regulations of the Corporations Act 2011 (**the Act**). Any securities issued to the Vendors as part of the Acquisition will be fully paid ordinary shares in the Company and are considered "voting shares" for the purposes of the Act.
22. Section 606(1) of the Act prohibits the acquisition by a person of more than a 20% relevant interest in voting shares of a company. Where the person already has a 20% or more interest prior to the

transaction, there is a prohibition to acquire any further interests. Item 7 of Section 611 of the Act does however provide an exception to the prohibition if shareholder approval for the issue of the securities is given.

23. As set out in Table 1 above following completion of the Proposal, the Vendors will in aggregate hold a relevant interest of between 21.0% and 39.3% of the Company's ordinary fully paid shares, depending upon the amount raised under the Placement.
24. The Vendors comprise of Monument Global Resources Inc and Mr Robert Morris (an individual) who will either alone or in conjunction obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of Proposal. Having regard to the full substance of the transaction and ASIC regulatory guidance in respect of circumstances in which parties with a shared goal or purpose may, for the purposes of a transaction, be deemed to be associates, in the interests of full disclosure, the Company has elected to seek shareholder approval for the Acquisition under item 7 of section 611 of the Act on the basis that all the Vendors are 'associated'.
25. In accordance with the requirements of Item 7 of Section 611 and the provisions of ASIC Regulatory Guides, the Directors of ROG have engaged Nexia to prepare an Independent Expert's Report for ROG Shareholders in relation to the Proposal. The Report will accompany the Notice of Meeting to be sent to shareholders. The scope of the Report is to consider if the Proposal, the subject of Resolution 1, is fair and reasonable to ROG Shareholders.

3. EXECUTIVE SUMMARY OPINION

3.1 GENERAL

26. Our report has been prepared having regard to ASIC Regulatory Guide 74 "Acquisitions Approved by Members" (**RG 74**), Regulatory Guide 111 "Content of Expert's Reports" (**RG 111**), Regulatory Guide 112 "Independence of Experts" (**RG 112**), and Regulatory Guide 170 "Prospective Financial Information" (**RG 170**).
27. In forming our view of the Proposal we have had regard to the current value of ROG Shares, and the financial impact (i.e. "Fairness" / quantitative assessment) and other qualitative aspects (i.e. "Reasonableness") of the Proposal for ROG Shareholders.
28. In respect of our "Fairness" assessment, this assignment is also a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').
29. We have considered the terms of the Proposal in its entirety as outlined in the Notice of Meeting and in this Report and as a result of our review and considering all the factors we are of the opinion that the Proposal is **fair and reasonable** to ROG Shareholders.

3.2 FAIRNESS (QUANTITATIVE ASSESSMENT)

30. RG 111 states that an offer is fair 'if the offer price or consideration is equal to or greater than the value of the securities subject of the offer'. In the context of the Proposal this principle translates to circumstances where the consideration received (50% interest in the Project) is greater than the value of the ROG Shares given as consideration. RG 111 further provides that the value of securities should be considered on a "control basis" as if the acquirer was obtaining control of the Company, (refer Section 3.3).
31. The financial impact of the Proposal to ROG Shareholders, based on the assessed value of ROG shares held by them using the adopted valuation methodologies and basis, is summarised in Table 4 below.

Table 4: Summary of Proposal on ROG Shareholders per share value

	Cents per share	Total company value (\$ million)
Value of ROG Shares pre-Proposal (control value)	0.03	0.6
Value of ROG Shares post-Proposal (minority value)	0.42	23.8
Value accretion / (dilution)	0.39	23.2

32. In assessing the value of ROG shares post-Proposal we have adopted an underlying Net Asset Value methodology, which includes an assessment of the fair market value of the 50% interest in the Project which will be obtained by ROG post-Proposal. The value of the Project is based on an independent assessment thereof by a Specialist valuer⁴, who determined a value for 50% of the Project in the range of \$29.66 million to \$35.27 million, with a preferred valuation of \$30.02 million.
33. We highlight that the Specialist's valuation is inclusive of approximately \$8.5m in estimated capital expenditure to be incurred on the Project from October 2015 to April 2017 for drilling of 6 wells, seismic studies, injection well and associated site engineering⁵. Currently ROG has immediate plans to raise between \$0.7 million to \$1.85 million as part of the Placement with those funds to be applied to the initial capital expenditure on the Project. The Project owners will need to source the additional funds required to complete the CAPEX program and bring the Project into full production.
34. The ability to secure the required CAPEX funding creates inherent uncertainty around the Project and hence the ability to bring the field to the production levels forecast by the Specialist and used as the basis of his valuation. The Project is currently producing oil and the CAPEX is about further development of the field to increase its output capacity. Resource companies typically have a number of funding options available in respect of development of projects. Having applied the initial Placement funds to development of the Project, provided that the schedule proceeds as planned and yields the expected results, rational market behaviour would be such that further funding could be attracted given

⁴ Mr Ian Buckingham FRMIT (Geology), BAppSc. (Applied Geology), MBA, FAusIMM, MAAPG, MPESA MAICD. Managing Director of Global Resources & Infrastructure Pty Ltd

⁵ Refer table 4 section 15.6 of the Specialist's report

that the Project has been further de-risked. This funding is typically either in the form of equity or third party project finance.

35. If this funding is achieved by equity, which may be done by way of further placements or rights issues by ROG, this may be dilutive to all shareholders. Whilst further equity may be dilutive to shareholders, it does not impact the net present value of the Project itself.
36. If the funding is sourced from third party project finance, then this is usually not dilutive to shareholders, but may reduce the net present value of the Project to the extent of interest and fees. Project finance options may include traditional bank finance, bonds (or like instruments) and streaming⁶ finance arrangements. The quantum of project finance would depend upon the Project's cashflows and its ability to service and repay the funding or meet its output obligations under a streaming arrangement.
37. It is also possible that the Company may defer some later dated capital expenditure to match available funding limits. For example, according to the Specialist's report, each well represents circa \$1.1 million in capital expenditure. This would also likely reduce the net present value of the Project for time value.
38. Given the range of values provided by the Specialist and the small value of CAPEX relative to the net cash operating inflows of the Project, we consider that any impact on the Project's net present value from the use of project finance or deferral of capital expenditure is unlikely to change our overall opinion that the Proposal is fair. Similarly we have not considered the potential for dilution from equity raises by ROG as the terms and circumstance of future capital raises are unknown.
39. Therefore based on Table 4 above, we determine that the value of ROG Shares post-Proposal (on a minority basis) is greater than the value of ROG Shares pre-Proposal (on a control basis), and so the Proposal has a positive impact on the value of ROG Shares, when considered in the context of a control transaction as required by ASIC RG111.
40. Based upon the foregoing, we are of the opinion that, on a control basis, the Proposal is **fair** to ROG Shareholders.

3.3 CONTROL PREMIUM

41. RG 111.11 suggests that when assessing the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company.

⁶ A "Streaming" arrangement is a form of financing whereby the funding party receives in return for providing finance an entitlement to a fixed quantity of output from the reserve at a pre-determined price, usually at a discount to market price. Streaming is commonly used for North American reserves and recently has been used by Australian listed companies on Australian reserves.

42. If the Proposal is approved and completed, the Vendors will obtain a relevant interest of between 21.0% to 39.3% of ROG. Whilst the Vendors will not be obtaining 100% of ROG, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained.
43. In accordance with RG 111, in forming our view of the value of ROG shares pre-Proposal we have adopted a control based valuation. We have then compared this with the minority value of ROG Shares if the Proposal is approved. In this manner the dilutive or positive impact of the Proposal on the fair value of ROG Shares held by ROG Shareholders is readily demonstrated. As noted above the Proposal is likely to be value accretive and thus ROG Shareholders are receiving a premium for loss of control of ROG.

3.4 OTHER QUALITATIVE FACTORS OF THE PROPOSAL

44. In assessing if the advantages of the Proposal outweigh the disadvantages we have had regard to the following:

Advantages of the Proposal	▪ The Proposal is fair ▪ The Proposal will improve the financial position of ROG ▪ The Proposal may give rise to re-pricing of ROG shares and improve liquidity ▪ The Proposal is the only offer capable of acceptance at the date of this Report and there is an absence of alternative offers. ▪ ROG Shareholders will receive a premium for loss of control.
Disadvantages of the Proposal	▪ ROG Shareholders interests will be significantly diluted from 89.8% to between 38.2% and 40.9% post-Proposal, and the Vendors will have significant influence of the board, holding two of five seats. ▪ Change in the nature of business operations, including holding an asset in the USA which may change the risk profile for ROG Shareholders ▪ The Project is likely to require significant capital expenditure which may require further capital raises which may be dilutive to ROG shareholders.
If the Proposal is NOT approved	▪ The Directors have advised us that they will seek to raise additional funding and search for and analyse alternative projects. ▪ Given the lack of any current viable projects, ROG will likely continue to incur overhead costs in the near-term. If no viable projects can be found, the Company is likely

to require further funds to remain solvent. The price at which such funds may be raised may be more dilutive than the current Proposal.

45. In our opinion the position of ROG Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the Proposal is reasonable to ROG Shareholders.

3.5 SUMMARY OF OPINION

46. On balance of all the matters considered we are of the view that the Proposal, viewed in its entirety, is **fair and reasonable** to ROG Shareholders.

4. GENERAL DISCLOSURES AND LIMITATIONS

Changes in market conditions

47. Our analysis and conclusions are based on market conditions existing at the date of this Report. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the transaction are concluded.

Individual shareholder circumstances

48. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and portfolio strategy. ROG Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

Entirety of Report

49. This summary opinion should be read in conjunction with and not independent of the remainder of this Report
50. The Report should also be read in conjunction with the Notice of Meeting to which this Report is attached. Terms in this Report are, unless otherwise noted, consistent with terms and description referred in the Notice of Meeting.

Yours faithfully
Nexia Melbourne Pty Ltd
Holder of Australian Financial Services License No.247362



Gary Graco
Authorised Representative

5. DISCLOSURES AND LIMITATIONS

51. This Report has been prepared at the request of the directors of ROG for the purposes of assisting Shareholders in their evaluation of the Proposal.
52. The Report is not intended to serve any other purpose and should not be relied upon by any other person for any other purpose. In preparing this Report, Nexia has relied upon financial and other information provided by ROG. Furthermore, we have relied upon the representations and opinions of the management of ROG.
53. We believe that (unless stated otherwise) the information provided was reliable, complete and not misleading and there is no reason to believe that any material facts have been withheld. However, we have not conducted any separate due diligence or audit investigations to assess the correctness or completeness of this information. Information, judgements and representations have been evaluated through analysis, enquiry and review to the extent practicable. However, it must be appreciated that such information is not always capable of external verification or validation.
54. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and liquidity preference and portfolio strategy. ROG Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.
55. The opinion of Nexia is based on economic market and other conditions prevailing on the date of this Report. Such conditions can change significantly over a relatively short period of time.

6. REGULATORY FRAMEWORK

6.1 CORPORATIONS ACT – TAKEOVER PROVISIONS

56. Section 606(1) of the Act prohibits the acquisition of a relevant interest in the voting shares of a company where (a) a person's voting power increases from below 20% to more than 20%; or (b) from a starting point above 20% and below 90%. The interest of "associates" is aggregated for these purposes. Acquisition can be by way of transfer from other shareholders (purchase) or by way of issue of new securities (subscription). Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of shareholders at general meeting and no votes are cast by the persons to whom shares are to be issued to or their associates.
57. Under the terms of the Proposal, the Company will acquire 50% of the Project, being 50% of the units in Cache, via the issue of between 1.236 billion to 1.29 billion ROG shares at a deemed issue price of 0.1 cents.

58. Included in the consideration for the Transaction is the issue of between 36 million and 90 million ROG shares (based on the minimum and maximum amounts raised under the Placement) to the Vendors, which on the Vendors direction are to be issued directly to Cyprus Investments Pty Ltd in part payment for its advisory services to the Vendors. Cyprus Investments is a company associated with Mr Clinton Carey, a director of the Company.
59. The Transaction is also condition on the Company contributing between \$0.6 million to \$1.5 million for further development of the Project, which the Company intends to facilitate via a Placement to raise between \$0.7 million to \$1.85 million through the issue of between 700 million and 1.85 billion shares at an issue price of 0.1 cents per share.
60. As set out in Table 3 above, following completion of the Proposal, the Vendors will obtain a relevant interest of between 21.0% and 39.3% of the Company's fully paid ordinary shares. ROG Shareholders will be diluted from 89.8% to between 38.2% to 40.9% of the Company, depending upon the amount raised under the Placement.
61. If the Proposal is implemented the Vendor will (either or alone or in conjunction with their associates) obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of the Company's acquisition of the Project.
62. To implement the Proposal as planned, the directors are seeking approval of Shareholders for the Transaction, on the basis that all the Vendors are 'associated', and thus exempt the Vendors from the requirement to make a full takeover offer to ROG Shareholders pursuant to Item 7 of Section 611 of the Act.
63. In accordance with the provisions of ASIC Regulatory Guides, the Directors of ROG have engaged Nexia to prepare an Independent Expert's Report for ROG Shareholders in relation to the Proposal. This satisfies the obligation under RG 74.12 to supply shareholders with "enough information to make an informed decision on the merits of the Proposal". The Report will accompany the Notice of Meeting to be sent to Shareholders. The scope of the Report is to consider if the Transaction, the subject of Resolution 1, is fair and reasonable to ROG Shareholders.

6.2 GUIDELINES ISSUED BY ASIC ON ACQUISITIONS AGREED TO BY SHAREHOLDERS

64. ASIC has issued Regulatory Guides 111 – *Content of Experts Reports* ("RG111") and Regulatory Guide 112 – *Independence of Experts* ("RG112"). We highlight the following from RG111 that are pertinent to this Report.

RG111.5 *In deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the*

substance of the transaction, rather than the legal mechanism used to effect the transaction.

65. RG111 does not prescribe the form of analysis relevant to matters subject to acquisitions approved by security holders under item 7 of s611 however practice has commonly adopted the 'fair and reasonable' proposition as an appropriate form of analysis. RG111 sets out the principles of fair and reasonable in the context of a Chapter 6 control transaction.

RG111.10 *It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 establish two distinct criteria for an expert analysing a control transaction:*

- (a) is the offer 'fair'; and*
- (b) is it 'reasonable'?*

RG111.11 *Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:*

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and*
- (b) assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.*

RG111.12 *An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.*

66. We have necessarily considered the ASIC guidance in our analysis. The methodology that we have used to form an opinion as to whether the Proposal is fair and reasonable, is summarised as:

- Fairness – This assessment of value of the securities subject of the offer (i.e. ROG Shares) is made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. We have also considered the value of ROG Shares pre-Proposal on a control basis and compared this to the value of ROG Shares post-Proposal on a minority basis. In this manner the dilutive or positive impact of the Proposal can be demonstrated. This assessment will identify if ROG Shareholders are receiving a premium for control, given that the Vendors may obtain a controlling interest in ROG.
- Reasonableness – we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposal, including the advantages and disadvantages of the Proposal and the alternatives available if the Proposal is not approved.

6.3 GUIDELINES ON VALUATION ENGAGEMENTS

67. This report has also been undertaken in accordance with the requirements set out in Accounting Professional and Ethical Standards Board professional standard 225 "Valuation Services" ("**APES 225**").
68. A valuation engagement is defined by APES 225 as *"Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time"*.

6.4 GUIDELINES ON ENGAGEMENT OF SPECIALISTS

69. APES 225 states that where a Valuation Service requires the consideration of matters that are outside a Member's professional expertise, the Member shall seek expert assistance or advice from a suitably qualified third party on those matters outside of the Member's professional expertise. The Member shall disclose in any Valuation Report or other relevant communications the extent of the reliance upon the advice of such a third party.
70. When planning to use the work of a suitably qualified third party, a Member shall assess the professional competence and objectivity of the third party, the engagement terms of the third party and on completion the appropriateness and reasonableness of the work performed.
71. In respect of technical assessment and valuation of mineral and petroleum assets, the VALMIN code (for technical assessment and valuation of mineral and petroleum assets and securities for independent experts reports) is usually the adopted guideline for specialist experts. The VALMIN Code was developed by a joint committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and MICA, in consultation with the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector. The current version of the Code was approved on 29 April 2005. The fundamental principles of the Code relate to Materiality, Competence, Independence and Transparency. VALMIN also requires commentary on the reasonableness and quality of resource or reserve estimates in accordance with the current JORC Code (Joint Ore Reserves Committee) standard for reporting resource and reserve estimates.

7. PROFILE OF RED SKY ENERGY

7.1 COMPANY OVERVIEW

72. Red Sky Energy is a listed company on the Australian Securities Exchange (**ASX**), which is primarily engaged in the acquisition, exploration, evaluation and development of oil and gas properties. The Company also owns a solar energy business, Soleir Limited, to develop utility scale photovoltaic solar power projects, however this project is dependent upon Australian Federal Government funding and has currently been put on hold. At present, the Company has limited assets or operating activities.

7.2 SHARE CAPITAL

73. At the date of this Report, ROG has 2,403,916,486 ordinary shares on issue held by a total of 2,323 registered shareholders.

74. The Table 5 below sets out the pro-forma top 10 shareholders as at 5 May 2014:

Table 5: Top 10 shareholders

Rank	Name	Shares (000's)	%
1	Energy Infrastructure and Resources Pty Ltd	180,000	7.40
2	ERM Power Limited	150,000	6.17
3	Mungala Investments Pty Ltd	123,333	5.07
4	St Baker Investments Pty Ltd	100,500	4.13
5	Cyprus Investments Pty Ltd	86,620	3.56
6	Resolve Geo Pty Ltd	80,000	3.29
7	GXB Pty Ltd	62,500	2.57
8	Penause Pty Ltd	62,500	2.57
9	Northern Star Nominees Pty Ltd	62,500	2.57
10	Nailbridge Pty Ltd	60,833	2.50
Total Top 10 holders of Ordinary fully paid shares		968,786	39.85
Other Shareholders		1,462,130	60.15
Total		2,430,916	100.00

Source: ROG management

75. The top 10 shareholders of ROG account for 39.85% of total issued capital, with the largest shareholder Energy Infrastructure and Resources Pty Ltd, holding 7.40% of issued capital. Current directors Mr R Krause (Penause Pty Ltd), Mr A Wing (Northern Star Nominees Pty Ltd) and Mr C Carey (Cyprus Investments Pty Ltd) hold in aggregated 211.7 million shares or 8.7% of ROG.

76. The Company also has 60 million options exercisable at 2.25 cents on or before 31 March 2016, and 100 million options exercisable at 0.9 cents on or before 20 December 2016. Given the most recent traded price of ROG Shares of 0.1 cents on 11 June 2015, we do not consider it likely that these options will be exercised in the near term pre-proposal. On a post proposal basis we value ROG at 0.39 cents per share, which would mean the options are still "out of the money". However we have no basis for assessing whether the post-proposal trading price of the shares will reflect this valuation or not. Therefore we have not considered the potential exercise of these options in our analysis.
77. On 10 April 2015, the Company also issued 75 million performance rights to each of the following Company directors: Mr R Krause, Mr A Wing and Mr C Carey (i.e. A total of 225 million performance rights were issued. Each performance right entitles the holder to receive one fully paid ordinary share of the Company on achievement of the applicable milestone, as set out below:

Series	Milestone	Achieved by	Total number of rights
A	Company market capitalisation of \$5.0 million or more	11 March 2018	75 million
B	Company market capitalisation of \$7.5 million or more	11 March 2020	75 million
C	Raising a minimum of \$1 million of capital	11 March 2020	75 million

Source: ROG management

7.3 SHARE TRADING HISTORY

78. The following chart shows trading in ROG's shares in the last 12 months:

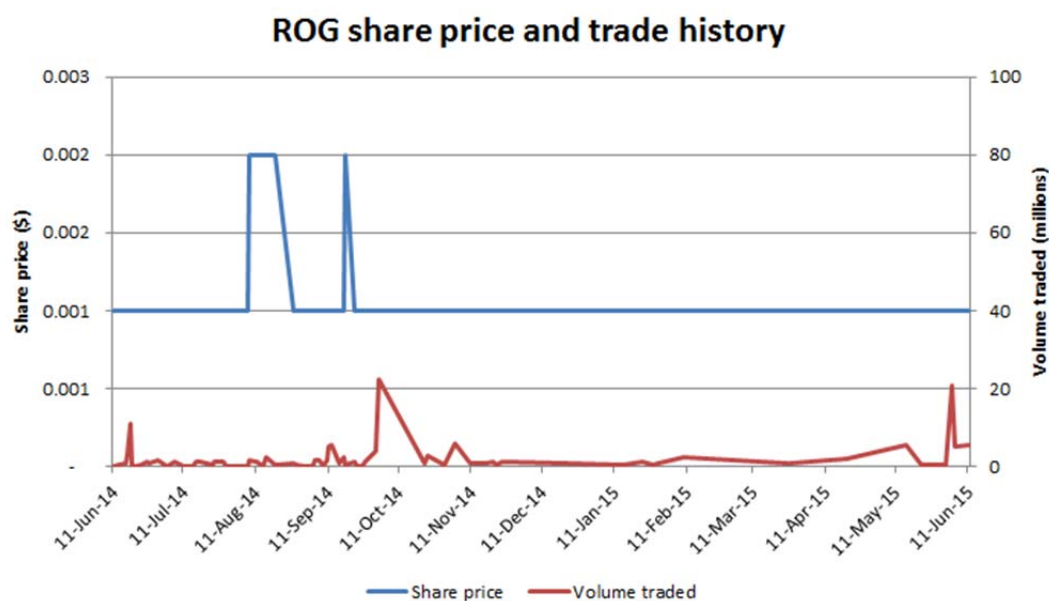


Table 6: ROG volume trading

Period	Post-announcement (approx. 7 mths)	1 mth post-announcement of Proposal	3 mths pre-announcement of Proposal	5 mths pre-announcement of Proposal
Total shares traded	56,043,888	9,520,000	60,158,245	87,010,515
As % of total issued capital	2.57%	0.49%	3.58%	5.18%
Price (cents)				
High	0.1	0.1	0.2	0.2
Low	0.1	0.1	0.1	0.1
Total value of trades (\$)	\$56,044	\$9,520	\$66,601	\$93,454
VWAP (cents)	0.1	0.1	0.1	0.1

79. The chart and table above shows the price for ROG Shares has fluctuated between 0.1 cents and 0.2 cents per share over the last 12 months. The majority of trading during the last 12 months has been at a volume weighted average price (VWAP) of 0.1 cents per share. The total value of trades \$225,619, at 143.1 million shares traded represents approximately 7.3% of total weighted issued capital. Trading is consistently limited both pre and post announcement of the Proposal on 4 November 2014.
80. In our view the trading activity exhibits characteristics of a thinly traded stock and does not form an adequate basis for reliance in our assessment of liquid control value of ROG as a whole. Therefore we have not relied upon the most recently traded share price of 0.1 cents (on 11 June 2015) nor the current implied market capitalisation of circa \$2.4 million (as at 12 June 2015) in our analysis.

7.4 FINANCIAL POSITION

81. A summary of ROG's Statement of Financial Position as at 31 December 2013 (audited), 2014 (audited) and as at 31 March 2015 (unaudited), are summarised in Table 7 below.

Table 7: ROG Statements of Financial Position

\$'000s	Notes	31-Mar-15 (unaudited)	31-Dec-14 (audited)	31-Dec-13 (audited)
Cash and cash equivalents		471	392	571
Receivables		29	283	45
Prepayments		31	42	44
Non-current assets held for sale	(a)	-	-	1,250
Total current assets		531	717	1,910
Intangible assets	(b)	-	-	893
Trade and other receivables	(c)	357	301	-
Other financial assets		40	40	41
Total non-current assets		397	341	934
TOTAL ASSETS		928	1,058	2,844

\$'000s	Notes	31-Mar-15 (unaudited)	31-Dec-14 (audited)	31-Dec-13 (audited)
Trade and other payables		27	11	102
Accrued expenses		142	66	269
TOTAL LIABILITIES		169	77	371
NET ASSETS		759	981	2,473

Source: Annual Reports and ROG management

82. With respect to Table 7 above we note that
- Non-current assets held for sale relate to permits PEL 457 and 479 which were sold to ERM Gas for approximately \$1.25 million in January 2014. An initial \$1 million was received in March 2014 with the remaining \$0.25 million received in March 2015.
 - Intangible assets previously recognised relates to ROG's investment in its solar business, Soleir. This was written down to nil in the December 2014 audited accounts given the uncertainty regarding the Federal Government's plans in terms of the Renewable Energy Target and therefore funding for the Soleir business. All development activity in that business has ceased.
 - As part of the terms of the Proposal, ROG entered into a loan agreement with the LLC to advance approximately \$USD 0.3 million as an initial investment for the improvement of its existing oil production capabilities. Under the terms of the loan agreement, the loan principal and any accrued interest is to be forgiven by ROG if the Proposal is approved. Should the Proposal not be approved, then the loan principal and any accrued interest must be repaid by the LLC. Interest accrues at 1.9% per annum.

7.5 FINANCIAL PERFORMANCE

83. A summary of the Company's operating results for the financial years ended 31 December 2013 (audited) and 2014 (audited) and for the 3 months to 31 March 2015 (unaudited) are shown in Table 8 below.

Table 8: ROG Statements of Comprehensive Income

\$'000s	31-Mar-15 (unaudited)	31-Dec-14 (audited)	31-Dec-13 (audited)
Revenue from continuing operations	3	12	7
Research and development grants	-	144	-
Administrative expenses	(85)	(360)	(343)
Consultancy	(53)	(268)	(349)
Directors fees	(77)	(233)	(432)
Exploration costs	-	(38)	-
Impairment expense	-	(1,025)	-
Legal fees	-	(40)	(77)
Loss from continuing operations before tax	(212)	(1,808)	(1,194)
Income tax benefit	-	-	82
Loss from continuing operations after tax	(212)	(1,808)	(1,112)

\$'000s	31-Mar-15 (unaudited)	31-Dec-14 (audited)	31-Dec-13 (audited)
Loss from discontinued operations	-	-	(1,580)
Net loss for the year	(212)	(1,808)	(2,692)

Source: Annual Reports and ROG management

84. As seen in Table 8 above, the Company does not have any significant revenue-generating activities and continues to incur losses.

7.6 FINANCIAL PROSPECTS

85. We have been provided by ROG management a budget of estimated income and costs for the next 12 months from 1 April 2015, assuming the Proposal is not approved. The budget shows that the Company will incur overhead costs of approximately \$40,000 per month, with costs in relation to the Proposal circa \$125,000. Minimal income is expected to be derived during this period.
86. If the Proposal is not approved, ROG management have advised that in order to fund working capital and the development and exploration of its projects in the near term, it would seek to raise additional funding and search for and analyse alternative projects.

8. PROFILE OF CACHE OILFIELD PROJECT

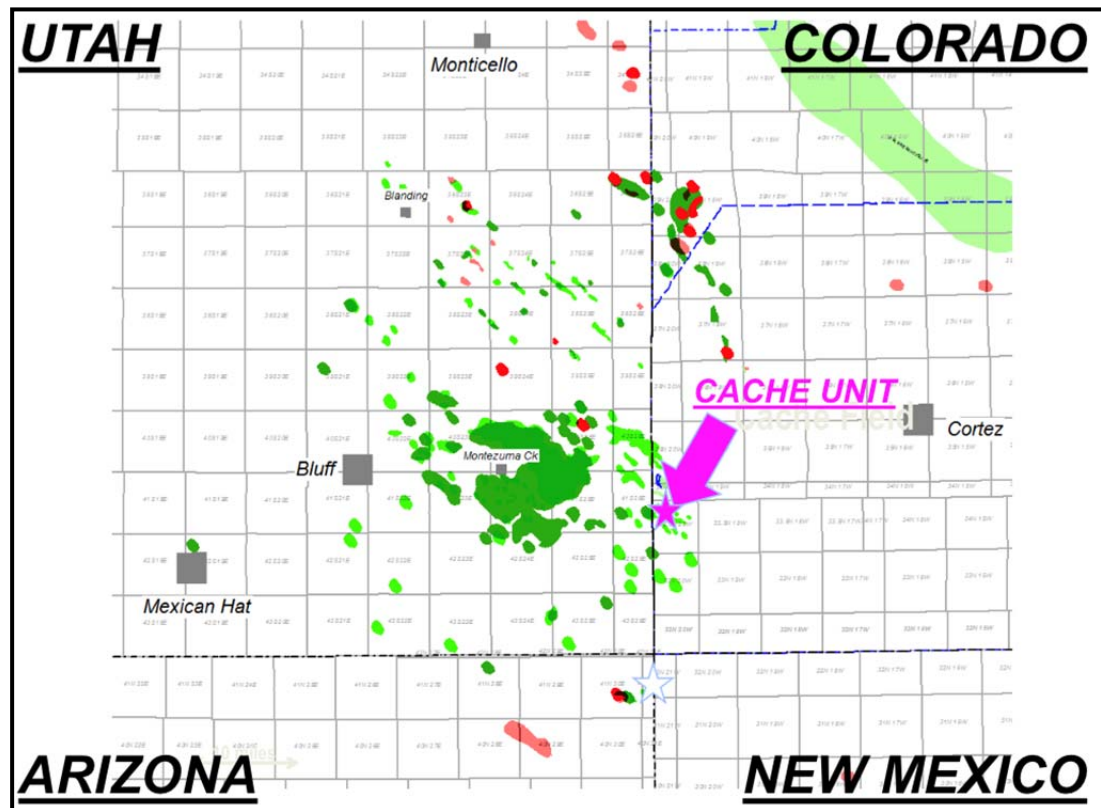
8.1 OVERVIEW⁷

87. The Cache Oilfield oil and gas project presently owned and operated by the Vendors is located in Montezuma County, Colorado, USA, one mile east of the Utah state line and 10 miles east of the Aneth field which was discovered in 1956. The Project assets are held in Cache Martini No.1 LLC, a USA limited liability company. The Project assets consist of:
- Rights and entitlements to 80% of the net income from the oil field. 20% of the net income of the project is reserved to pay royalties of 17% to land owners (including native Americans) and the provincial government, with the remaining 3% to others⁸ associated with the Proposal; and
 - 100% of the worked interest including plant and equipment.

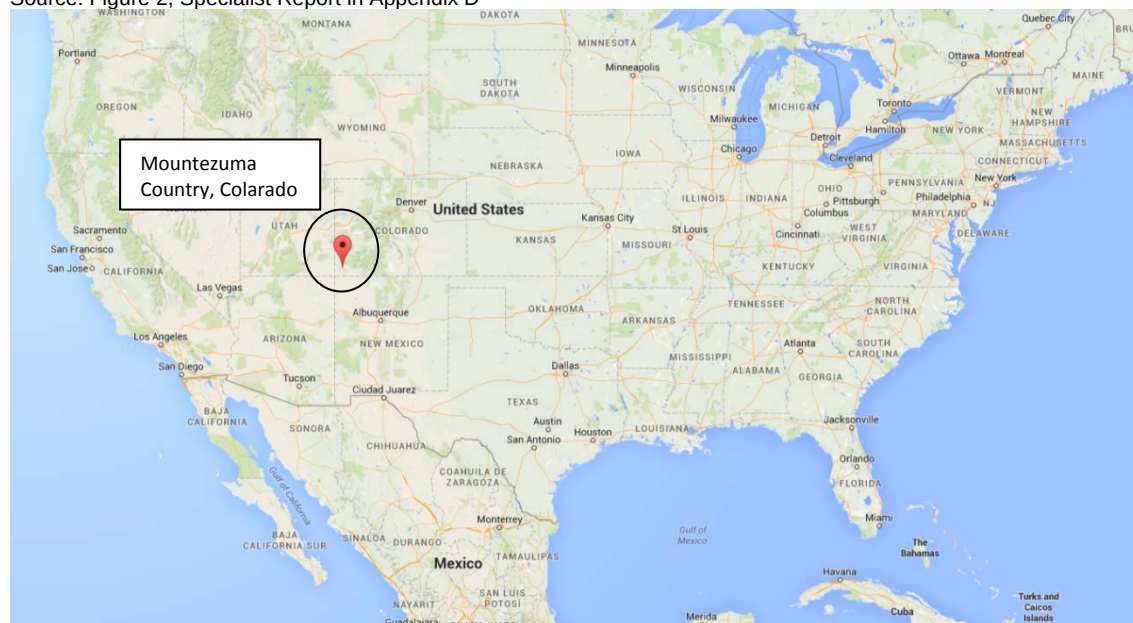
⁷ Source(s) of information contained in this Section are:

- Independent Valuation Report - by Ian Buckingham, Global Resources and Infrastructure and attached in the Appendix
- Information provided by ROG management
- Information provided by the Vendors

⁸ Comprised of: Nominees of Mr Angus Edgar, 0.5%, Mr Clinton Carey 0.5% (ROG Director), Mr Tim Chapman 0.5% (Halcyon Capital – Advisors to ROG) and the Vendors 1.5%



Source: Figure 2, Specialist Report in Appendix D



Source: Google Maps

88. The Cache field was discovered in 1964, to date a total of 24 wells on an average 40-acre spacing have been drilled. Most of these wells were drilled throughout the 1960's and most are now shut-in.

Production of the high quality, sweet, 44-45° API oil has continued to the present day and is now producing at a current rate of 12 BOPD from the one well that remains in service. Production records indicate that to date approximately 5 million barrels of oil have been produced from the Cache field. Early field studies indicated that Original Oil in Place ("OOIP") was estimated to be 24 million barrels, suggesting that only about 20% of the OOIP has been produced.

89. The Vendor has spent circa \$US3 million rehabilitating the site, including the removal of sludge pits and discarded equipment; and upgrading surface well pumps and infrastructure such as pipes, junctions, water treatment and storage tanks.
90. The Company have advised that between \$0.6 million to \$0.85 million of the proceeds of the proposed Placement will be expended on costs of drilling a well in the Cache oilfield to 5,500 feet, with a further \$0.7 million to be expended on costs of test drilling of the well to test the gothic shale underlying the Cache oilfield and horizontal drilling from the well to test extraction techniques.
91. Longer term proposed plans for the oilfield include; in-fill drilling the current well grid down to a 20-acre spacing; and employing modern oil field completion practices along with the opportunity to utilise modern horizontal / multi-lateral drilling technology and extraction techniques. If testing of the production / completion model that it has developed is successful, there will likely be further drilling and a 3D seismic program over the field. ROG will closely evaluate the CO2 flooding techniques that have been shown to be successful at nearby Aneth Field and if thought suitable will consider implementing such as scheme. The Directors expect that this overall approach to developing the field could result in at least 20% of the remaining reserves being recoverable (5.1 - 6.0 Million Barrels).
92. Further details on the Project are provided in the Independent Valuation Report - by Ian Buckingham, Global Resources and Infrastructure and attached in the Appendix and in Section 11 below in respect of the valuation of the Project.

8.2 BACKGROUND ON THE VENDOR

93. The Vendors and their respective equity interests in the Project prior to the Proposal are Monument Global Resources Inc (**Monument**) holding 81% and Mr Robert Morris (an individual) holding 19%. Monument are the present managers and operators of the Project. Following completion of the Proposal, Monument will continue to be the day-to-day managers and operators of the Project with ROG holding a 50% interest in the Project.
94. Monument is a management consultancy that was established as a corporation in 2013 by individuals experienced in the oil and gas industry. They have acquired interests in a number of oil fields in Colorado, USA. Monument is based in Dallas, Texas.
95. Monument state that their experienced management team offers industry specific management, technical, operational, engineering, geophysical, and financial capabilities with track records managing successful oil and gas companies. The current executive management team include, (details as provided by Monument):

- **Kerry Smith** has over thirty-years of experience as an Independent Contractor and Oil and Gas Operator. He is the President of Monument. He has experience in all areas of oil and gas production, from the wellhead to P&L responsibility. His project management experience includes 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. Mr. Smith is skilled in developing and implementing work-over, completion, drilling and production operations.
- **William Reinhart** has extensive geologic experience in most major oil and gas provinces of North America, with over 35 years of supervisor and executive management experience with technology, cross discipline teams, new business development, exploration and production operations and strategy development and implementation. Mr Reinhart has a resume of many top line oil and gas companies for which he has achieved consistent company-wide bottom-line results
- **Robert Morris**, CFA has more than 40 years of international experience in financial analysis, financial management and oil & gas production and development. Mr. Morris was the Chief Investment Officer and a Partner at Lord Abbett & Company, a \$130 billion mutual fund company based in Jersey City, NJ. Mr. Morris is recognized as an expert in the field of money management and has been widely quoted in the media including CNBC, the Wall Street Journal and Barron's. Mr. Morris is a partner in Morris Brothers, a family oil and gas company with holdings in the Kern River Basin in Bakersfield, California. He is a Chartered Financial Analyst (CFA), has a BA in Economics from the State University of New York, Buffalo and an MA in Economics from Northeastern University.
- **Bob Lippincott** has over 30 years of multi-national experience and expertise in petrophysical and petroleum engineering with Shell Oil. Mr. Lippincott's professional strengths include formation evaluation planning, well site operations, integrated petrophysical evaluation and reservoir modelling. During Mr. Lippincott's distinguished career with Shell, he served as Principal Petrophysical Engineer for the NaKika Deepwater Gulf of Mexico field, a \$1.5B subsea project.
- **Jerry Gause** has over 30 years of domestic & international experience as a reservoir engineer with Royal Dutch Shell Company and its affiliates where he lead and developed Shell's E&P projects and new business development initiatives.
- **Steven G. Siguaw** has over 30 years of experience as a distinguished professional in geophysical exploration and exploitation services. Mr. Siguaw has worked with many of the largest Oil & Gas Exploration and Production companies, including Repsol, Cabot Oil & Gas, Columbia Gas, Amerada Hess and Tenneco Oil.
- **J.C. (Boo) Suire** has more than 40 years of experience as a distinguished professional in oil and gas producing operations. Mr. Suire worked for Shell for 39 years in numerous Senior Field positions across the domestic United States. His primary expertise lies in two areas – maximizing well inflow performance utilizing the latest technology in well completion techniques to enhance reservoir output and driving overall field optimization through enhanced production and field efficiencies, including cost control.
- **Edward B. Coalson** has more than 40 years of experience as a distinguished professional in Geology and Geophysics. Dr. Coalson is an expert in the Rocky Mountain and Mid-Continent. During his career he has held various positions significant oil & gas companies. 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. Dr. Coalson is widely recognized as an expert in his field and has written or contributed to numerous publications.

- **Arshad Khan**, a Registered PE (Reservoir Engineering) has more than 40 years of experience in reservoir management and asset development including reservoir engineering & modelling. He also has significant field operations and management expertise. Arshad has experience working for the likes of BP, Randall & Dewey, J.M. Huber, Mission Resources and Schlumberger. Mr. Khan received his BS & MS in Petroleum Engineering from the University of California, Berkeley.
- **Other executive managers** are experienced in law and accounting.

96. Under the terms of the Proposal, Mr Kerry Smith and Mr William Reinhart will become directors of ROG.

8.3 OVERVIEW OF CACHE MARTINI NO.1 LLC, ("CACHE")

97. The Projects assets are held in Cache Martini No.1 LLC, a USA limited liability company. Members of Cache are registered as unit⁹ holders and relations between members and the company are governed by an operating agreement. A condition precedent for the completion of the Proposal is that the operating agreement is amended to admit ROG as a member of Cache.

98. Prior to completion of the Proposal, the members of Cache are:

Table 9 - Cache membership structure

Member	Units	% of total
Monument Global Resources Inc	81	81.0%
Mr Robert Morris	19	19.0%
Total	100	100.0%

8.4 FINANCIAL PERFORMANCE & POSITION

99. We have been provided by ROG management with a copy of Cache's income statement for the 12 months to 31 December 2014 and balance sheet as at 31 December 2014. The income statement shows oil revenue of circa US\$0.15 million and expenses of circa US\$0.42 million for a net loss of US\$0.27 million. The balance sheet shows only the investment in the Project and the Advance outstanding to ROG.

100. ROG management have advised us that Cache has no other debts or contingent liabilities.

⁹ Units of an American limited liability company ("LLC") such as Cache Martini No. 1 LLC, are broadly analogous to an Australian company's shares and are not units in a trust.

9. INDUSTRY OVERVIEW¹⁰

9.1 GENERAL

101. ROG is primarily engaged in the acquisition, exploration, evaluation and development of oil and gas properties and with the current Proposal pursuing a strategy of re-development of North American oil fields that have fallen into disrepair. An overview of the oil and gas extraction industry in the US is therefore provided below.
102. Companies in this industry operate and develop oil and gas field properties. Activities include the exploration and production of crude petroleum; the mining and extraction of oil from oil shale and oil sands; the exploration and production of natural gas; sulphur recovery from natural gas; and recovery of hydrocarbon liquids. Companies may operate oil and gas wells on their own account or for others on a contract or fee basis.
103. The Oil and Gas Extraction industry has been challenged in recent months by declines in oil prices. However, new technologies and extraction techniques enabled the industry to quickly recover from the negative shocks of the economic downturn and ushered in several years of strong growth. Domestic production of oil and gas has steadily increased in the five years to 2015, while industry operators have positioned themselves to continue performing strongly in the five years to 2020. Though the industry remains exposed to global commodity price fluctuations, IBISWorld expects that the industry will continue to profit from its highly lucrative operations, but industry revenue is expected to decline 8.8% in 2015 due to persistently low oil prices.
104. In the five years to 2015, industry revenue is expected to increase at an annualized rate of 2.6% to total an estimated \$US320.0 billion. The industry is composed of several very large globalized companies that engage in all steps of the oil and gas production process, from exploration to refining; it is these companies that are poised to benefit the most from the emergence of hydraulic fracturing and horizontal drilling techniques. Furthermore, the United States has been seeking to lessen its reliance on foreign sources of oil and gas, most notably those in the Middle East. By reducing exposure to foreign political events and pressure, domestic operators are expected to perform strongly as domestically produced oil and gas resources increasingly meet domestic demand.
105. The future of oil and gas is expected to increasingly hinge on improving technology and techniques. As industry operators deplete their reserves, it becomes necessary to improve efficiency and minimize waste. Industry operators replenish their reserves through either acquisitions or exploration, with exploration efforts being the much more speculative endeavour. Nonetheless, the number of industry operators has been increasing and is expected to continue doing so, as previously uneconomical resources have become accessible. In the five years to 2020, IBISWorld expects industry revenue to expand at an annualized rate of 2.0% to total \$352.6 billion. Improving technology is anticipated to assist operators in meeting environmental concerns and maximize well efficiency; as a result,

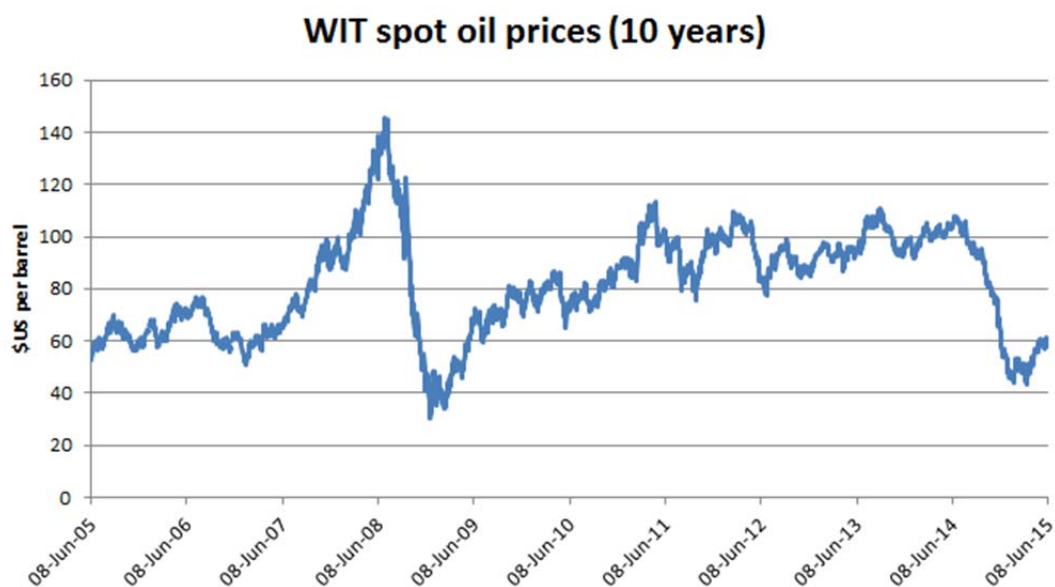
¹⁰ Source: IBISWorld Industry Report 21111 Oil Drilling & Gas Extraction in the US

IBISWorld expects that industry operators will be able to continue operating profitably and successfully in the United States.

9.2 OIL PRICE

106. Current Conditions

There has been a high level of volatility in world oil prices in the last 6-12 months, with the price of West Texas Intermediate (WTI) crude oil dropping from around US\$100 per barrel (bbl) in Aug 2014 to a low of around \$US43/bbl in March 2015 and a current (8 June 2015) price of \$US58. A chart showing the history of oil prices over the last 10 years is provided as follows:



Source: US Energy Information Administration

107. According to the World Bank Commodity Markets Outlook published in January 2015, there appears to be 4 key drivers for the recent plunge in oil prices:

	Driver	Details
1	Demand and supply pressures	There has been an oversupply of oil in recent months, especially with increasing production from the United States (in both conventional and unconventional oil – unconventional oil is extracted using techniques other than conventional oil well methods ie. fracking). The US is expected to increase output in 2015 (Per EIA, OPEC countries share of world oil production has remained flat for 20 years (circa 40%), but the United States share has increased, from 10% in the early 2000s to over 15% in 2014. Last year, the US surpassing Saudi Arabia as the world's largest oil producer¹¹. Other countries

¹¹ <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRFPUS1&f=A>

	Driver	Details
		such as Russia are also expected to increase production of oil as it is the main source of revenue generation. On the demand side, the International Energy Agency (IEA) expects further weakening, with oil consumption projected to average 93.4 mb/d in 2015 according to a February 2015 assessment, down from 94.1 mb/d in July 2014¹².
2	Shift in OPEC's objectives	Historically, it was OPEC's role to lower production when the world was producing too much, but by doing so it has lost global market share from about 50% in 1980s to roughly 33% today¹³. On November 27, 2014 OPEC announced they were abandoning supply management and price targeting. By not cutting production, and leaving it at target at 30 mb/d, OPEC signalled it no longer wanted to lose market share and left it up to the market to adjust the price. It may also be the case that OPEC is targeting the unconventional oil production industry (which is more expensive than conventional means) and by leaving oil prices low, the higher marginal cost of unconventional oil production may result in producers reducing the supply from these sources. However whilst some OPEC countries have a lower operating cost of production, they nevertheless have higher government and social costs funded by oil production which may limit to some extent the floor price.
3	Receding geopolitical risks	Towards the second half of 2014, it became apparent that conflict in the Middle East and Eastern Europe weighed less heavily than expected on oil supply, with figures from the IEA showing that both Libya and Iraq (which is expected to account for some 60% of OPEC's additional capacity from 2015-19) had increased production in the third quarter of 2014. The sanctions imposed after June 2014 as a result of the Russia-Ukraine conflict have also had little impact on European oil and natural gas markets.
4	US dollar appreciation	In second half of 2014, US dollar appreciated by more than 10% against major currencies in trade weighted nominal terms¹⁴. Typically, appreciation of US dollar is negatively correlated to US dollar prices of commodities, including oil According to the World Bank, the combination of the four major developments: demand and supply pressures, shift in OPEC's objectives, receding geopolitical risks, and US dollar appreciation, all caused the "perfect storm" of conditions that exerted strong downward pressure on oil prices.

108. Forecasts Of Future Oil Prices

¹² International Energy Agency, Oil Market Report, February 2015

¹³ <http://money.cnn.com/2015/01/13/investing/falling-oil-prices-us-opec/>

¹⁴ World Bank Report, page 6

According to most organisations: the World Bank, the IMF, the IEA and EIA, all expect short to medium term oil prices to remain low due to a number of factors:

- Supply is unlikely to drop, with OPEC indicating it won't lower output, and the US and Russia are expected to increase production. The effect of low oil prices on unconventional oil production is also likely to be limited in the short-term. Whilst unconventional oil production is more expensive, existing projects will still stay in business (due to high sunk costs). Shale oil projects tend to have relatively short life spans between 2.5 to 3 years (as opposed to conventional oil projects which span 2-3 decades) so whilst existing projects will continue, fewer new projects will be undertaken, which will affect long-term supply from these sources.
- The current oil price collapse also shares key similarities with a similar oil price collapse in 1985/86. In both situations, there was a boom in unconventional oil production and both coincided with OPECs movement toward targeting market share rather than prices. After the 1985/86 collapse, oil prices remained low for almost two decades.
- This is in contrast to the oil collapse after 2008 which was driven mostly by global macroeconomic concerns and liquidity problems, while the current decline appears to have been driven by sector-specific forces. Current declines are also not correlated with changes in global equity indices, as they were in 2008.

109. FORECAST PRICE RANGE

These factors suggests that oil prices won't rebound as quickly in 2015 as they did in 2009 i.e. current price decline driven by expectations regarding fundamental drivers of oil market, while 2008 decline was driven by uncertainty associated with global financial crisis.

The average of the World Bank and IMF forecasts of the average spot range of crude oil, is summarised in Table 10 below.

Table 10: Summary of forecast oil prices

	2015	2016	2017	2018	2019	2020
World Bank forecasts ¹⁵ (average spot rate of crude oil in \$USD)	53.2	56.9	60.8	65.0	69.4	74.1
IMF forecasts ¹⁶ (average spot price for UK, Brent, Dubai and WTI)	50.9	58.8	63.7	66.6	67.8	68.5
Average	52.0	57.9	62.2	65.8	68.6	71.3

10. BASIS OF ASSESSMENT OF THE PROPOSAL

¹⁵ World Bank Commodity Markets Outlook – January 2015, Table A.2

¹⁶ IMF Primary Commodity Prices Forecasts – January 2015, Table 2

110. In assessing whether the Proposal is fair and reasonable from the perspective of ROG Shareholders, we have had regard to the criteria set out in RG111, RG170 and APES 225.
111. The following factors have been considered in our evaluation of the advantages and disadvantages to ROG Shareholders:
- The fair value of ROG Shares Pre-Proposal and the fair value of ROG Share Post-Proposal;
 - Whether the Proposal brings about a change of control of ROG and if a control premium is received;
 - The alternatives available to ROG if the Proposal does not proceed;
 - Other qualitative advantages and disadvantages of the Proposal to ROG; and
 - Any other factors which may have a material impact.
112. The following sections set out details of our assessment of fairness (Section 11), whether a control premium is received (Section 12) and other qualitative aspects of the Proposal (Section 13).

11. ASSESSMENT OF FAIRNESS (QUANTITATIVE ASSESSMENT)

11.1 OVERVIEW

113. Section roadmap:
- Section 11.2 determines the value of ROG Shares Pre-Proposal
 - Section 11.3 determines the value of ROG Shares Post-Proposal
 - Section 11.4 summarises the financial impact of the Proposal
114. ASIC Regulatory Guide 111 outlines the appropriate methodologies a valuation expert should consider when valuing assets or securities. The use of different methodologies is however, dependent upon individual circumstances, the nature of the company and availability of information.
115. The following summarises the various methodologies we have considered:
- | | |
|--------------|---|
| Market Based | Business or equity is determined by reference to comparable market buy/sell transactions or quoted market prices (QMP) if the company is listed on an exchange. |
| Asset Based | Value is determined by reference to the sale or realisable proceed of individual assets or groups of assets in an entity |
| Income Based | Value is determined by reference to capitalised future maintainable earnings (CME) or discounted cash flows (DCF) derived by the business |
- We provide more details of the available valuation methodologies in Appendix B of this Report.

11.2 VALUE OF ROG SHARES PRE-PROPOSAL

116. In assessing the value of ROG, we considered all of the methodologies outlined in Section 11.1.

Market based

117. As mentioned previously, whilst ROG Shares are listed the ASX, we do not consider the quoted market price (QMP) to be an accurate indicator of the fair value of ROG Shares given the limited amount of trading and liquidity. Shares in ROG have fluctuated between 0.1 cents and 0.2 cents within the last 12 months, with traded volume being approximately 7% of total issued capital. Trading in the 7 months post-announcement of the Proposal have been at 0.1 cents.

118. We have also considered the price at which the most recent private placements occurred. As announced to the ASX on 14 November 2014, \$0.6 million was expected to be raised through a share placement via the issue of 750 million ROG Shares at an issue price of 0.08 cents per share, with the funds providing additional working capital for the Company as well an initial loan to the LLC to provide working capital for the Project. Approximately 420 million ROG Shares were issued in November 2014, with a further 125 million issued in early April 2015, with the remaining 205 million shares issued on 5 May 2015.

119. Given the lack of share trading and special circumstances surrounding the private placement, we are of the opinion that the market based methodology does not provide a reasonable basis for valuing ROG Shares.

Income based

120. We are also unable to undertake a valuation based on either the CME or DCF methodology, given the Company has not prepared any budgets or forecasts given the current lack of any substantial business operations.

Asset based

121. We have therefore determined the most appropriate methodology to assess ROG Shares on a control basis, as required by ASIC RG 111 is on the net asset value (NAV) methodology on a going concern basis. Under the going concern basis, an asset based valuation will estimate the value of net assets at its fair market value and will not account for realisation costs. This method involves making any necessary adjustments required to reflect the fair market value of the net assets of the business.

122. In our assessment of the value of ROG Shares pre-Proposal, we have considered the value of the net assets and liabilities of ROG based on unaudited accounts as at 31 March 2015 (refer Table 7). We consider all these assets and liabilities to be reflective of fair value and therefore no adjustments are required to this balance sheet. Based on unaudited accounts as at 31 March 2015 the Company has net assets of \$0.76 million.

123. We have also considered the following transactions (and their effect on the NAV of ROG) which have already occurred or are likely to occur from 1 April 2015 to 31 May 2015, being the likely proposed transaction date:

Table 11: Adjusted Pre-Proposal NAV

	Amount (\$'000s)	Further details
NAV as at 31 March 2015	759	Per balance sheet in Table 7
Balance of capital raising	100	ROG management have advised us that \$0.1 million was received in April 2015, in relation to outstanding share issues
Ongoing costs	(240)	Based on the budget provided by ROG management, there are estimated ongoing overhead costs and costs in relation to the Proposal up until transaction date to be approximately \$0.24 million
Adjusted Pre-Proposal NAV	619	

124. Table 11 above shows the adjusted net asset value of ROG Pre-Proposal to be approximately \$0.62 million. Due to the nature of the NAV based valuation approach and its assumption of an orderly realisation of assets at their fair values, we consider this value to be both a minority interest and control value.
125. We note that the assessed valuation of \$0.62 million is at a discount to the current market capitalisation of \$2.4 million as at 11 June 2015). As noted in Section 7.3 ROG's shares are very thinly traded and do not consider the market capitalisation approach is reliable nor a reasonable basis of value for the purposes of our assessment of the Proposal.
126. Based on a value of \$0.62 million and a total of 2,430,916,486 shares, we derive a **control** equity value for ROG Pre-Proposal of 0.03 cents per share

11.3 VALUE OF ROG SHARES POST-PROPOSAL

127. In valuing ROG Shares post-Proposal, because the Transaction and the Placement are interdependencies, we consider the value to be a derived from a sum of the following:
- The value of ROG pre-Proposal;
 - The value of ROG's acquired interest in Cache and therefore the Project as provided by the Specialist; and
 - Any amounts raised under the Placement, less transaction costs
128. RG 111.95 states that "an expert should not include prospective financial information or any other statements or assumptions about future matters in its report unless there are reasonable grounds". RG 170.26 also gives detailed guidance on what is considered "reasonable grounds" for stating prospective financial information including information that is underpinned by independent industry experts' reports.
129. Given that much of the value of the Cache is based on its petroleum reserves, we have relied upon the Specialists expert opinion on the value of those reserves which also considers long term forecasts. On this basis we consider that there are "reasonable grounds" consistent with RG170.26 to include the

prospective financial information in respect of the Specialist's valuation report, which we have included as an Appendix.

130. As mentioned previously, we have been provided with a copy of the Cache's balance sheet as at 31 December 2014, which show only an investment in the Project and a loan from ROG. We have also been advised by ROG management that Cache has no other contingent debts or liabilities.
131. Given that the Specialist has valued the Project on a going concern basis, and his valuation incorporates all the necessary working capital and capital expenditure necessary to achieve the forecast cashflows underlying his valuation, we consider the Specialist's valuation of the Project to be a proxy for the value of Cache.
132. Based on the above, we conclude that ROG's 50% interest in Cache will have an estimated adjusted NAV of between \$29.66 million to \$35.27 million, with a preferred value of \$30.02 million on the date of the Transaction.

Summary of Specialist valuation of the Project

133. Included in Appendix D is an Independent Valuation Report on ROG's equity interest in the Project. The Specialist is of the opinion that ROG 50% interest in the Project is valued in the range of \$29.66 million to \$35.27 million, with a preferred value of \$30.02 million, on a post-tax basis. The range of values arises from a range in production rate of 250-500 barrels per day per well, with a preferred production rate of 350 barrels per day per well, which the Specialist considers is feasible. Sensitivities applied to the oil price and discount rate at 350 barrels per day as detailed in the Specialists report show a range in values for the Project from \$25.35 million to \$35.94 million.
134. The valuation has been prepared by a Specialist who we consider is suitably qualified in the field of assessing petroleum reserves. The basis of value is "fair market value" which is defined in the Specialists report. The valuation approach adopted was that of a discounted cash flow methodology over 10 years, what the Specialist considers is a reasonable estimate of economic production life.
135. The Specialist has also taken into consideration the following factors in his valuation:
 - Production costs of \$18.67 per barrel based on current operator's experience which includes environment and regulatory, plugging and abandonment, engineering, procurement, earthworks oil lifting and transport costs and administration
 - Capital expenditure of \$8.45 million to be incurred up to mid-2017
 - Royalties estimated at 20% payable to American Indian landowners, other landowners, Provincial and State governments
136. The Specialist's field of expertise is primarily geotechnical for which we have no expertise. The valuation prepared by the Specialist also depends upon general financial and macro-economic assumptions made for the following factor which we provided input for:

Assumption	Value adopted	Comments
------------	---------------	----------

	by Specialist	
Discount rate	12%	Refer to the Specialists report. We consider this rate reasonable based upon project finance returns where the project is significantly de-risked and represents 1.5x the long run market risk premium over the risk free rate of say, 3%. The Project is somewhat de-risked with respect to discovery and exploration in that oil has and still is flowing from the field. The risk of the project is therefore in our view one of development and execution.
Long run USD oil price	\$USD50-70 per barrel	Refer to Paragraph 8 in the Industry overview, based upon an average or World Bank and IMF forecasts.
Long run AUD/USD rate	1AUD:0.75USD	Based upon 30 year average. Whilst recent history suggests a higher rate, we consider this coincided with the resources boom / high commodity pricing in Australia and quantitative easing in the US, both of which factors have abated.

Placement

137. The Proposal is condition upon ROG completing a Placement of between \$0.7 million to \$1.85 million to sophisticated investors.
138. As mentioned previously in Table 3 if the Proposal is approved, the dilutive effect on current ROG Shareholders shareholdings is from 89.8% to 40.9% if \$0.7 million is raised and from 89.8% to 38.2% if \$1.85 million is raised. Given the similar dilutive impact under both scenarios and the Directors of ROG indicating to us they are confident in raising the full \$1.85 million under the Placement, our quantitative assessment is based upon the full maximum amount being raised.
139. As mentioned in paragraph 11, Halcyon has been mandated by the Company to provide corporate advisory and capital raising services in respect of the Transaction. The Company has agreed to pay Halcyon a corporate advisory fee of between \$0.08 to \$0.2 million (depending on the amount raised under the Placement) and a capital raising fee of 6% of funds raised in the Placement.
140. The following Table 12 shows the net cash proceeds raised under the Placement assuming the maximum raising of \$1.85 million

Table 12: Net cash raised under Placement

	\$'000s
Gross proceeds of Placement	1,850
Corporate advisory fee payable	(200)
Capital raising fee (6% of gross proceeds)	(111)
Net cash raised under Placement	1,539

141. In our assessment of the Proposal we have therefore increased the net asset position of ROG post-Proposal to reflect the net cash raised of \$1.54 million.

Discount for minority interest

142. Completion of the Proposal will result in ROG Shareholders being diluted from 89.8% control of the Company to approximately 38.2%, thus holding a minority or portfolio interest in the Company. Our assessment of the value of ROG Shares post-Proposal is therefore valued on a minority basis and a minority interest discount should be applied to the control value of the Company post-Proposal
143. A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - (1/(1 + \text{control premium}))$. Based upon empirical studies conducted by RSM Bird Cameron on successful takeover offers and schemes of arrangement completed between 2012 and 2014 for companies listed on the ASX, the indicative control premiums are typically within a mean range of 25-35%¹⁷. This implies a minority interest discount of between 20-26%.
144. Whilst the Vendors will acquire approximately 21.0% (based on maximum Placement scenario), they will obtain significant influence of the board through the election of two directors. We have therefore elected to apply the maximum discount of 26%.

Valuation of ROG Shares post-Proposal

145. We summarise the valuation of ROG Shares post-Proposal in Table 13 below based on the preferred valuation of the Specialist:

Table 13: Summary of ROG Post-Proposal value

	\$'000s
ROG Pre-Proposal value (refer Table 11)	619
NAV of Cache (refer paragraph 132)	30,020
Net funds raised under Placement (refer Table 12)	1,539
Post-Proposal ROG value (control value)	32,178
Minority discount (26%)	(8,366)
Post-Proposal ROG value (minority value)	23,812
No. of Post-Proposal Shares (refer Table 3) ('000s)	5,720,916
Post-Proposal value per share (minority value) (cents per share)	0.42

¹⁷ RSM Bird Cameron Control Premium Study, 2014

146. Based on the values therein, we assess the value of ROG Shareholders shares in ROG post-Proposal to be 0.42 cents per share on a minority interest basis.

11.4 SUMMARY OF FINANCIAL IMPACT OF THE PROPOSAL ON ROG SHAREHOLDERS

147. The following Table summarises the financial impact of the Proposal on ROG Shareholders:

Table 14: Summary of Proposal on ROG Shareholders

	Cents per share
Value of ROG Shares pre-Proposal (control value)	0.03
Value of ROG Shares post-Proposal (minority value)	0.42
Value accretion / (dilution)	0.39

Based upon our forgoing analysis, when considered as a control transaction as required by ASIC guidelines RG111, the Proposal if approved is likely to give rise to an accretion in the value of ROG Shareholder interests in the Company. We are therefore of the opinion that the Proposal is likely to be **fair to ROG Shareholders**.

148. We highlight that the Specialist's valuation is inclusive of approximately \$8.5m in estimated capital expenditure to be incurred on the Project from October 2015 to April 2017 for drilling of 6 wells, seismic studies, injection well and associated site engineering¹⁸. Currently ROG has immediate plans to raise between \$0.7 million to \$1.85 million as part of the Placement with those funds to be applied to the initial capital expenditure on the Project. The Project owners will need to source the additional funds required to complete the CAPEX program and bring the Project into full production.
149. The ability to secure the required CAPEX funding creates inherent uncertainty around the Project and hence the ability to bring the field to the production levels forecast by the Specialist and used as the basis of his valuation. The Project is currently producing oil and the CAPEX is about further development of the field to increase its output capacity. Resource companies typically have a number of funding options available in respect of development of projects. Having applied the initial Placement funds to development of the Project, provided that the schedule proceeds as planned and yields the expected results, rational market behaviour would be such that further funding could be attracted given that the Project has been further de-risked. This funding is typically either in the form of equity or 3rd party project finance.
150. If this funding is achieved by equity, which may be done by way of further placements or rights issues, by ROG this may be dilutive to all shareholders. Whilst further equity may be dilutive to shareholders, it does not impact the net present value of the Project itself.

¹⁸ Refer table 4 section 15.6 of the Specialist's report

151. If the funding is sourced from 3rd party project finance, then this is usually not dilutive to shareholders, but may reduce the net present value of the Project to the extent of interest and fees. Project finance options may include traditional bank finance, bonds (or like instruments) and streaming¹⁹ finance arrangements. The quantum of project finance would depend upon the Project's cashflows and its ability to service and repay the funding or meet its output obligations under a streaming arrangement.
152. It is also possible that the Company may defer some later dated capital expenditure to match available funding limits. For example, according to the Specialist's report, each well represents circa \$1.1 million in capital expenditure. This would also likely reduce the net present value of the Project for time value.
153. Given the range of values provided by the Specialist and the small value of CAPEX relative to the net cash operating inflows of the Project, we consider that any impact on the Project's net present value from the use of project finance or deferral of capital expenditure is unlikely to change our overall opinion that the Proposal is fair. Similarly we have not considered the potential for dilution from equity raises by ROG as the terms and circumstance of future capital raises are unknown.

12. ASSESSMENT OF CONTROL PREMIUM

154. RG 111.24 highlights that in certain circumstances an issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company's shareholding is comparable to a takeover bid. The Proposal meets the criteria of those circumstances and accordingly compliance with RG111 thus requires that the Proposal be analysed as if it were a takeover bid under Chapter 6 of the Act²⁰.
155. RG111.43 further states that "a specific issue the expert should determine is whether the vendor is to receive a premium for control." An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:
- control over decision making and strategic direction;
 - access to underlying cash flows;
 - control over dividend policies; and
 - access to potential tax losses.
156. Whilst the Vendors will not be obtaining 100% of ROG, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained.
157. For a control premium to be received, the value of ROG Shares post-Proposal valued on a minority basis should at least be equal to or greater than the pre-Proposal value of ROG Shares on a control

¹⁹ A "Streaming" arrangement is a form of financing whereby the funding party receives in return for providing finance an entitlement to a fixed quantity of output from the reserve at a pre-determined price, usually at a discount to market price. Streaming is used for North American reserves and recently has been used by Australian listed companies on Australian reserves.

²⁰ RG 111 paragraph 25

basis. Given there is an accretion in value per Table 14 above, we conclude that there is a control premium being received by the ROG Shareholders. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

13. ASSESSMENT OF REASONABLENESS (QUALITATIVE ASSESSMENT)

158. In assessing if the Proposal is reasonable of ROG Shareholders, we have had regard to the following:

Advantages of the Proposal	▪ The Proposal is fair ▪ The Proposal will improve the financial position of ROG and provide funds for working capital and ongoing development of the Project ▪ The Proposal may give rise to re-pricing of ROG Shares and the opportunity for liquidity of ROG Shares. There is limited liquidity at present and ROG Shares have been trading between 0.1 cents and 0.2 cents for the last 12 months. ▪ The Proposal is the only offer capable of acceptance at present and there is an absence of alternative offers. ▪ ROG Shareholders are receiving a premium for loss of control.
Disadvantages of the Proposal	▪ ROG Shareholders interests will be significantly diluted from 89.8% to between 38.2% and 40.9% post-Proposal, associates of the Vendors will obtain significant influence of the board through the election of two of the five seats on the board ▪ The Proposal will result in ROG undertaking a different business to its previous operations, including holding assets in the USA. This change in business and change in risk profile (if any) may not suit ROG Shareholders. ▪ The Project will require significant capital expenditure to achieve the forecasts and valuation as projected by the Specialist (circa \$8.5 million within the next 3 years, see Table 4 in Specialist Report). There is a risk that the Company may not be able to obtain these funds and the Project may not develop as intended. It is also possible that any funds raised may be further dilutive to ROG Shareholders.
If the Proposal is NOT approved	▪ The Directors have advised us that they will seek to raise additional funding and search for and analyse alternative projects. ▪ Given the lack of any current viable projects, ROG will likely continue to incur overhead costs in the near-term. If no viable projects can be found, the Company may require additional funds which may be at a price less favorable than the Proposal and be further dilutive to ROG shareholders.

159. In our opinion the position of ROG Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the Proposal is reasonable to ROG Shareholders

14. OPINION ON THE PROPOSAL

160. On the basis of our analysis, and for the reasons outlined in the preceding sections, we consider that the Proposal is **fair and reasonable** to ROG Shareholders.

APPENDIX A

Statement of Qualifications, Independence, Declarations and Consents

Qualifications

Nexia Australia is a national association of separate partnerships and entities (including Nexia Melbourne Pty Ltd) and a member of an international network of individual firms. Nexia Melbourne Pty Ltd (ACN 052 362 348) ("Nexia") is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. The AFSL licence (No 247262) allows Nexia to act for clients only in the capacity of providing reports in relation to certain corporate transactions or to provide general financial product advice on certain classes of financial products. Senior directors at Nexia specialise in such advice and regularly perform corporate and asset valuations and advice on company restructures, acquisitions and proposals. Nexia, acting through different directors also performs audits on the accounts of Australian companies.

The primary person responsible for preparing this Report on behalf of Nexia is Gary Graco (Dip. Bus Studies – Accounting, ACA) with the assistance of staff, who has a significant number of years of experience in relevant corporate matters including valuations, independent expert reports and investigating accountant engagements.

Independence

Nexia considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC relating to independence of experts and has developed and issued an opinion and report on an unbiased basis.

Nexia and its related entities or any of its directors or partners have not had within the previous two years, any shareholding in the Company. During the 2 years period to this report Nexia and its related entities have not provided any professional services to the Company or any subsidiaries or to the Vendors.

None of Nexia, Gary Graco, nor any other member, director, partner or employee of any of Nexia has any interest in the opinion reached by Nexia except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. Nexia expects that professional fees rendered in respect to the preparation of this Report will be approximately \$20,000 (plus GST). With the exception of these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

Disclaimers

This Report has been prepared at the request of the Directors of the Company and was not prepared for any other purpose than stated in this Report in Section 2. This Report has been prepared for the sole benefit of the Directors and the Non-associated Shareholders of the Company. This Report should not be used or relied upon for any purpose other than as set out in Section 2. Accordingly, Nexia expressly disclaims any liability to any person (other than the Directors or Non-associated Shareholders of the Company) who relies on our Report, or to any person at all who seeks to rely on the Report for any other purpose not set out in Section 2.

Appendix C identifies the sources of information upon which this Report has been based. Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions that may or may not occur. Accordingly Nexia cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. Whilst (unless stated

otherwise in the Report) Nexia has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions given by Nexia in this Report are given in good faith, based upon our consideration and assessment of information provided to us by the Directors and executives of the parties to the Proposal; and in the belief on reasonable grounds that such statements and opinions are correct and not misleading, (unless otherwise stated in the Report). This Report has been prepared with care and diligence. .

Advanced drafts of this Report were provided to the Directors of the Company. Minor changes for factual content were made to this Report. There was no alteration to the methodology or conclusions reached as a result of discussions related to drafts of the Report.

Nexia's opinion is based on prevailing conditions at the date of this Report including market, economic and other relevant circumstances. These can change over relatively short time period and any subsequent changes in these conditions in the value either positively or negatively

Indemnity

The Company has agreed that it will indemnify Nexia and its employees and officers in respect to any or all losses, claims, damages and liabilities arising as a result of or in connection with the preparation of this Report, except where the claim has arisen as a result of wilful misconduct or negligence by Nexia.

Consent

This Report has been prepared at the request of the Company and may accompany the Notice of Meeting to be given to shareholders.

Nexia consents to the issuing of this Report and the form and context to which it is to be included with the Notice of Meeting. Other than the Report, Nexia has not been involved in the preparation of the documents or other aspects of the Proposal or the Notice of Meeting to which this Report may be attached. Accordingly, we take no responsibility for the content of the Notice of Meeting or the Proposal as a whole. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without prior written consent of Nexia as to the form and context to which it appears.

APPENDIX B

Overview of Valuation Methodologies

Discounted Cash Flow Based Analysis (DCF)

This methodology recognises the present value (or today's dollar value) of the expected net cash flows which are forecast to be derived from future activities of the business and including a terminal value, which seeks to value the cash flows to perpetuity reflecting the ongoing life cycle of the business.

These future cash flows are discounted to current values by a discount rate recognising both the time value of money and the risks associated with the cash flow streams. Those risks can include general economic and sector risks and risks particular to the business.

This methodology is normally considered to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term and in start up activities or assets with a finite life.

Capitalisation of Maintainable Earnings (CME)

This requires consideration of the following factors.

- (a) Estimation of future maintainable earnings. The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring transactions are reflected in the financial records ; and
- (b) Determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return from the business. It should therefore reflect among other things:
 - the operational risks of the business;
 - the growth profile of the business;
 - the working and long-term capital requirements of the business currently and requirement for funding growth;
 - the nature of the environment in which the business operates;
 - alternative investment opportunities; and
 - a separate assessment of surplus or unrelated assets and liabilities, being those items which are not essential to producing the estimated future earnings.

This methodology is generally recognised as a surrogate for a discounted cash flow analysis (DCF). It is typically employed where an entity or asset has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future. It is considered a reliable methodology particularly where capital expenditure does not constitute a large part of the cash outflows of the business or where such outflows are generally of a replacement nature.

Comparable Market Transactions

This methodology requires research to ascertain details of any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual transaction, can be utilised in the valuation.

The difficulty with this methodology is the sourcing of sufficient information involving the sale process to accurately analyse the consideration paid and to establish the comparability of the two businesses or entities.

Net Assets (NAV) or Cost Based

In the absence of positive or very poor cash flows or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves the determination of the net realisable value of the assets of the business or company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money. It is not a valuation on the basis of a forced sale, where the assets might be sold at values materially different from their fair market value.

This approach is appropriate where the business or entity concerned is predominately a property or liquid investment entity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

APPENDIX C

Documents and Information Relied Upon

1. Draft Notice of Meeting and Explanatory Memorandum provided 28 May 2015.
2. ROG December 2014 audited accounts, March 2015 management accounts and management budgets for the period 1 April 2015 to 28 February 2016
3. LLC December 2014 management accounts
4. Independent Valuation report prepared by Global Resources & Infrastructure Pty Ltd dated 22 March 2015
5. Discussions and correspondences with ROG management and advisors
6. www.asx.com.au; S&P CapIQ; and various other websites and public domain information services.

APPENDIX D

Independent Specialist Valuation Report on ROG's 50% equity interest in the Cache Oilfield, Colorado, USA (dated 22 March 2015)

**INDEPENDENT VALUATION REPORT
CONSIDERING THE
FAIR MARKET VALUE
OF THE EQUITY INTEREST AVAILABLE TO
RED SKY ENERGY LIMITED
IN THE
CACHE OILFIELD, COLORADO, USA**

Client: Nexia Pty Ltd

Reference: RSP15-Cache.Oilfield_Valu.R.0302

Report Date: 22 March 2015

22 March 2015

Gary Graco
Partner
Nexia Melbourne Pty Ltd
Level 18 / 530 Collins Street
Melbourne VIC 3000

Dear Sir,

RE: Independent Valuation of Cache Oilfield, Montezuma County, Colorado, USA

In accordance with your instructions, Global Resources & Infrastructure Pty Ltd ("GRI") has prepared an independent opinion of the Fair Market Value of Red Sky Energy Limited's ("ROG" or the Company) proposed equity interest (50.0%) of the Cache Oilfield ("Cache"), located in Montezuma County, Colorado, USA, as at 22 March 2015 (the "Valuation Date"). ROG is incorporated in Australia and listed on the Australian Securities Exchange ("ASX"). It is a resources exploration/production company focusing on oil and gas properties.

ROG has entered into an agreement to acquire 50% of the Cache Project from Monument Global Resources Inc. and Cache Martini No.1 LLC ("the Vendors"), which requires the issue of 1.29 billion ROG shares at a deemed issue price of \$0.001 to the Vendors ("the Share Issue"). As part of the acquisition there will also be an associated capital raising to raise a minimum of \$700,000 up to a maximum of \$1.85 million through the issue of between 700 million and 1.85 billion shares at an issue price of \$0.001. Further to the capital raising component of the transaction the vendors of Cache will also receive a further issue of shares for any difference between the amounts of capital raised under the issue less than the maximum amount that could be raised.

Subject to final pricing and the amount of a capital raising to be undertaken, the Share Issue will mean the Vendors will acquire an interest of up to 40% of the voting shares of ROG at the conclusion of the Share Issue and the capital raising. Pursuant to the Corporations Act 2001 (the Act) the Proposal must be approved by ROG shareholders. The Proposal is to be presented to ROG shareholders at a General Meeting of shareholders, during April/May 2015.

Nexia Melbourne Pty Ltd ("Nexia") has been engaged by ROG to prepare an Independent Experts Report ("IER") pursuant to Section 611 of the Act, and the ASX Listing Rules for inclusion in an Explanatory Memorandum to be issued to ROG shareholders. In accordance with the Act, Nexia is required to form an opinion on whether the Proposal is "fair and reasonable" to shareholders of ROG not associated with the Proposal.

In order to assess the fairness of the Proposal, Nexia is required to consider the Proposal in its entirety, and in particular the underlying value of ROG's assets and the consideration given (the ROG shares) against the value of the asset to be acquired (the Project Interest). Australian Securities & Investment Commission ("ASIC") regulatory guides envisage the use of specialists by an independent expert when valuing specific assets outside the normal area of expertise of the independent expert.

Our understanding of the equity interest to be acquired by ROG is defined as "all property including but not limited to real property, intellectual property, drilling rights held by or acquired in connection with the development of and the production from those drilling rights together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of petroleum in connections with those drilling rights".

We have carried out the valuation on a Fair Market Value basis. Fair Market Value is defined as "the amount of money (or the cash equivalent of some other consideration) determined by the Expert for which the Equity Interest or Asset or Security should change hands on the Valuation Date in an open and

unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion”.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and consideration of various factors that are relevant to the operation of the Company. Considerations of various risks and uncertainties that have potential impact on the business have also been considered.

No opinion has been expressed on matters, which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. The conclusions assume continuation of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analysis outlined in the report, which follows, we are of the opinion that the Fair Market Value of the equity interest on an after tax basis, as at the Valuation Date, is reasonably stated at being in the range from \$29.66 million to \$35.27 million. Our preferred value is \$30.02 million.

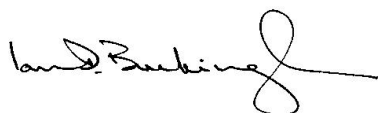
Our estimations as to the value of the equity interest of ROG in Cache has been based on information pertaining to the Petroleum Asset that was provided by the Vendors, the independent technical assessment of the original-oil-in-place (“OOIP”) as calculated by Dr. Edward Coalson (“Dr Coalson”) dated 27 September 2012, which used the Volumetric Method to conclude that OOIP for all formations was 24.79 million stock tank barrels (“MMSTB”). Historic production is 5.21 MMSTB, which suggests that the remaining reserves using primary recovery methods to be 19.58 MMSTB. The Vendors are considering implementing Enhanced Oil Recovery schemes (“EOR”) such as water flooding and/or CO2 flooding to increase production and the ultimate recovery. Estimations by Dr. Coalson, and in discussions with ROG and MGRI executives confirm that extra recoverable reserves using these technologies will add a further 5.1 to 6.0 MMSTB to the remaining reserves.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

For and on behalf of

Global Resources & Infrastructure Pty Ltd

A handwritten signature in black ink, appearing to read 'Ian Buckingham', with a stylized flourish at the end.

Ian Buckingham

Managing Director

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1 EXECUTIVE SUMMARY AND CONCLUSIONS

The Cache field is located in Montezuma County, Colorado, one mile east of the Utah state line and 10 miles east of the giant Aneth field. The Aneth field was discovered in 1956 and originally estimated to contain 1,500 million barrels of oil making it a classic “giant” oilfield. Extensive drilling and development activities were undertaken during the 1960s and secondary recovery was instituted only a few years after discovery. The field has been under waterflood since 1961 and a major CO₂ flood was begun on the McElmo Creek Unit in 1985. The field contains two reservoir units named the Desert Creek and the Ismay. In our opinion, the Aneth Field is an analogue for the Cache Field.

The Cache field was discovered in 1964, to date a total of 24 wells on an average 40-acre spacing have been drilled. Most of these wells were drilled throughout the 1960's and most are now shut-in. Initial well production was between 1,400 - 3,000 BOPD per well but well production quickly declined, as is to be expected from a gas-solution drive reservoir. These rapid declines lead to the application of a secondary recovery method by implementing a water injection strategy. Short-term improvements in recoveries were initially seen in some wells as the water injection developed but current opinion is that significant damage was done to the cement bonds in the wells when the field operators used hot acid solutions to improve the reservoir performances within the oil zones. These hot acid solutions are most likely to have destroyed the integrity of the bonds and seals between the pipe and the wall rocks and allowed the water bearing formations to come into contact with the oil bearing reservoirs.

Production of the high quality, sweet, 44 - 45° API oil has continued to the present day and is now producing at a current rate of 12 BOPD from one well, which coincidentally is well No.1, the first well drilled by Amoco when it discovered the Field in 1964. Well No. 20, was producing at about 20 BOPD but the casing is leaking and it has been shut-in pending repair and Well No. 10 is also Shut-in with the Operator looking to undertake a side track. As it currently stands the field infrastructure is no longer viable due to mechanical issues and the deteriorating borehole integrity discussed above.

At the Cache Field the Pennsylvanian 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. The Desert Creek reservoir is described as being water wet, but considering the very poor well completion practices, acidizing and dubious production methods employed during its early life, we believe that any oil in this reservoir could have been by-passed, flushed or isolated by the original production techniques used by the operator.

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.

We considered the property to be sufficiently prospective, subject to varying degrees of risk, to warrant further development drilling activities to assess its economic potential. The work proposed by ROG will include; in-fill drilling of six wells within the current well grid down to a 20-acre spacing; and employing modern oil field completion practices along with the opportunity to utilise modern horizontal / multi-lateral drilling technology and extraction techniques, could result in sustainable economic flow rates from these new wells.

We understand that ROG's will drill its initial well to test the production / completion model that it has developed, which if successful, will be followed by further drilling and a 3D seismic program over the field. ROG will closely evaluate and most probably develop water flood techniques and if considered appropriate may introduce CO₂ flooding techniques that have been shown to be successful at Aneth Field. The Operator and ROG expect that this overall approach to developing the field could result in at least 20% of the remaining reserves being recoverable (5.1 - 6.0 Million Barrels).

Production records indicate that to date approximately 5 million barrels of oil have been produced from the Cache field. Early field studies indicated that Original Oil in Place (“OOIP”) was estimated to be 24 million barrels, suggesting that only about 20% of the OOIP has been produced and that

further production should be available. At both the Aneth and Cache Fields, early introduction of water floods lifted production however; at Aneth, the most significant additional production, estimated to be 11.9% of OOIP, has been achieved using CO₂ flooding, work overs and infrastructure upgrades. No such additional recovery work has so far been attempted at the Cache Field. In addition, recent geophysical and petrophysical analyses suggest that we should expect additional oil to be available for production as there are still areas within the field where no previous drilling has been undertaken.

Based on the results of investigation and analysis outlined in this report, it is our opinion that the Fair Market Value of Red Sky Energy Limited's 50% equity interest in the Cache Oilfield as at the Valuation Date is reasonably stated to lie in the range \$29.66 million to \$35.27 million. Our preferred value is \$30.02 million.

2 SCOPE AND LIMITATION

The purpose of this valuation is to express an independent opinion of the Fair Market Value of an equity interest (50%) ownership of the Cache oilfield (referred to as "The Petroleum Assets"), located in Montezuma County, Colorado, as at 22 March 2015. ROG has been offered the right to purchase a 50% equity interest in the petroleum assets and has appointed Nexia to perform the relevant valuation. Nexia has appointed GRI, in the role of Specialist, to undertake the technical valuation of "The Petroleum Assets". The report, which follows, is dated 22 March 2015 (the "Report Date").

Petroleum Asset is defined as "all property including but not limited to real property, intellectual property, drilling rights held by or acquired in connection with the development of and the production from those drilling rights together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of petroleum in connections with those drilling rights".

The Valuation Date of this report is 22 March 2015. This valuation can be expected to change over time with regard to the economic, market and legal environment of Colorado and the USA and the global pricing structure for petroleum products. The valuation can also vary due to the success of completing new drilling and enhanced oil recovery applications, and the success of any further petroleum developments that may be conducted on the oilfield concerned. The valuation can also be affected by other activities that may affect the property, which may not have been made known or may develop subsequent to the valuation date and which may not have been available to GRI or Nexia.

3 BASIS OF VALUE

Our valuation was carried out on a Fair Market Value basis. Fair Market Value is defined as "the amount of money (or the cash equivalent of some other consideration) determined by the Expert for which the Equity Interest or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion".

4 BASIS OF OPINION

In order to form an opinion on the Value of the Petroleum Assets, it is vital to make assumptions of certain future events, e.g. economic and market factors. GRI has taken all reasonable care in examining those assumptions made by the Vendor to ensure that they are appropriate to this case. These assumptions are based on the management's and its experts' technical knowledge and experience in the petroleum industry. The valuation procedures employed include the review of physical and economic conditions of the subject assets, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Petroleum Assets. All matters essential to the proper understanding of the valuation will be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market conditions and the subject assets that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation;
- Consideration and analysis on the micro and macro economy affecting the asset;
- Analysis on tactical planning, management and synergy of the asset;
- Analytical review of the asset.

We planned and performed our valuation so as to obtain all the information that we considered necessary in order to provide sufficient evidence to express our opinion on the asset.

All monetary values provided in this report are presented as Australian dollars, unless otherwise noted. Most numbers provided have been converted from United States Dollars to Australian dollars at a rate of A\$1.00:US\$0.75.

5 STATEMENT OF COMPETENCE

This report is prepared by Ian Buckingham, FRMIT (Geology), B.App.Sc (Applied Geology), MBA, FAusIMM, MAAPG and MPESA. Ian Buckingham is the Managing Director of Global Resources & Infrastructure Pty Ltd and is a member of the American Association of Petroleum Geologists with over 40 years of experience in the resources industry. He has a diverse range of experience in valuation, geology, petroleum development, finance and resources economics and resources projects feasibility studies.

Dr. Edward Coalson (Wyoming Professional Geologist PG-335) is an independent consultant providing petroleum services under Strike Oil & Gas, LLC. His professional services include geological, geophysical, petrophysical, and engineering geology services. He has the technical expertise and ability to perform these services in any oil and gas producing area in the world. He is familiar with recognized industry reserves and resources definitions, specifically those promulgated by the SPE, Society of Petroleum Evaluation Engineers and American Association of Petroleum Geologists.

Dr. Coalson is responsible for preparing the Original-Oil-In-Place estimates presented herein. He meets the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in SPE Standards. Dr. Coalson has more than 40 years of experience in the petroleum industry with 10 years as an independent consultant. Dr. Coalson has extensive experience in the U.S.A., and has worked on many petroleum projects within the Paradox Basin. Dr. Coalson consents to the inclusion in the report of the matters based on the information supplied in the form and context in which it appears.

6 INTRODUCTION AND LOCATION

This independent report on the Cache field has been completed using data and information derived from drilling activities and the production history of the field along with recent petrophysical and geophysical analysis undertaken by consultants to the Field's current operator, Monument Global Resources, Inc. ("MGRI"). Based on this work, the Oil In Place ("OIP") reserves and the estimated currently recoverable oil has been calculated.

The Cache field is located in Montezuma County, Colorado, one mile east of the Utah state line and 10 miles east of the giant Aneth field, which we regard as an analogue for the Cache Field. The Cache field was discovered in 1964 and to date a total of 24 wells on an average 40-acre spacing have been drilled. Most of these wells were drilled throughout the 1960's and most are now shut-in. Initial well production was between 1,400 - 3,000 BOPD but they quickly declined, as is expected from a gas-solution drive reservoir, which lead to the application of a secondary recovery method by implementing a water injection strategy. Short-term improvements in recoveries were initially seen in some wells as the water injection developed but it now appears that significant damage had been done to the cement bonds in the wells when the field operators used hot acid solutions to improve the reservoir performances within the oil zones. These hot acid solutions are most likely to have destroyed the integrity of the bonds and seals between the pipe

and the wall rocks and allowed the water bearing formations to come in with the oil bearing reservoirs.

Production of the high quality, sweet, 44 - 45° API oil has continued to the present day and is now producing at a current rate of 12 - 15 BOPD from one well, which coincidentally is well No.1, the first well drilled by Amoco when it discovered the Field in 1964. Well No. 20, was producing at about 20 BOPD but the casing is leaking and it has been shut-in pending repair and Well No. 10 is also Shut-in with the Operator looking to undertake a side track. In its present physical condition the field infrastructure is no longer viable due to mechanical issues and the deteriorating borehole integrity discussed above.

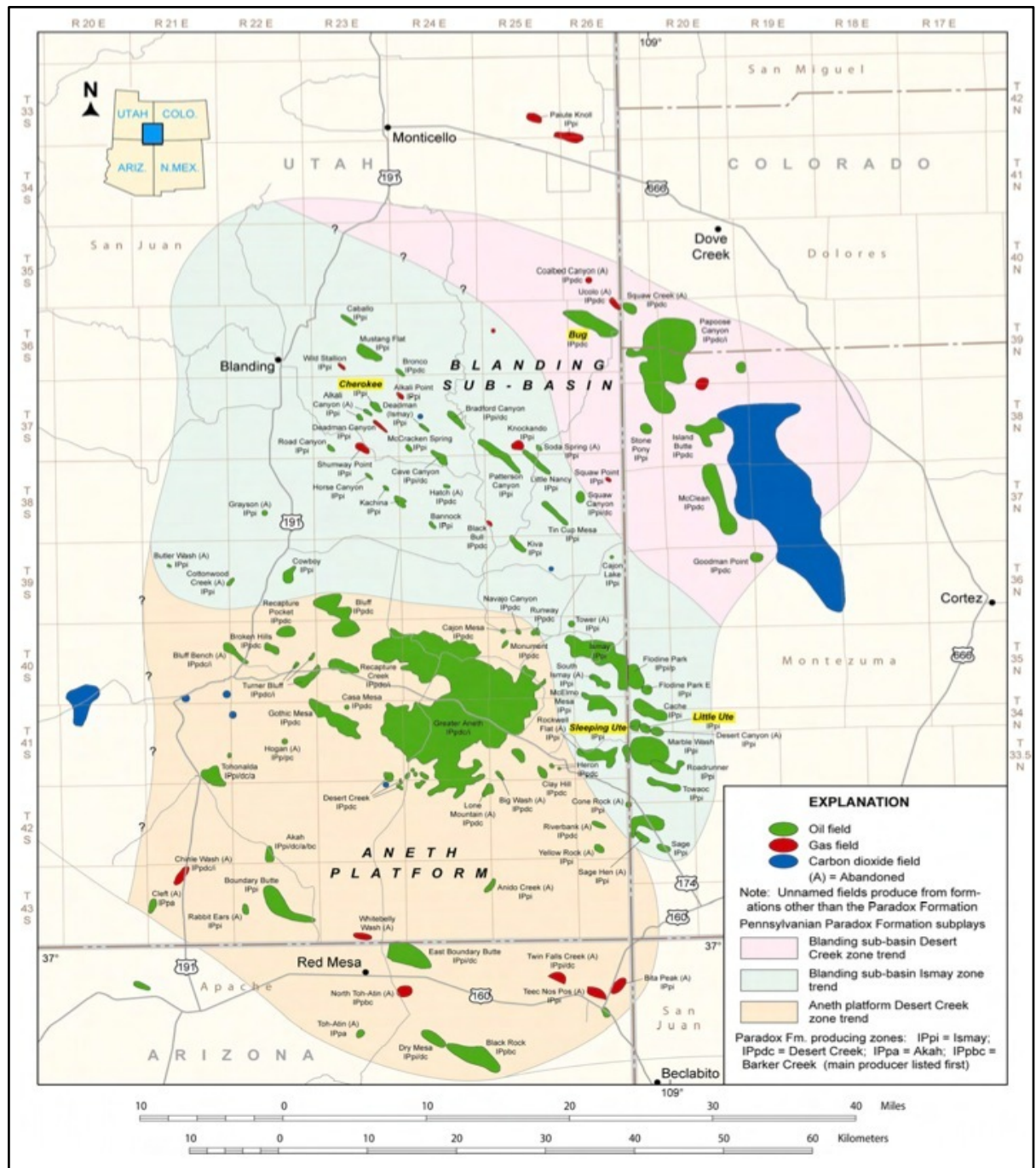


Figure 1 – Oil and gas fields - Paradox Basin, Southern Utah & Colorado (From: R. Somerville, 2014)

At the Cache Field the Pennsylvanian 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. The Desert Creek reservoir is described as being water wet, but considering the very poor well completion practices, acidizing and dubious production methods employed during its early life, we believe that any oil in this reservoir could have been by-passed, flushed or isolated by the original production techniques used by the operator.

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.

Given the recent increases in understanding of the Field's geology coupled with a greater knowledge of its production history and the engineering issues associated with this production, Red Sky believes that it can reinvigorate the Field by way of the undrained reserves and additional recoverable oil that potentially could be accessed by the application of modern drilling and completion techniques.

This review of the Cache Field was conducted using data provided by the current field operator and from articles and academic papers in the public domain.

7 CACHE FIELD DESCRIPTION

The Cache Field is located in the Paradox Basin (Blanding Sub-Basin) of southeastern Utah and southwestern Colorado. Specifically, the Cache Oilfield is located in Montezuma County, Colorado and was discovered in October 1964, with the completion of the Cactus No. 2 discovery well later named the G. L. Veach No. 1 well. A total of 23 wells have since been drilled (mostly by Amoco in the late 1960's early 1970's) of which, 20 have produced oil and three were dry holes. Well spacing is 40 acres per well.

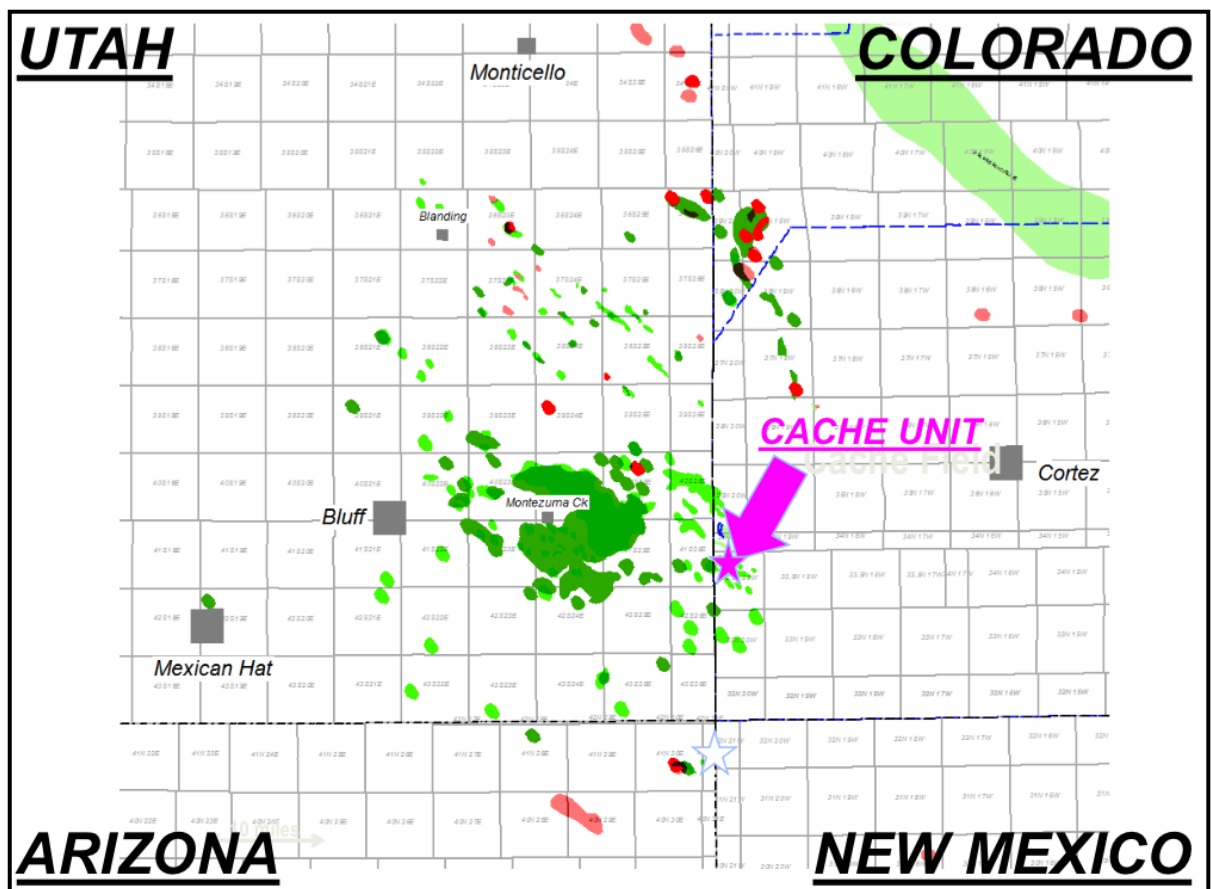


Figure 2 – Location of Cache Field, Colorado, USA (Source: Cache Unit Review - MGRI - January, 2014)

The field produces from 305 - 310 million year old Ismay (Pennsylvanian) carbonate buildups reservoirs at a depth of ~1,700 metres (average 55 metre thick). The Ismay has a number of depositional cycles grouped in to an upper and lower interval separated by the Hovenweep shale. The Lower Ismay was deposited on the Gothic shale, which not only isolates it from the lower Desert Creek reservoir sequence, which is water wet within the Field, but is also understood to be the main source rock for the oil generated in this area. The limits of the field (established by drilling) are defined by stratigraphic pinchouts of the porous reservoir interval.

For most of the last 20 - 30 years, the field has been owned by private entities that have conducted very little work on the field. Up until recent times, oil production has been limited to mostly 3 wells (currently one well only) with production rates of 20 - 30 BOPD of sweet 44 - 45⁰ API crude oil. Production is currently averaging 15 BOPD.

8 LEASE DETAILS

The Cache Field that Red Sky is acquiring is described as follows:

Name: Cache Unit

Location: Montezuma County, Colorado (as described in Cause #206, Order #206-1, dated September 19 1967)

Description: Township 34 North, Range 20 West, 6th P.M.

Section 1: SW/4, W/2 NW/4, SE/4 NW/4

Section 2: S/2 N/2, N/2 S/2, SE/4 SE/4

Section 3: S/2 NE/4, Tract 37 (a part of Sections 2 and 3)

Township 35 North, Range 20 West, 6th P.M.

Section 34: Lots 1, 2, 3, 4, SE/4, W/2 NE/4, SE/4 NE/4

Section 35: SW/4, W/2 SE/4

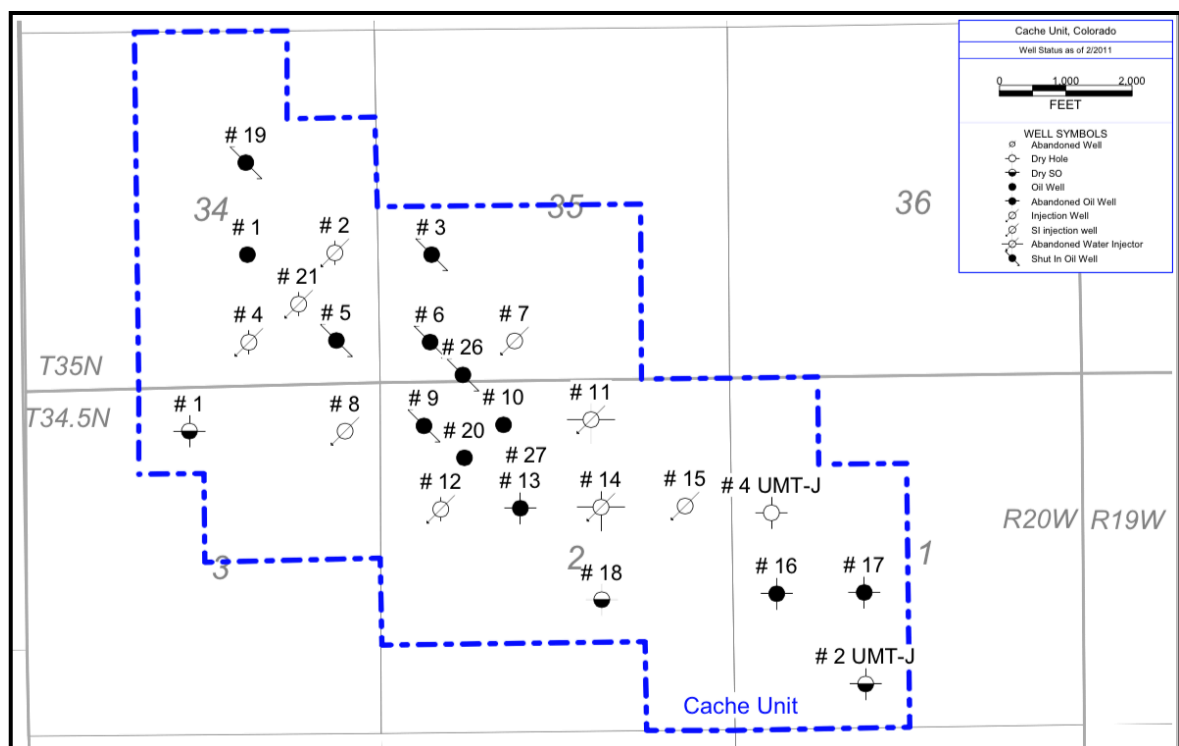


Figure 3 – Cache Unit Map with well status at Feb. 2011. (Source: Monument Global Resources, Inc., 2014)

9 GEOLOGY AND SETTING OF THE CACHE FIELD

9.1 Regional Geology

The four corners region of the U.S. (Utah, Colorado, Arizona, and New Mexico) is an important oil producing area. Utah, Colorado, and New Mexico rank within the top 15 oil producing states.

New Mexico, the top oil producer in the region, produces from the San Juan Basin and Permian Basin (SW New Mexico and West Texas). Coal beds and sandstone are the primary producing reservoirs. Utah produces oil from the Paradox and Uinta Basins, the Ferron coal bed methane fairway, thrust belt, and Uncomphgre Uplift. These areas have a variety of reservoir rocks ranging in age from Pennsylvanian to Tertiary.

The Piceance Basin, located in Colorado, is an important oil shale reserve. Northwestern Colorado has numerous oil and gas seeps, spotted by early explorers of the Rocky Mountains. The Pennsylvanian Weber Sandstone is the oldest developed and most prolific oil reservoir in the state (including the very large Rangely Field). Major petroleum producing areas of Colorado also include the Great Plains in the eastern part of the state, the Denver Basin, and the Plateaus of western Colorado.

The Paradox Basin is an important oil-producing region of Utah as well as Arizona. All of Arizona's oil production has been from the Paradox and Holbrook basins in northeastern Arizona. Exploration, however, continues throughout the state, including the Chuar, Black Mesa, Pedregosa and Bisbee Basins, as well as the Cordilleran shelf (which extends through Utah, New Mexico, and Nevada).

9.2 Paradox Basin

During the Pennsylvanian period, the region that now forms the Paradox Basin experienced open marine to shallow inter-tidal conditions influenced strongly by sea level variations. This caused cyclic deposition of largely marine carbonate sediments. During the marine phases, carbonate buildups (algal mounds) were deposited trending northwest to southeast that are now oil saturated and many are producing oil fields.

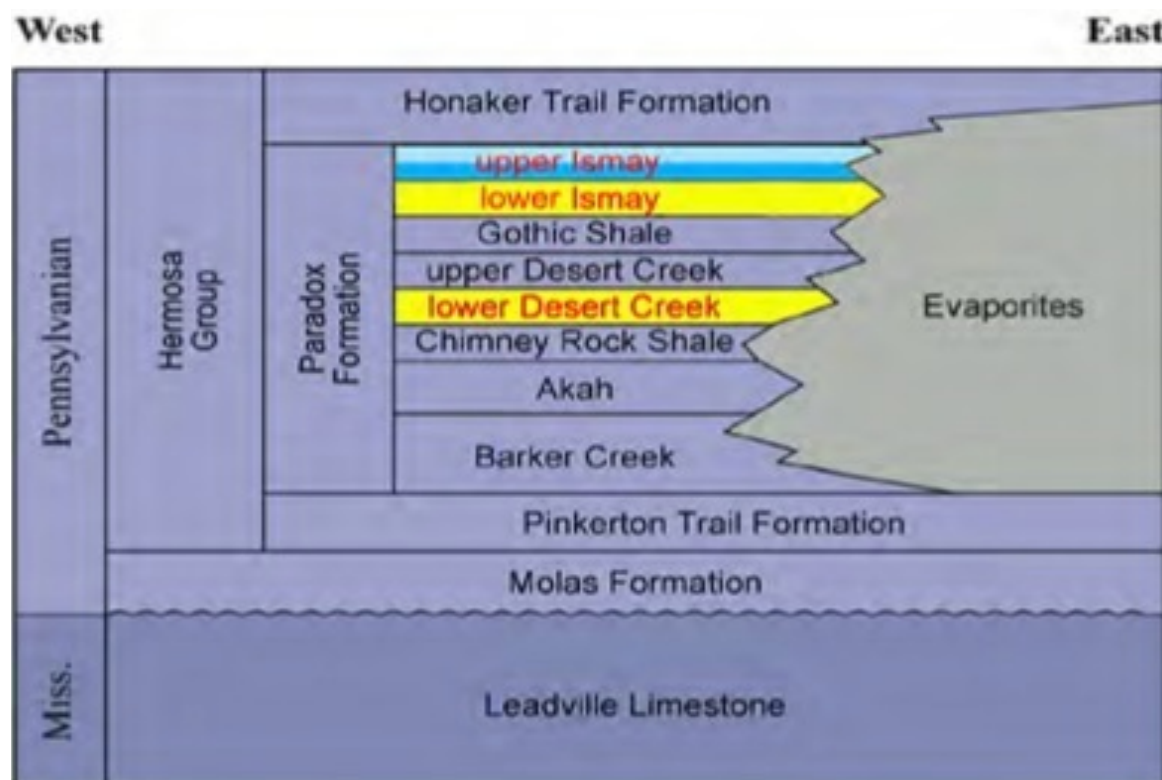


Figure 4 – Chronostratigraphy of the Paradox Basin (Source: R. Somerville, 2014)

The main producing intervals are the Desert Creek and Ismay intervals (of the Paradox formation) that were deposited during periods of lowering sea level that terminated in shallow marine to inter-tidal conditions. As sea levels lowered, open marine conditions transitioned to shallow marine shelves where algal mounds were deposited separated by areas of carbonate mud. During sea level highs, open marine conditions resulted in the deposition of black organic marine shales (non-reservoir) that have significant lateral extent.

9.3 Hydrocarbons in the Paradox Basin – Aneth Field

The Aneth oil field, located in Southeast Utah is the State's largest oil producer and is regarded as being a giant oilfield at over 1.5B bbls OOIP. It was discovered in 1956 and has produced over 451 million bbls of oil for a recovery rate of 30%. It is a stratigraphic trap producing from the Pennsylvanian Paradox Formation, part of the same formation that contains the Ismay reservoirs at the Cache Field, which is located, some 16km to the east.

At its peak in 1959, it produced at a rate of 100,000 BOPD. The Field was fully delineated on 80-acres by 1961 and unitised at that time. Waterflood was also initiated in 1961 and infill drilling continued to 40-acres during the 1970's. In 1985, CO₂ was initiated and horizontal drilling initiated in 1994 through to 1999 and then again from 2006 to 2007.

As the Aneth Field represents an archetype oil field of the western U.S., it was decided in 2007 that the Aneth Unit, which is located in the northwestern part of the Greater Aneth field, should be selected to demonstrate combined enhanced oil recovery (EOR) and carbon dioxide (CO₂) sequestration. The Aneth Unit has produced 149 million bbls of the estimated 450 million bbls of OOIP—a 33% recovery rate. The large amount of remaining oil made the Aneth Unit ideal to demonstrate both CO₂ storage capacity and EOR by CO₂ flooding.

The planned CO₂ flood began in early 2007 with the pilot tests site located within the Aneth mound complex, which had formed on a weak structural nose. The present-day structural relief of about 150 feet is largely the result of differential compaction. The primary CO₂ sequestration target is the Pennsylvanian Desert Creek and overlying Ismay members of the Paradox formation, the primary producers in the Greater Aneth Field. In 2012, Resolute Energy Corporation, one of two operators of the Aneth Unit advised that CO₂ flooding is effective, recovering an estimated 11.9% incremental oil.

9.4 Seals

The Cache field is essentially a series of stacked algal mounds surrounded by carbonate muds and underlain by open marine shales (Gothic Shale). The top of the reservoir sequence is characterised by shallow marine to inter-tidal shales and anhydrides (evaporitic cycle) deposited during periods of low sea level. These non-porous sediments act as a top seal for the field preventing vertical migration of the oil.

9.5. Reservoir

The Cache Field produces from the Ismay sequence, which is characterised by a lower and upper interval, separated by a thin but continuous Hovenweep shale (deposited during a period of high sea level in open marine conditions). The whole sequence is characterised by a general shallowing of marine conditions with the lower interval being deposited in marine shelf conditions (with the main phylloid-algal mound buildups occurring) and the upper interval containing an evaporitic cycle (deposited in shallow inter-tidal conditions) with some phylloid-algal mound development in the lower parts but predominately carbonate muds, associated anhydrite and extensive dolomitization in the upper part of the sequence. Both sections contribute to hydrocarbon production but the best developed (and most porous sediments) occur in the main phylloid-algal mound buildups at the base of the upper Ismay (UC 5) and the top of the lower Ismay (LIC 1 & 2) as shown in the Figure 5 below.

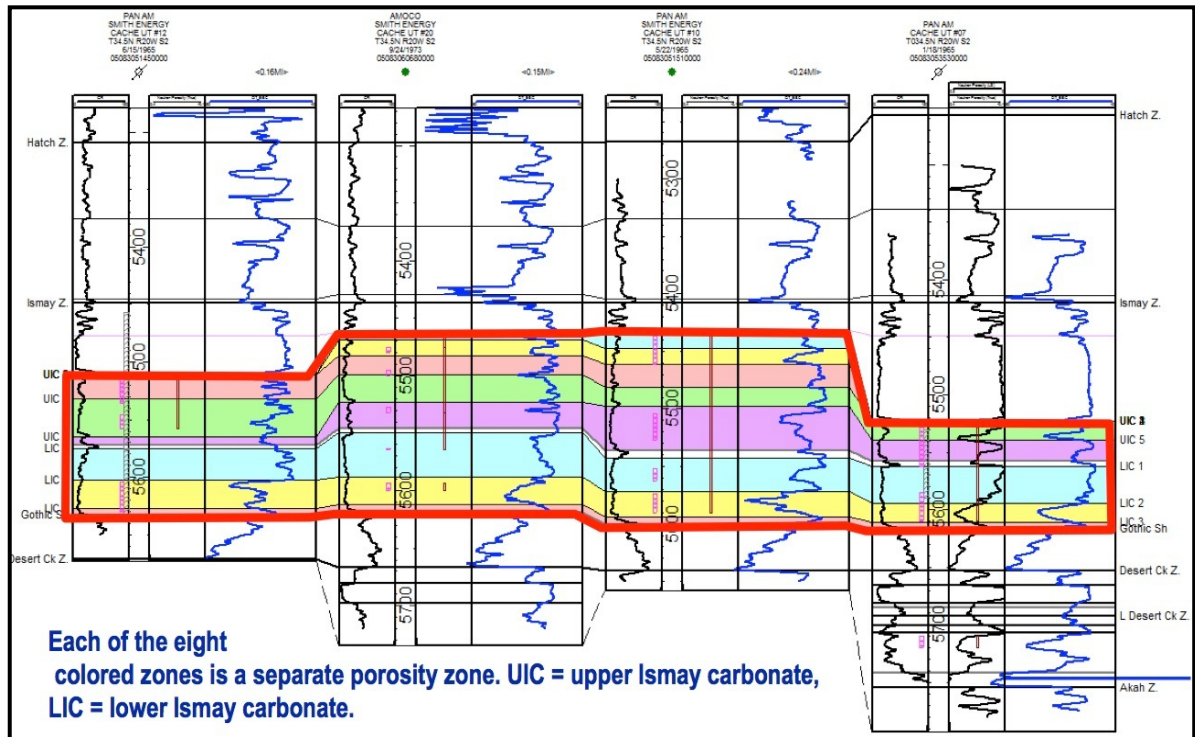
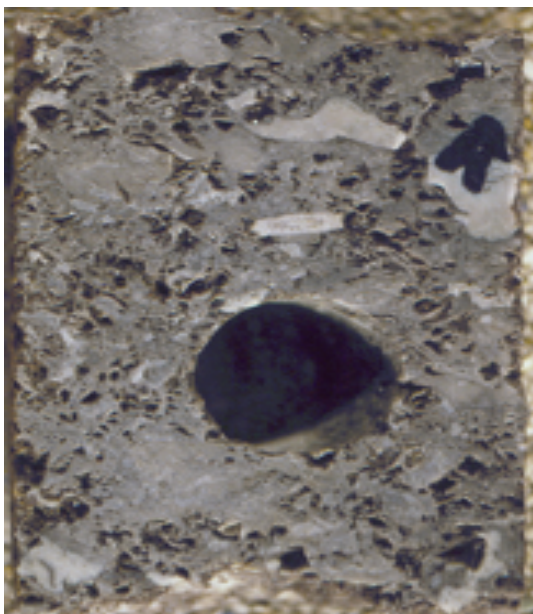


Figure 5 – Type Cross-Section of reservoir zones with the Ismay sequence (Source: R. Somerville, 2014)

Due to facies variation at the time of deposition and later diagenetic processes (post-deposition), the distribution of porosity and permeability both vertically and laterally is highly variable leading to a strongly heterogeneous reservoir within the Ismay sequence.

The best reservoir is developed within the phylloid-algal mound deposits and associated sediments containing a high concentration of marine organisms (e.g. bryozoans) as shown in the pictures below.



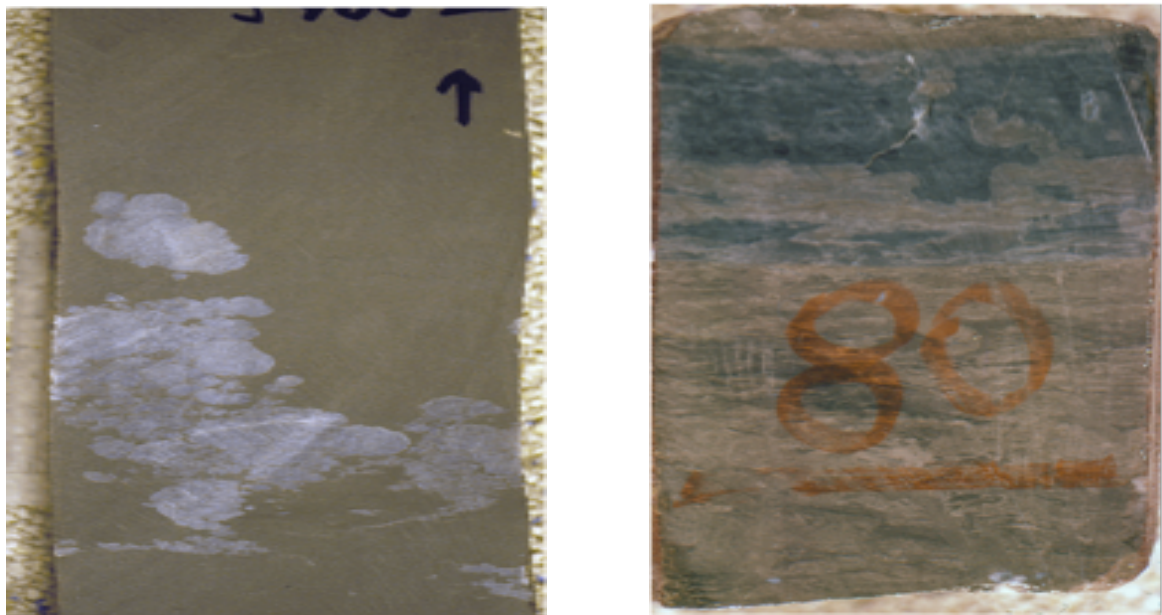
Algal Mound Sediments



Limestone with Bryozoans

Figure 6 – Examples of good reservoir development

Non-reservoir sediments are carbonate muds with variable dolomitization and anhydrite development.



Microcrystalline Dolomite

Carbonate Mudstone

Figure 7 – Examples of non-reservoir sediments

9.6 Porosity/Permeability/Oil Saturation Analyses

Recent petrophysical and geophysical analysis conducted by the current operator of the field was initiated to establish the porosity/permeability characteristics of the reservoir, oil/water saturation and to be able to calculate a confident understanding of the original oil in place (OOIP). Porosities calculated from both core and log analyses indicated that porosities are highly variable with a maximum of around 24 - 25% but an average of 9 - 10%. Permeabilities are also highly variable averaging 5 - 10 mD.

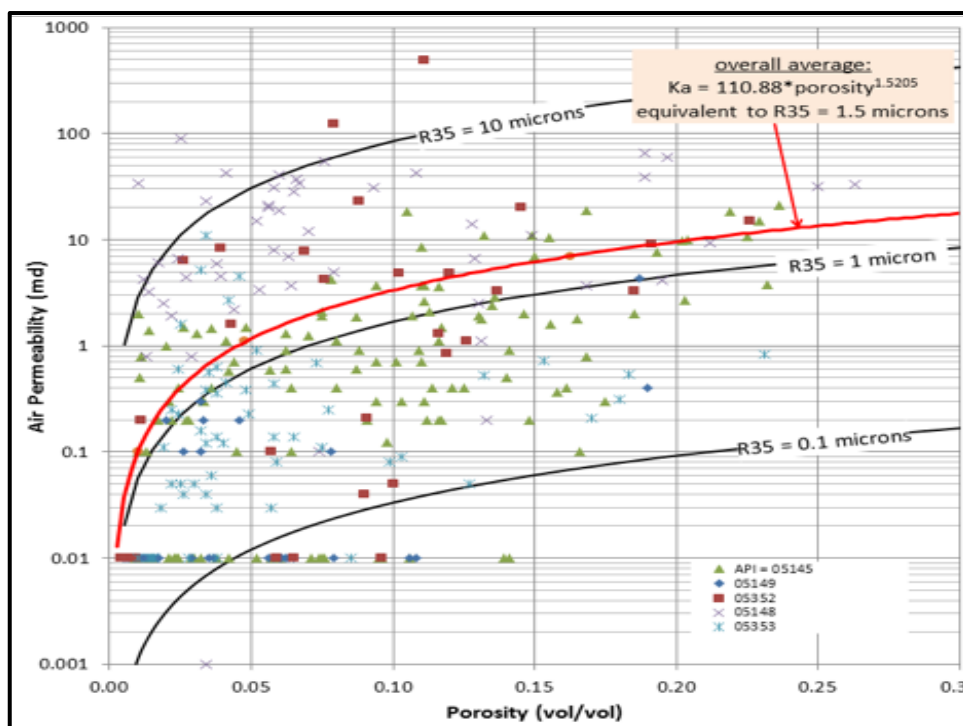


Figure 8 - Porosity/Permeability cross-plot from core data (Source: R. Somerville, 2014)

9.7 Water Saturation/Pay Analyses

Log analysis from wells within the Cache field that were used to estimate porosity and water saturations reveals that reservoir sediments with porosities of between 4 - 7% should be considered to be acceptable pay with the best reservoir pay having porosities in excess of 7% and oil saturations greater than 50%.

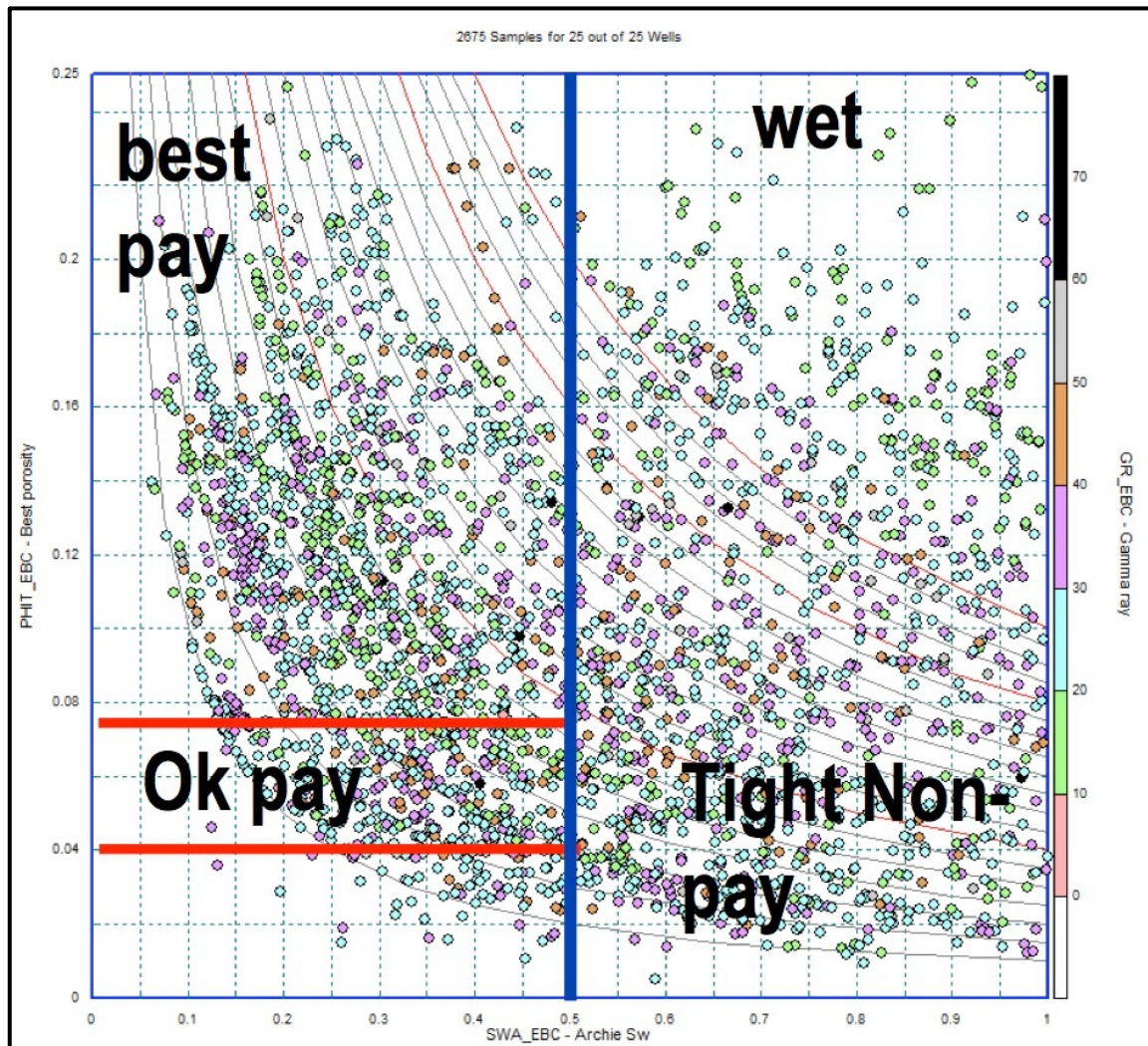


Figure 9 – Pay estimation from well-log analysis (Source: R. Somerville, 2014)

9.8 Trapping Mechanism

The Cache Field, as in the case of the Aneth Field, is predominately a stratigraphic trap with a minor structural component near the centre of the algal mound buildups. At the time of deposition, there would have been little to no structural development but differential compaction around the mound would have resulted in some structural development post-deposition. Regional uplift to the northeast has tilted the section gently upwards in that direction.

There is virtually no seismic control over the field to the extent that field mapping could be conducted so an understanding of the trap is completely derived from well intersections.

Isopach and structural mapping has been conducted on all the pay intervals to establish the thickness and spatial distribution of each of the identified pay intervals. An example hydrocarbon thickness map of the UC5 interval is shown below in Figure 9.

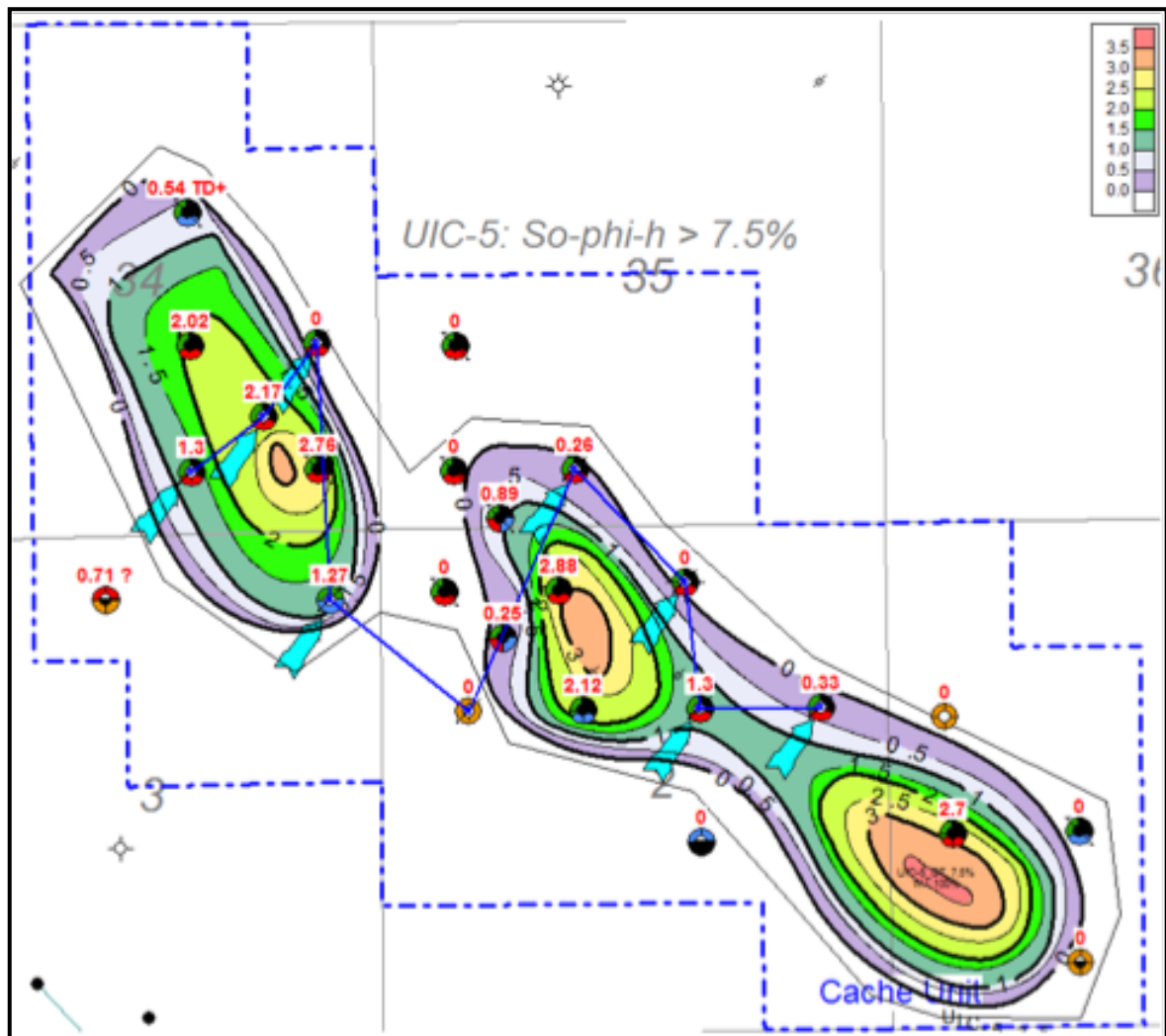


Figure 9 – Hydrocarbon thickness map of the UC5 interval (Source: MGRI, 2014)

This map shows the possible distribution of phylloid-algal mounds that were present during the time period when this interval was deposited. The NW and central mound appear to be reasonably well intersected by the current well control, however, the SE mound appears to be only intersected by one well (which was shut-in for mechanical reasons after delivering strong oil flows). It is possible that untapped oil reserves with primary reservoir pressures may be present in this southern algal mound which would be an ideal target for any future well tests.

9.9 Drilling and Production History

A total of 24 wells have been drilled in the Cache Field at a spacing of 40-acres of which 21 produced oil and 3 were dry. Figure 3 above shows the location of the wells drilled within the Cache Unit and the current well status.

The wells are conventional vertical wells that were mostly drilled through the Ismay reservoir sequence and underlying Gothic Shale into the Desert Creek formation. The reservoir interval was completed behind pipe and the pipe was perforated to facilitate oil production from zones of obvious porosity development.

The common practice at that time was to inject the reservoir with a solution of very hot acid (28% HCL) to enhance oil production. Recent evaluations indicate that this method failed in the Cache field as the acid does not appear to have fully entered the formation it was supposed to stimulate and as it was allowed to reside at the well bore for an extended period of time it has caused a breakdown of the cement between the pipe and the formation. This in turn appears to have resulted in communication between the reservoir zones behind the pipe and resulted in virtually no meaningful information of the individual pressure and flow performances of each of the zones.

The current operator has indicated that remedial operations in the current wells shows that very little if any pipe or cement remains over the main reservoir zones and is certainly a contributor to the early mechanical failure of many of the wells (leading to suspension/shut-in) and the further reality that very little remedial/ recovery activity is possible from the existing wells to enhance present day oil production.

Initial flow rates in the field were strong (1,400 - 3,000 BOPD) but rapidly declined once initial reservoir pressures declined. Unfortunately, early flow measurements in the field were only required at the field level with the requirement to measure individual well flow rates starting in the early-mid 1970's.

Figure 10 below reveals the oil production rate from the field for the period 1964 - 1979.

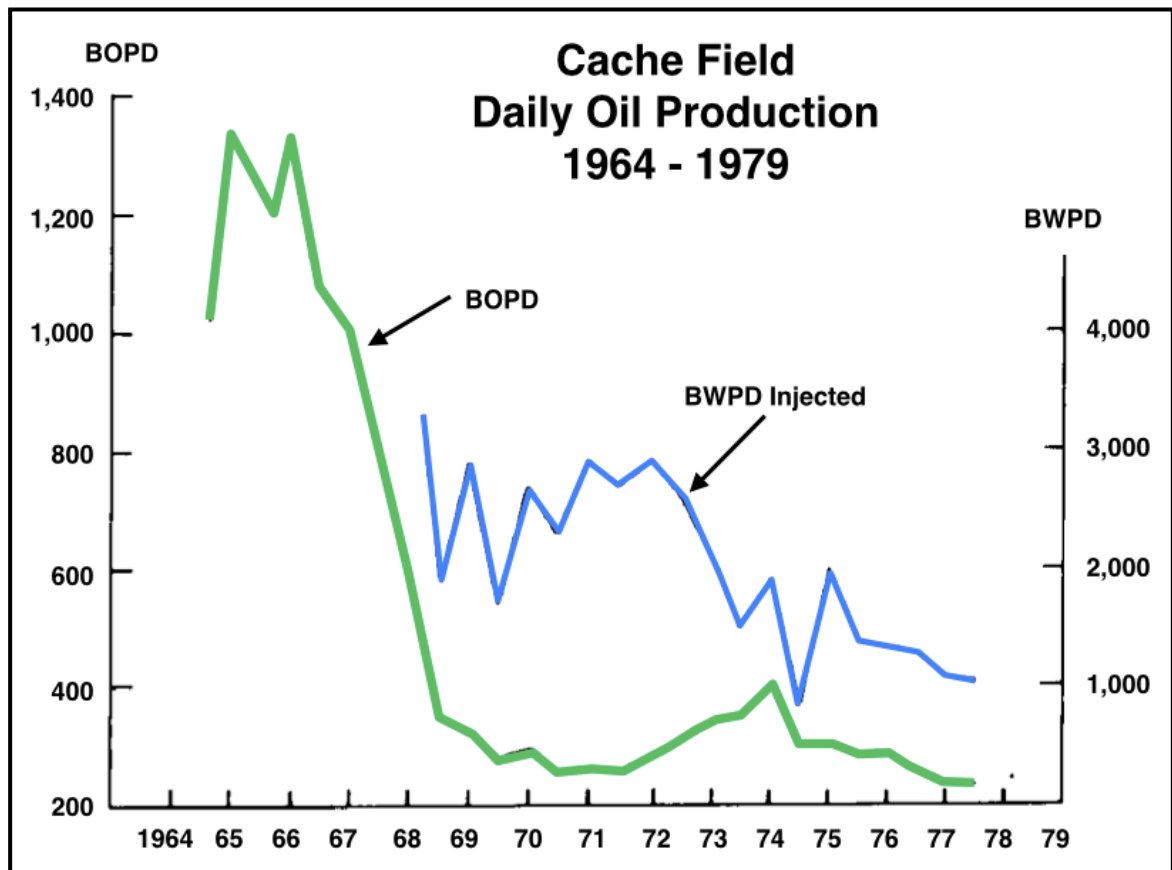


Figure 10 – Cache Field daily oil production from 1964 to 1979 (Source: MGRI, 2014)

Shortly after the field was delineated via drilling in the mid-late 1960's, it became evident that secondary recovery methods would be necessary to maximize oil production from the field. In 1968, a water injection program was initiated resulting in a waterflood initially utilising 11 producing wells and 7 water injectors. The distribution of producing and injector wells is shown in Figure 3. It is possible that some of the water injected into the field went into the Desert Creek formation (regarded as water wet) and not the Ismay reservoir, thereby reducing the efficiency and effectiveness of the water injection program.

Through December 1977, a cumulative total of 3.2 Million barrels of oil and 6.3 BCF of gas had been produced from the field. The gas is associated with the oil; there is no evidence of an independent gas cap in the field and it is suspected that the primary producing mechanism was solution gas drive.

Amoco sold the field to private interests during the 1980's who did very little maintenance work on the field and no additional drilling. These owners kept pumping from the wells that sustained an acceptable flow rate, which continued until the current operator took over in 2012. For most of the last 30 years, the bulk of oil production came from 3 producing wells #1 (the discovery well), #10 and #12 at flow rates of between 20 and 30 BOPD.

To date, the total cumulative oil production from the field is ~5 Million barrels with only one well (#1) still currently producing at an average of 12 BOPD. The rest have either been shut-in or abandoned mostly for mechanical reasons. It is the view of the current operator that the recovery efficiency for the Field is very low advising that water injection and flooding should be expected to recover 50 - 60% of the oil within that reservoir. Poor cementing of the casing, leaking, fluid communication behind pipe, are all complications associated with enhanced recovery techniques and declining borehole integrity. For this reason alone, additional recoverable reserves are likely to be still present within the field.

In the period since the reserves report was produced, the Operator has shut-in two of the three wells that were in production at the time of MGRI's purchase in 2012. MGRI advised that these wells were shut-in due mainly to mechanical problems. The remaining producing well is averaging 12 BOPD, which at this rate since the reserves report was completed, indicate that the field has produced approximately 10,000 BBLS since it was bought by MGRI, which compared with the low end value of the estimated reserves of 5.1 MMBLS represents 0.2% of the estimated reserves.

We also questioned MGRI as to why it had not progressed production at the Cache Oilfield since its purchase in 2012. We were advised by the Operator that since they acquired the field in June 2012 their primary concern has been to review the previous operator's activities and to undertake a clean up of the mechanical debris on site, review the mechanical condition of production equipment and undertake field geological studies to better understand the geology and potential production issues, reviewed the problems associated with the acidizing and poor well completions undertaken in the field over the previous 50 years and set about designing new programs for testing and completing future wells. All of this has come at a time when economic investment in traditional North American conventional oil developments was being reduced in favour of unconventional shale oil and shale gas and an extended period of low oil prices (although there was a short period of higher prices), which led to difficulties in raising sufficient funds that they regard as necessary to develop the Field.

10 RESERVES CALCULATIONS

Dr. Edward Coalson completed an extensive log analysis of the wells drilled in the Cache Field and incorporating interval mapping was undertaken to establish the areal distribution of each of the pay zones within the upper and lower Ismay along with porosity and oil saturation estimates of each of the zones. From this analysis an estimate for the oil-in-place for the field was calculated to be ~24 Million Barrels.

Historic production data available for the field suggests that ~5 Million barrels has been recovered to date which equates to approximately 20% of the OOIP, suggesting that 80% of the oil remains in place within the reservoir.

A breakdown of the oil-in-place calculations for each of the pay intervals within the upper/lower Ismay is shown in Table 1 below. An example well log analysis is shown in Figure 10.

From this analysis reservoir sediment with porosity of between 4 - 7% is considered acceptable pay with best reservoir pay having porosity in excess of 7% and oil saturation greater than 50%.

These analyses also suggest that the Upper Ismay reservoir is of a better quality than the Lower Ismay and that any remaining reserves are most likely to be reservoired here. The Upper Ismay units however would be stratigraphic and possibly small in terms of reservoir volume. MGRI believes that due to earlier completion, testing and production issues that potentially only about 5% of the oil in the Upper Ismay has been produced.

Table 1 – Estimate of oil-in-place for pay intervals within the Cache Field (Source: E Coalson, 27/9/2012)

	Estimate of Oil in place for pay interval within the Eagle Ford (Source: E Source, 2/9/2012)							
	Phi > 4%			Phi > 7.5%			Phi 4 – 7.5%	
Sub-zone	Area (ac)	So-Phi-H (BBL)	OOIP	Area (ac)	So-Phi-H (BE OOIP		So-Phi-H (BBL)	OOIP
ISMYUC1	273	1,710,440	7%	219	1,124,040	5%	586,400	2%
ISMYUC2	427	2,742,530	11%	334	2,199,310	9%	543,220	2%
ISMYUC3	556	2,660,300	11%	374	1,405,970	6%	1,254,330	5%
ISMYUC4	259	935,380	4%	133	507,230	2%	428,150	2%
ISMYUC5	608	6,468,020	27%	554	5,849,400	24%	618,620	3%
ISMYLC1	591	6,589,590	28%	531	4,995,560	21%	1,594,030	7%
ISMYLC2	415	2,839,230	12%	382	2,771,060	12%	68,170	0%
TOTAL	23,945,230			18,852,570			5,092,920	
Field	Produced Oil	4,617,866						
	% of OOIP	19.3%						

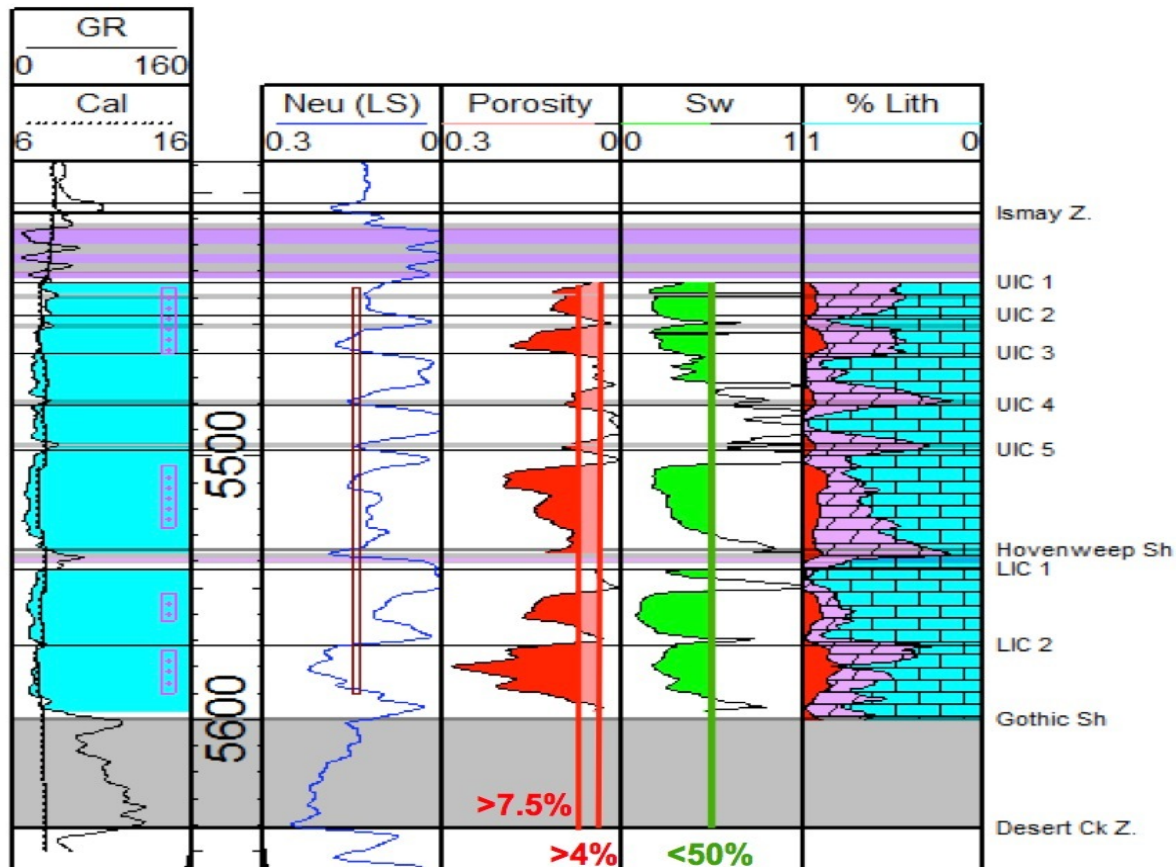


Figure 10 – Example Porosity/Sw calculation for a Cache well log (Source: MGRI, 2014)

11 RE-DEVELOPMENT OPPORTUNITY & PROPOSED WORK PROGRAM

In early 2000, an extensive multi-year study of the Paradox Basin oil fields of southeastern Utah and southwestern Colorado was conducted by the Utah Geological Society (<http://geology.utah.gov/emp/paradox2/>). This study concluded that many of the small carbonate mound fields in this region displayed similar initial and final production characteristics that lead to ~20 - 25% recovery from the vertical well production strategies that had been employed. In addition, given the extensive reservoir heterogeneity and the success of using horizontal drilling and carbon dioxide flood techniques in the Aneth field, significant recoverable reserves (up to 200 Million Barrels across the Paradox Basin) are accessible in these fields should those modern production techniques be employed.

A number of current factors in the Cache Field suggest that significant recoverable oil is still present in the field. These factors include but are not limited to:

- Only 20% of the OOIP has been produced to date.
- The reservoir interval displays significant vertical and lateral heterogeneity suggesting that the current vertical well intersections may have been inefficient in maximising oil production.
- Most of the current wells have failed for mechanical reasons, several very early in their history suggesting that the completion and enhanced recovery techniques failed to maximise production.
- Recent log analysis and interval mapping indicates that in the south there may be an area within the field that is poorly drained (and may contain primary reservoir pressures) and that in particular the lower porosity reservoir in the upper Ismay may also be poorly drained.

Taking these factors into consideration the Operator has proposed that modern horizontal / multi-lateral drilling / completion techniques should enhance the oil production rates from any future wells drilled within the Cache Field. Drilling laterally within the reservoir interval maximises the probability of intersecting zones of higher porosity and permeability, which in theory should lead to higher, sustainable oil flow rates.

To that end, an initial 2 well test programme has been suggested to test the theory that modern drilling completion / techniques will enhance oil recovery and flow rates and also to test the possibility of finding primary oil reserves in the southern part of the field that have only been partially drained. The cost of these wells is expected to be ~US\$800,000 per well.

Assuming that the two test wells deliver successful results, a 3D seismic survey is proposed over the field to identify locations for future production wells to be drilled on the field. The cost of the 3D survey is expected to be ~US\$1 million.

The Operator has current plans to drill a further 6 wells on the field (to a 20 acre spacing) to maximise the remaining oil production capacity of the field. Discussions with MGRI and consultants to the company advised that an expectation for additional oil recovery from this field is an additional 20% - 25% of OOIP (5 - 6 million barrels) which will bring the total recovery from the field to ~40%.

Once the infill drilling programme has been completed and assuming the economics can be justified there is also the potential to further enhance the oil recovery efficiency of the Cache Field by implementing a CO₂ flood programme as has been successfully implemented in the nearby Aneth Field.

12 VALUATION APPROACH

We considered three generally accepted approaches for the valuation of the Petroleum Asset given the level of knowledge and production history of the oilfield. These are: market approach, cost approach and income approach.

The Market Approach considers prices recently paid for similar assets with adjustments made to reflect condition and utility of the appraised asset relative to the market comparative. Assets with an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speediness and it requires relatively few assumptions. It also introduces objectivity in application as publicly available inputs are used. However, the valuer has to be wary of the hidden assumptions in those inputs as there are inherent

assumptions on the value of those comparable assets. It is also difficult to find assets that are truly comparable. Furthermore, this approach relies exclusively on the efficient market hypothesis.

The Cost Approach considers the cost to reproduce or replace in new condition the asset appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

The Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay for the asset no more than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs and finally it only presents a single scenario or technical valuation.

13 SELECTION OF VALUATION METHODOLOGY

In our opinion, the market approach and cost approach are inappropriate for valuing the underlying asset. Firstly, the market approach requires market transactions of comparable assets as an indication of value. We have not identified any current market transactions that we regard as being comparable. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the underlying asset. We have therefore relied solely on the income approach in determining our opinion of value.

In this study, the Value of the Petroleum Asset was developed through the application of an income approach technique known as Discounted Cash Flow ("DCF") method. This method sums the future free cash flows from the project and discounts them to produce a net present value. This method eliminates the discrepancy in time value of money by using the discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation. The Net Present Value obtained is a technical value, which is then adjusted for market conditions by either applying a multiplier, either positive or negative, to reflect market sentiment which then represents the Fair Market Value.

Under this method, the Value depends on the present worth of future economic benefits to be derived from the projected income. Indications of Value have been developed by discounting projected future net cash flows available for payment to the asset owners' interest to their present worth at discount rate, which in our opinion is appropriate for the risks of the project. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of finance, the considered risk inherent in the operation and the competence and standing of the project operator within the USA and its proven ability to manage projects of this type and size.

14 SOURCES OF INFORMATION

In conducting our valuation of the Fair Market Value of the equity interest available to ROG in the Cache Oilfield held by MGRI, we have reviewed information from several sources, including, but not limited to:

- Background/Operational
 - Description of the operating business; and
 - Other background and research materials;
 - Cache Unit Agreement;
 - Gas Gathering Agreement.

- Financials
 - Copy of full cache Revenue Model (Draft);
 - Other operations and market information in relation to the business;
 - Petroleum price forecasts from a variety of sources including Nexia.
- Geological/ Technical
 - Cache Field review for Cyprus Investments by independent Petroleum Geologist, Robert Somerville, in April 2014;
 - Cache Geology Presentation, By E. Coalson, 27 Sep 2012;
 - Cache Unit Maps;
 - Cache Well Data and Cache Tight Rocks data; and
 - Cache Core Analyses.

We conducted interviews and held discussions with the management of the Company and with ROG management. We have relied to a considerable extent on the information provided by the parties in arriving at our opinion of the Value.

15 ASSUMPTIONS

15.1 General Assumptions

- Dr E. Coalson, a certified Wyoming Professional Geologist (PG-335), estimated the Cache Field's original-oil-in-place reserves. The reserves were estimated under the Petroleum Resources Management System (2007), an extract from which appears below.
- Dr. Coalson's reserve estimations were reviewed by Ian Buckingham.
- Establishment of initial production for new wells and decline rates were provided by MGRI.
- For our valuation exercise, we have assumed that all proposed facilities and systems will work properly and will be sufficient for future expansion.
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition, which may adversely affect the operations of the Field.
- Operational and contractual terms bound by the contracts and agreements entered into by the Company will be honoured.
- Its competitive advantages and disadvantages will not change significantly during the period under consideration.
- MGRI will be responsible for and guarantee the sale of oil produced from Cache Field during the life of the Agreement.

These assumptions have been made following discussions with ROG and MGRI Managements and consultants.

Definition of Reserves (Extract from PRMS (2007))

"RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status."

15.2 Reserves available for Production

Volumetric calculations completed by Dr Coalson determined that the Original Oil In Place (OOIP) for the Cache Oilfield was estimated to be 23.95 MMSTB. As historic production is recorded to have been 4.62 MMSTB, the remaining reserves have been estimated to be 19.33 MMSTB. The Vendors are considering drilling 6 new wells and implementing Enhanced Oil Recovery schemes ("EOR") such as water flooding and/or CO2 flooding to increase production and the ultimate recovery. Estimations of extra recoverable reserves using these technologies are expected to result in a further 5.1 to 6.0 MMSTB recovered.

Table 2: Potential Reserves of Cache Oilfield

Item	Recoverable Reserves (MMSTB)
Primary Remaining Reserves (MMSTB)	19.33
Recoverable Reserves (MMSTB)	5.1 – 6.00

15.3 Production Schedule

MGRI has advised that current field production is averaging about 12 BOPD. We have commenced our financial model at July 2015. Given the inherent uncertainty of reserves, we have modelled production operations commencing 1 July 2015 through to 30 June 2026 for three Initial Production scenarios, namely 250 BOPD, 350 BOPD and 500 BOPD. At a rate of 250 BOPD over the full period of the model only 3.45 MMBBLS are produced which represents 68% of the low end of the reserves range. For the preferred case of initial production of 350 BOPD a total of 4.83 MMBBLS are produced, which represents 95% of the low end of the reserves range and at an initial rate of 500 BOPD a total of 4.97 MMBBLS are produced, which represents 97%. Hence, in our calculations we have adopted conservative cumulative production values that are less than the minimum reserve values estimated by Dr Coalson. Our preferred production schedule for the reserves is for an Initial Production rate of 350 BOPD, which is shown in Table 3 below:

Table 3: Total Oil production schedule for Cache in MMSTB/year based on Initial Production of 350 BOPD and declining at 10% per annum.

Year	BBL/Ann MMBBL	Cum. MMBBL	Year	BBL/Ann MMBBL	Cum. MMBBL
2015	0.055	0.055	2021	0.454	3.270
2016	0.445	0.499	2022	0.411	3.681
2017	0.646	1.146	2023	0.371	4.052
2018	0.614	1.759	2024	0.336	4.388
2019	0.555	2.314	2025	0.304	4.692
2020	0.502	2.816	2026	0.141	4.832

We have included the drilling of 6 new wells during the period 1 July 2015 to 30 April 2017 and lifts in the production schedule reflect the timing of these wells. Figure 11 displays the production profile assuming an initial production rate of 350 BOPD with a 10% decline rate per annum.

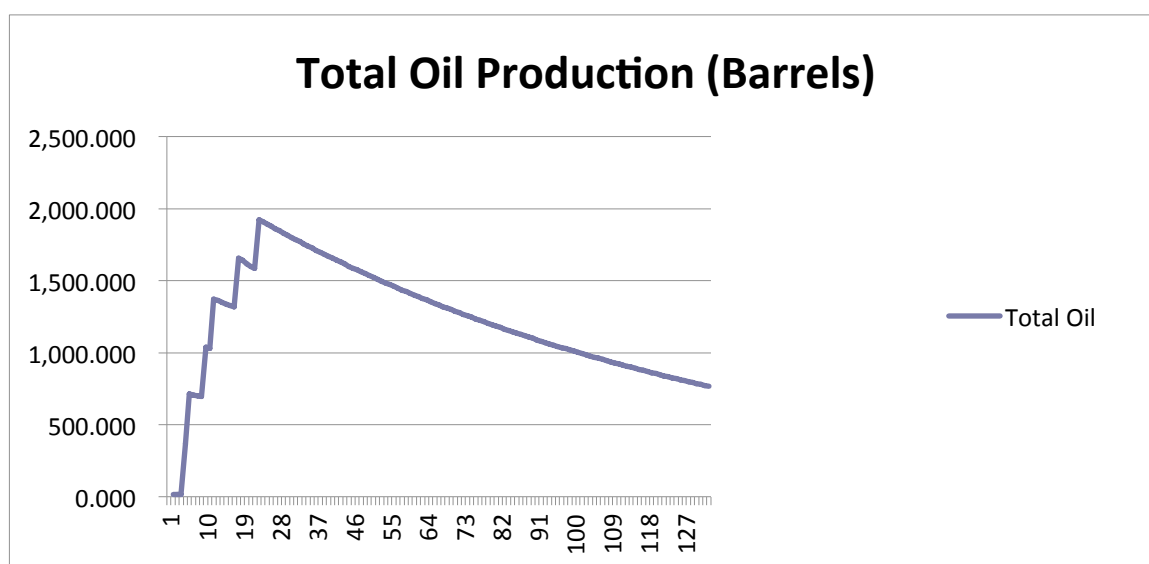


Figure 11 – Production profile assuming initial production of 350 BOPD.

In our estimations of production we have assumed that new wells will commence production at a rate of 350 BOPD and thereafter decline at a rate of 10% per annum.

Maximum production of 1,923 BOPD is estimated to occur during April 2017 and we have modelled the field for a period of 10 years with total production during that period of 4.83 million barrels of oil. It should be noted that the choice of 350 BOPD was selected as it is close to the lowest initial production rate of any of the production wells drilled in the field and significantly less than the average 1400 – 3000 BOPD that most wells initially produced at. We believe that this rate is reasonable given that this field has been in production for 50 years and that while we expect significant areas in the field to have retained their original pressure regime we have erred on the side of conservatism in this instance.

We also reviewed initial production rates based on 250 and 500 BOPD. Assuming a rate of 250 BOPD initial production rates we determined that at end June 2026, the end of the model life, a total of 3.45 MMBBL of oil should have been produced and that using an initial production rate of 500 BOPD would result in 5.0 MMBBL being produced by 30 June 2022, some four years earlier than the model life.

Based on our discussions with MGRI management, it is our opinion that the production schedules as shown above are feasible subject to the satisfactory implementation of the drilling plan.

15.4 Oil Prices Forecast

As the price of oil is a critical factor in any decision making regarding oil exploration and development it is therefore a significant element in any oilfield asset valuation. With the price of crude oil fluctuating as it has over the past few years and especially the sudden plunge in prices in recent months, it is important that the selection of prices to input to the model be carefully considered.

We have reviewed the prices for crude oil futures on the New York Mercantile Exchange (NYMEX) for the period April 2015 to December 2023. Prices for crude oil futures are seen to vary from US\$45.72 (April 2015) to US\$68.88 (December 2023). After discussions with Nexia we have selected an oil price range of between US\$50 to US\$70 per barrel (A\$66.67 to A\$93.33) for our valuation model assuming that for the period December 2023 to June 2026 for which we have no reference (NYMEX) that prices are expected to be in the order of US\$70 per barrel of oil (WTI).

15.5 Production Costs

Production costs have been aggregated to a single item of \$18.67 per barrel based on the current operator's experience. This cost includes items such as environment and regulatory, plugging and abandonment, engineering, procurement, earthworks, oil lifting and transport costs and

administration. This cost has been estimated by the operator based on its history of operating the field and in discussions with the Operator GRI has been advised that it expects these costs to prevail over the life of the field.

Production costs have been significantly reduced as the operator uses the gas produced to generate its own power for the field, hence, gas produced rather than being sold in relatively small volumes is collected and fed to small field gas turbines, which produce the electricity to power pumps and other production equipment. Onsite tanks for storage of the oil produced are available and are currently in good working condition. The Operator does not expect that these will need to be replaced during the remaining life of the field.

At this stage in the future development of the field the Operator is considering water injection as a secondary recovery method. This method is currently in use at the field and the equipment to continue and expand its application is available. No decision has been made yet as to whether or when any of the new wells will be put on water flood. Dependent on how successful the initial well production rates are and whether waterflood techniques have been used, the Operator has advised that the owners may consider introducing a CO2 sweep process. No decision will be made as to whether this method should or could be used until a greater understanding of the production characteristics of the new wells has been evaluated.

15.6 Capital Expenditure

Capital Costs relate to those expenditures made for items which normally have a term of use in excess of one year. An allowance for depreciation of Capital Costs is allowed and will include items such as workshops, electricity and water and power facilities, warehouses, roads, production storage and gathering pipelines. Some existing equipment and gas gathering lines will be retained but the six-well planned drilling program will mainly utilise new equipment, which has been allowed for in our valuation and is seen in Table 4 below for items named as Recompletion of Injection wells and Miscellaneous Engineering.

Capital costs are estimated based on scheduled drilling, production and have been calculated in accordance with Table 4 below.

Table 4: Capital costs

Item	Timing	Cost (\$)
Well 1	October 2015	1,000,000
Well 2	November 2015	1,100,000
Seismic	January 2016	400,000
Seismic	March 2016	400,000
Recompletion Injection wells	March 2016	350,000
Well 3	March 2016	1,100,000
Well 4	May 2016	1,100,000
Well 5	November 2016	1,100,000
Well 6	April 2017	1,100,000
Miscellaneous Engineering	2015 - 2017	700,000
TOTAL		8,450,000

15.7 Revenue

The total revenue from ROG's equity interest in the Cache Oilfield for the first six months of production ending 31 December 2015 is projected to be \$1.32 million. This will rise rapidly to a peak of \$15.51 million in 2017 and thereafter decline slowly to \$7.29 million in the last full year of production ending 31 December 2025. The final six months of production ending 30 June 2026, which represents the end of the model's life is estimated to be \$3.38 million. The lower revenue numbers during 2015 through early 2017 represent the build-up of production as the drilling program is implemented with revenues reaching their maximum during April 2017. From this time forward, based on the drilling program, a 10% per annum decline through to the end of the model life in June 2026 has been factored into our calculations. Total revenues due ROG over the Model life are estimated to be \$115.99 million.

Based on discussions with MGRI management our forecasts for the total revenue projections from 2015 to 2026 are set out in Table 5.

Table 5 – Forecasts of Total Revenue Equity to ROG

A\$ million	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Revenue	1.32	10.67	15.51	14.73	13.32	12.05	10.90	9.85	8.91	8.06	7.29	3.38

15.8 Royalties and Tax

Provision for Royalties & Freehold Tax have been estimated and adopted in the Financial Model at a total rate of 20%. These Royalties are Over Riding Royalties ("ORR"), which bestows the right to receive revenues from the production of oil and gas from a well without paying the drilling or monthly operating expenses from the well. Overriding royalty interests are not connected to an ownership of minerals under the ground. Rather, it stems from ownership of a portion of generated revenues from oil and gas. Included in the 20% Royalty and Tax figures are allowances for payments to the American Indian landowners, other landowners, Provincial and State governments.

Additionally, in our financial model we have applied tax at a rate of 30% to ROG's equity interest to reflect that the Company will be required to pay income tax in Australia.

15.9 Abandonment Costs

Operating costs will cover all costs associated with the abandonment of all exploration wells and the restoration of drill sites and all estimation of the monies required for the funding of any abandonment and site restoration program.

15.10 Environmental Protection

Planning for petroleum extraction and production includes efforts to maintain the environmental integrity of the oil field focusing on air pollution, water pollution, noise pollution, solid waste and soil and water conservation. The main sources of pollution from oil drilling are the gases that escape when wells are drilled, vented, stimulated, and maintained.

The effect of these pollutants is not limited to the immediate vicinity of the discharge, as the compounds often admix with groundwater and running water to make their way into the broader ecosystem. To address this, typical protective measures include API separators and in-house waste treatment facilities, spill containment dikes and drainages linked to treatment facilities, satellite-linked computerized monitoring of pipeline integrity, and protective equipment for personnel working on-site.

15.11 Discount Rate

In applying the discounted cash flow method, it is necessary to determine an appropriate discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant in our selection of an appropriate discount rate include:

1. Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates.
2. Purchasing power risk, which measures loss of purchasing power over time due to inflation.
3. Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price.
4. Market risk, which measures the effects of the general market on the price behaviour of securities.
5. Business risk, which measures the uncertainty inherent in projections of operating income.
6. Sovereign risk, which measures the country or political risk associated with working in that area.

Consideration of risk, burden of management, degree of liquidity, and other factors affect the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base or safe rate to compensate for the extent of risk believed involved in the investment.

The Discount Rate of 12.0% was determined after reviewing the various risks attached to the operation of this petroleum project and in consideration of the Company's joint venture with MGRI.

15.12 Values Obtained

We have valued ROG's equity in the Cache Oilfield using three production schedules namely, Initial Production rates of 250 BOPD, 350 and 500 BOPD. We have maintained a discount rate of 12% for all three production schedules and at the two lower production rates, our financial model indicates that at these lower initial production rates the field will produce for the life of the model, which was set at 10 years. For the upper production rate of 500 BOPD we have modelled the field to cease production during the sixth year and to produce approximately 5 million barrels during its modelled life. Based on the initial production history of the field, which was dominantly in the range 1400 to 3000 BOPD, we are comfortable selecting the rates we have and we have selected an initial production rate of 350 BOPD to represent our preferred value. We have used 250 BOPD to represent the low end of our range as this represents the lowest recorded Initial Production rate for the field. Finally, our selection of 500 BOPD represents our expectations of the highest flow rates that we would expect accepting that the field will have some areas that have remained in original reservoir condition and that the aim of the new drill program is to target these areas.

Table 6 - Net Present Value Summary – ROG Equity in Cache Oilfield (A\$1.00:US\$0.75)

Item	Discount Rate	IP Rate (BOPD)	Production (MMBLS)	Value (\$m)
Net Present Value (NPV)	12%	250	3.45	29.66
	12%	350	4.83	30.02
	12%	500	4.97	35.27

Based on our evaluations we have determined that the value of the Cache Oilfield lies in the range \$29.66 million to \$35.27 million (after tax). This valuation range is totally dependent on the initial rates of production from the six wells planned for drilling as part of the redevelopment of the Cache Field. The value range has used a standard Discount Rate of 12%. Our preferred value has been established at the initial production rate of 350 BOPD and is \$30.02 million.

15.13 Sensitivity Analyses

Table 7 below illustrates the results of the Net Present Value (“NPV”) sensitivity analyses runs for possible changes of crude oil prices above those contained in the Model. We have used the 350 BOPD Initial Production rate model as our baseline model as this represents a relatively low Initial Production rate for any well in the field based on previous initial flow rates of between 1400 – 3000 BOPD. The runs consider changes of $\pm 5\%$ and $\pm 10\%$ on future crude oil prices relative to the projected forecast:

Table 7: NPV for absolute changes in oil prices for Initial Production rate of 350 BOPD

Change in Oil Price	Applied Discount Rate	NPV of 50% Equity (\$m)
+10%	12%	34.38
+5%	12%	32.20
0%	12%	30.02
-5%	12%	27.84
-10%	12%	25.65

Table 8 illustrates the results of the Net Present Value (“NPV”) sensitivity analyses runs for changes of Discount rates above and below those contained in the Model. The runs consider changes of $\pm 2\%$ and $\pm 4\%$ on Discount rates relative to the projected forecast:

Table 8: NPV for absolute changes in Discount Rates for Initial Production rate of 350 BOPD

Absolute Change in Discount Rate	Applied Discount Rate	NPV of 50% Equity (\$m)
+4%	16%	25.35
+2%	14%	27.55
0%	12%	30.02
-2%	10%	32.80
-4%	8%	35.94

15.14 Valuation Comments

The valuation of an interest in a Petroleum Asset requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- the nature of the business;
- the financial condition of the business and the economic outlook in general;
- the operational contracts and agreements in relation to the business;
- the projected operating results; and
- the financial and business risk of the mining operation including the continuity of income and the projected future results.

The conclusion of the Value is based on accepted valuation procedures and practices promulgated in the International Valuation Standards that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of ROG, MGRI, Nexia and GRI.

16 RISK FACTORS

Reliance on key executives

The future success of the Cache Oilfield development is dependent, to a large extent, upon the continued service of its key executives and technical personnel as it operates in an industry where there is intense competition for experienced managerial and technical personnel. The loss of the services of these personnel without immediate and adequate replacements could have a material adverse effect on the business.

Economic considerations

The US economy has been sluggish since October 2008 when the Global Financial Crisis unfolded. Recent information indicates that significant growth has been established and unemployment appears to be dropping. This growth is dependent on a particular set of government policies and geopolitical factors. There is no assurance that the expected economic growth will be realised, or that future social and economic changes in US will be favourable to ROG.

Realisation of forecast and future plans

This calculation is premised in part on the historical financial information and future plans provided by the management of MGRI. We have assumed the accuracy of the information provided and relied to a considerable extent on such information in arriving at our calculation of the Value. Since projections are related to the future, there will usually be differences between projections and actual results, and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting values may differ.

17 OPINION OF VALUE

Based on the results of investigation and analysis outlined in this report, it is our opinion that the Fair Market Value of Red Sky Energy Limited's 50% equity interest in the Cache Oilfield on an after tax basis, as at the Valuation Date, is reasonably stated to lie in the range \$29.66 million to \$35.27 million. Our preferred value is \$30.02 million.

This report and opinion of value are subject to our General Conditions, which appear in Section 18 of this report.

18 GENERAL CONDITIONS

18.1 Qualifications

Global Resources & Infrastructure Pty Ltd ("GRI") is a management consulting and advisory company that specialises in providing its services to the resources and infrastructure industries. Ian Buckingham, Managing Director of GR&I is the lead consultant in preparation of this opinion for DMR Corporate Pty Ltd. Mr. Buckingham has worked on over three hundred due diligence and valuation assignments, including: providing Specialist's advice to Grant Samuel and to KPMG Corporate Finance when both of those organisations provided the Independent Expert's Reports on the takeover offer by Rio Tinto for North Limited and Ashton Mining Limited respectively; in the role of Project Director, he managed the project team that undertook a review of the mining, environmental, legal and economic issues associated with the Ok Tedi Mine, PNG; reviewed and valued the coal assets of PT Kideco, a 12 million tonne per annum Indonesian based coal mining and exporting company, reviewed and valued the minerals assets and Stuart Oil Shale Project of Southern Pacific Petroleum; prepared the "Competent Person's" Report for the listing of Zeehan Zinc Limited, an Australian base metals company on the Alternative Investment Market (AIM) of the London Stock Exchange; the Specialist's report on the value of the assets of Enterprise Energy and Bandanna Coal Company. Mr. Buckingham has also undertaken a number of strategic development assignments evaluating various minerals commodities on behalf of global mining groups.

Ian Buckingham holds a B.App.Sc.(Applied Geology) from the Victorian Institute of Colleges and Fellowship and Associateship Diplomas in Geology (RMIT) with extra studies in mining engineering

and primary metallurgy and an MBA from RMIT University. Mr. Buckingham is a Member PESA and AAPG and a Fellow, FAusIMM. Ian was a member of the committee that re-wrote the VALMIN Code (2005).

18.2 Fees

GRI will be paid a professional fee of \$25,000 exclusive of GST plus reasonable expenses for the preparation of this report. The fee is not contingent on the conclusions set out in the report.

18.3 Declaration

GRI does not have any business relationship with Red Sky Energy or with any companies associated with that company that could reasonably be regarded as being prejudicial to its ability to give an unbiased and independent assessment. There is no present agreement, arrangement or understanding that GRI will at any time in the future undertake any assignment for Red Sky Energy Limited or any company or organisation associated with Red Sky Energy Limited. Other than as set out herein, neither GRI nor Ian Buckingham has any interest in the companies that are the subjects of this report.

18.4 Indemnity

GRI and Ian Buckingham have been indemnified by Nexia Melbourne Pty Ltd (ABN 17 386 983 833) as to damages, losses and liabilities relating to or arising out of their engagement that do not arise from the fault of GRI, or Ian Buckingham or their associates.

18.5 Consent

GRI has given its written consent to the inclusion of this report in Nexia Melbourne Pty Ltd.'s advice to be provided to Red Sky Energy Limited's directors, management and shareholders, pursuant to Australian regulatory requirements. As of this date, GRI has not withdrawn its consent. GRI has not been involved in the preparation of or authorised or caused the issue of any other part of the documentation to be provided to Red Sky Energy's shareholders, other than this report.

Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with, or attached to any document or used for any other purpose without the prior written consent of GRI to the form and context in which it appears and the purpose of its use.

All of the persons involved in the preparation of this report have consented to the use of this assessment report, for the purpose stated above and in the form and context in which it appears.

GLOBAL RESOURCES & INFRASTRUCTURE PTY LTD



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LODGE YOUR VOTE

 **ONLINE**
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+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Red Sky Energy Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:30am (Melbourne Time) on Friday, 17 July 2015 at The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, Victoria** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Issue of Shares to Acquire Shares in Cache Martini No. 1, LLC	☐	☐	☐	5 Appointment of Director – Mr William Reinhart	☐	☐	☐
2 Issue of Shares to Vendors' Advisor	☐	☐	☐	6 Approval for Transaction Under ASX Listing Rule 10.1	☐	☐	☐
3 Approval for Placement	☐	☐	☐				
4 Appointment of Director – Mr Kerry Smith	☐	☐	☐				



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (Melbourne Time) on Wednesday, 15 July 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Red Sky Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**