

10 July 2018

RED SKY TO ACQUIRE INNAMINCKA DOME PROJECT FROM BEACH ENERGY

Highlights

- **Red Sky** enters a conditional sale and purchase agreement to acquire Beach Energy's interests in the Innamincka Dome oil & gas project ("**Innamincka Dome Project**"), comprising a 100% interest in five PRLs and a 75% interest in another PRL.
- The acquisition (which is subject to regulatory and joint venture approvals) offers:
 - near term analysis of production options from well-maintained shut in wells and infrastructure
 - strong growth outlook from non-producing proven fields and highly prospective tenement
- Capital raising proposed to be conducted under mandate with Taylor Collison to raise up to \$2.2 million and re-development planning to commence immediately



Storage tanks – Innamincka Dome Project

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Overview

Red Sky Energy Limited (“Red Sky” or “the Company”, ASX: **ROG**) is pleased to advise that it, through its wholly owned subsidiary Red Sky (NT) Pty Ltd, has entered into a binding Sale and Purchase Agreement (**SPA**) with Acer Energy Pty Ltd, a Beach Energy Ltd (“Beach”, ASX: **BPT**) subsidiary to acquire that subsidiary’s interests in the Innamincka Dome Project in the Cooper Basin, South Australia. A summary of the key terms of the SPA are set out in Annexure A.

The Innamincka Dome Project comprises a portfolio of six highly prospective petroleum tenements (PRLs) near the township of Innamincka in northeast South Australia. Beach’s interest in this portfolio comprises a 100% owned and operated stake in:

- PRL14 (Flax oil field which was previously producing);
- PRL17 (Yarrow gas field);
- PRL18 (Juniper oil field);
- PRL180;
- PRL181; and

a 75% interest in PRL182 (held in joint venture with Bengal Energy (Australia) Pty Ltd).

The purchase of Beach’s interest in the Innamincka Dome Project is inclusive of all existing production infrastructure, storage tanks, yards and camp facilities. This infrastructure is modern and in excellent operating condition, the project having been closed in 2015 due to the downturn in oil and gas markets. The Company will initiate “re-start” planning for the Innamincka Dome Project immediately with a focus on resuming oil and gas production at Flax as soon as possible following completion of the acquisition.

The acquisition will afford Red Sky with a significant opportunity to leverage the recovery from the oil price downturn by quickly returning quality shut-in assets to production at the Flax field, as well as delivering options to seek to:

- evaluate the unexploited Yarrow and Juniper fields; and
- evaluate the remaining highly prospective tenements within the Innamincka Dome Project.

Following completion of the acquisition, the Company will be responsible for discharging all obligations and liabilities arising in respect of the assets purchased, including all liabilities relating to decommissioning, abandonment, rehabilitation, remediation or restoration of those assets.

Capital Raising

The Company has entered in to a capital raising mandate with Taylor Collison to raise up to \$2.2 million. The Capital Raising will comprise a Share Placement to raise \$1.6 million (**Placement**) and a non-renounceable rights issue to raise \$600,000 (**Rights Issue**). The Placement is to be led by Taylor Collison on a best endeavours basis and conducted in two tranches, the second tranche being conditional upon completion of the acquisition. The Rights Issue is proposed to be fully underwritten by Taylor Collison (subject to the execution of mutually agreeable underwriting agreement negotiations for which are substantially progressed). The Placement and Rights Issue will be undertaken at an issue price of \$0.004 (0.4 cents) per ordinary share.

Red Sky's newly appointed CEO and Managing Director, Andrew Knox, said,

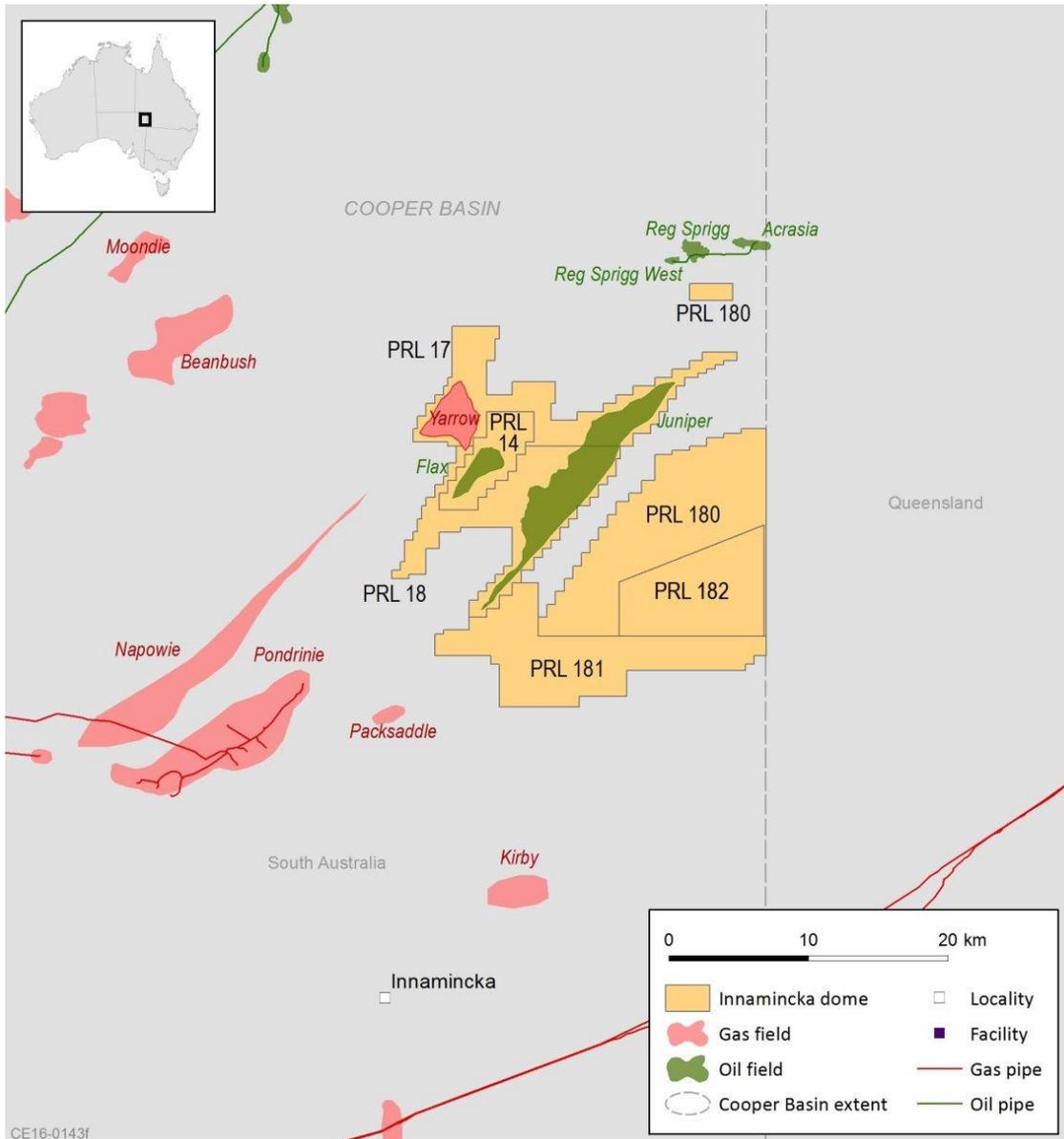
“The Innamincka Dome project provides clear near-term upside for Red Sky. It fits our strategy of acquiring near term producing assets with proven prospectivity and delivers a strong position with clear optionality in the heart of Australia’s well renowned onshore Cooper Basin. Red Sky has been actively reviewing conventional production opportunities and the current round of M&A activity in the Australian oil and gas sector has created this splendid opportunity for us”.

Business Strategy

Following completion of the acquisition, the Company plans to recommence oil production from the shut-in Flax field using existing infrastructure. Information reviewed by the Company indicated that oil production at Flax was previously being carried out at a rate over 200 barrels of oil per day and the field has produced approximately 180,000 barrels of 54 API oil to date¹. The existing production facilities at the Flax field, which have been inspected by the Company, have a processing capacity of 1,000bopd and 2,400bbl storage capacity based on information reviewed by the Company.

¹ SA government open file petroleum production data

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courtesy of Beach Energy

Mr Knox said

“We will put in place an experienced, fit for purpose in-country operational capability which will allow us to manage the Flax field and achieve sustainable production rates at low operating costs. Our strategy is to expand production through re-development and low risk appraisal. We will also seek to acquire similar fields in the region at the right price to build economies of scale and apply our technical and competitive advantages. The approximately 400 sqkm acquisition of the Innamincka Dome area provides an attractive entry for Red Sky into the Australian conventional onshore oil and gas market”.

ANNEXURE A

Summary of key terms of the SPA

The transaction the subject of the sale and purchase agreement (**SPA**) involves the following elements:

- Red Sky will acquire:
 - a 100% interest in PRL14, PRL17, PRL18, PRL180 and PRL181, together with all production infrastructure associated with those interests;
 - a 75% interest in PRL 182 and all associated joint venture property (provided Bengal Energy does not exercise the pre-emptive it holds over that interest); and
 - free of all existing royalty interests that have been granted in respect of those interests.
- Only nominal consideration of \$1 is payable by Red Sky for the assets to be acquired under the SPA. However, Red Sky will be responsible for discharging all obligations arising in respect of the assets purchased as from completion of the transaction, including all liabilities relating to the decommissioning, abandonment, rehabilitation, remediation or restoration of those assets.
- Completion of the acquisition is subject to the satisfaction of certain conditions precedent including regulatory and joint venture approvals as well as Beach delivering a document to Red Sky evidencing the release of each of the existing royalty interests granted in respect of the sale assets.
- Where ministerial consent is required for a dealing effected on completion of the acquisition, the parties have agreed to seek that consent within 180 days of completion. Where ministerial consent is required but not obtained, unless a suitable alternative agreement can be reached, the sale and transfer contemplated under the SPA will not be completed.
- The SPA will be terminated if not all the conditions precedent are satisfied and/or waived within 180 days of the date of the SPA. The SPA may also be terminated if either party materially breaches a term of the SPA and fails to remedy such breach within 5 business days of notice from the other party (or such longer time as the non-defaulting party determines).
- With the exception of the PRL 182 interest, the acquisition of the various sale interests are interdependent, meaning that Red Sky is not obligated to complete the acquisition unless all of the sale assets will be acquired by it. The PRL 182 interest will be excluded from acquisition if Bengal Energy exercises its pre-emptive right or refuses to give its consent to the acquisition of that interest by Red Sky.
- The obligations of Red Sky (NT) Pty Ltd under the SPA are to be guaranteed by Red Sky.
- The SPA otherwise contains terms typical of arrangements of this nature, including the imposition of obligations of confidentiality on the parties, warranties from each party and provisions for the limitation of liability.

Capital Raising

The Company has entered in to a capital raising mandate with Taylor Collison to raise \$2.2 million (**Capital Raising**). The Capital Raising will comprise a Share Placement to raise \$1.6 million (**Placement**) and a non-renounceable rights issue to raise \$600,000 (**Rights Issue**). The Rights Issue is proposed to be fully underwritten by Taylor Collison (subject to the execution of mutually agreeable underwriting agreement). The Placement and Rights Issue will be undertaken at an issue price of \$0.004 (0.4 cents) per ordinary share.

Details of the Placement

- Tranche 1 of 150,000,000 shares at an issue price of \$0.004 per share to raise \$600,000 before associated costs will be issued to investors exempt from the disclosure requirements of Chapter 6D of the Corporations Act pursuant to the Company's available capacity under Chapter 7 of ASX Listing Rules (89,127,209 shares under LR7.1 and 60,872,791 shares under LR7.1A). Settlement and allotment of Tranche 1 shares is proposed for 19 July 2018.
- Tranche 2 of 250,000,000 shares at an issue price of \$0.004 cents per share to raise \$1,000,000 before associated costs will be issued to investors exempt from the disclosure requirements of Chapter 6D of the Corporations Act subject to shareholder approval at a forthcoming EGM expected in late August 2018. Settlement and allocation of Tranche 2 shares will only be undertaken upon completion of the acquisition.

Taylor Collison will receive a 6% fee on funds raised under the Placement.

Details of the Rights Issue

In addition to the Placement, the Company will undertake a non-renounceable pro-rata entitlement offer to acquire 1 new share for every 5 existing shares held in Red Sky at the same issue price as the Placement, being \$0.004 (0.4 cents) per ordinary share. If fully subscribed, the Rights Issue will raise \$600,000 before associated costs.

The Rights Issue will be offered to those holders of Red Sky shares who are registered as a holder of shares at the record date (timetable yet to be established) and is proposed to be offer to those shareholders who have a registered address in either Australia, New Zealand or Singapore (Eligible Shareholders).

The Company proposes to despatch a Rights Issue Booklet together with a personalised entitlement and application form to eligible shareholders on or about 31 July 2018 – although this date is indicative only and subject to change.

Acquisition Fee

Taylor Collison will receive an introduction fee pertaining to the acquisition of the Innamincka Dome Project amounting to:

1. 100,000,000 fully paid ordinary shares in the Company on completion of the acquisition. The issue of these shares is subject to shareholder approval, if required (Milestone 1).
2. Upon having 3 successive months of profitability at the Innamincka Dome Project (defined as positive EBITDA for the Company at a project level and for the avoidance of doubt excluding any corporate overhead) a further fee amounting to 100,000,000 fully paid ordinary shares in the Company. The issue of these shares is subject to shareholder approval, if required (Milestone 2).

Indicatively, the funds raised under the Capital Raising will be allocated towards the re-development of the Innamincka Project (\$1 million) (subject to completion occurring), the Company's existing Gold Nugget Gas project, working capital and the costs of the Capital Raising.

Pro forma Capital Structure

The indicative effect of the acquisition and the Capital Raising on the capital structure of the Company is anticipated to be as follows:

	Shares	Options
Current issued capital	608,727,909	280,809,480
Placement – Tranche 1	150,000,000	-
Rights Issue	150,000,000	-
Placement – Tranche 2 *	250,000,000	-
Total	1,158,727,909	280,809,480
Fees to Taylor Collison - Milestone 1 *	100,000,000	-
Fees to Taylor Collison - Milestone 2 *	100,000,000	-
Fully Diluted	1,358,727,909	280,809,480

**subject to completion of the Acquisition and, in the case of Milestone 2, satisfaction of conditions*

About Red Sky Energy Limited

Red Sky Energy is an Australian incorporated public company based in Melbourne, Australia and listed on the Australian Securities Exchange.

The Company's principal activities are the exploration for and production of hydrocarbons.

Current assets include 100% working interest in the Gold Nugget gas production in Wyoming, USA however Red Sky is currently active in seeking to acquire near field development assets onshore and offshore Australasia and South East Asia.

Any queries regarding this announcement should be directed to the Company on +613 96140600 or e-mail: admin@redskyenergy.com.au.

Media queries should be directed to Tim Duncan, Hintons, 0408 441 122.

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