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ASX ANNOUNCEMENT

New Funding Structure Ready to Launch

Key Points:

- **The Australian Taxation Office has provided a ruling on the taxation aspects of a new funding structure developed by Red Sky's solar energy business, Soleir;**
- **The funding structure allows wholesale investors to directly own a portion of the proposed Dubbo Solar One Project;**
- **It also provides certainty for investors on taxation benefits available under the funding structure;**
- **This is the first time in Australia that unitised ownership of a utility scale solar project has been facilitated;**
- **The MIS promoter and responsible entity, Red Sky subsidiary Rhythm Section Investment Management Pty Ltd, expects to open the application process within two months and seek commitments from interested wholesale investors;**
- **Red Sky acquired Soleir, a developer of utility scale photovoltaic (PV) solar power projects, in November 2012;**
- **The Dubbo Solar One Project is its first utility scale project and is being developed as a 2.5MW project.**

The directors of Red Sky Energy Limited ("Red Sky" or "the Company") are pleased to announce that the Australian Taxation Office (ATO) has issued a Product Ruling for a new Managed Investment Scheme (MIS) funding structure for the financing of the Company's utility-scale Dubbo Solar One Project.

The MIS funding structure was developed by Red Sky's solar energy business, Soleir Pty Limited ("Soleir"), and the Product Ruling is a critical milestone in the development of the Dubbo Solar One Project.

It is the first time in Australia that investors have been given the opportunity to directly own a portion of a utility scale solar project and also obtain taxation certainty with regard to certain taxation benefits available under Soleir's funding structure. Investors will own multiple Soleir Systems each comprising two PV panels and associated micro-inverters. A Red Sky subsidiary will own the balance-of-plant, comprising foundations, transformers and switchgear.

The new funding structure is important to the Company for three reasons:

1. It significantly reduces the cost of funding its solar projects over other forms of funding;
2. Because bank debt is not used, it does not require fixed price long term power purchase agreements to be put in place; and
3. It allows sale of the electricity on a spot basis to realise time-of-day price premiums.

Unitised ownership of the Dubbo Solar One Project gives investors the following benefits:

- Investors know what they are investing in - the PV panels and inverters are very similar to those on roofs of people's homes;
- The direct ownership is easy to understand unlike some of the complex investment products that contributed to the GFC;
- The project is expected to deliver steady cash flows over the long life of the project; and
- Direct ownership may allow for substantial depreciation benefits.

Red Sky subsidiary, Rhythm Section Investment Management Pty Ltd (RSIM), has a Australian Financial Services License and is the MIS promoter and responsible entity. RSIM intends to issue an information memorandum and open the application process within the next two months, and seek commitments from wholesale investors to subscribe to the MIS. A copy of the Product Ruling will be made available to all potential investors in conjunction with the information memorandum.

Red Sky acquired Soleir in November 2012 (see ASX announcement, 28 November 2012). Soleir is a developer of utility scale photovoltaic (PV) solar power projects. Its first utility-scale project is the 2.5MW Dubbo Solar One Project, and strong progress continues to be made at the project.

Soleir recently secured a 10 year extension to now have a 40 year lease for the project site from the Dubbo City Council and development approval for the 2.5MW project is in place. The project has accepted an Offer to Connect from Essential Energy, which paves the way for the export of the project's electricity into the grid. Red Sky also completed the installation of two 5kW Soleir Systems on the Dubbo Solar One Project site in 2013, for design validation and promotional purposes.

The Product Ruling

The Product Ruling is only a ruling on the application of taxation law by the ATO and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of the MIS, of the soundness or otherwise of the MIS as an investment, or of the reasonableness or commerciality of any fees charged in connection with the MIS. It should be noted that the Product Ruling is only binding on the Commissioner if the MIS is implemented in the specific manner provided in the Product Ruling. The Product Ruling only applies to those participants who are accepted to participate in the scheme after

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the minimum subscription is received and before the close off date of 31st October 2014. The tax benefit/consequences apply to the 2014-15 financial year and to subsequent years.

ENDS

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About Soleir

Soleir is an Australian solar energy company focussed on utility scale projects, based on proven photovoltaic (PV) technology. Since inception Soleir has implemented a rigorous plan to reduce solar project costs in all aspects; financing, permitting, support structure and grid connection costs. The business is initially directed towards regional NSW where there is solid electricity growth, good grid infrastructure and high solar intensity. The business is underpinned by time-of-day price premiums that solar can realise in the National Electricity Market, which potentially makes solar projects viable without subsidies.

About Red Sky Energy

Red Sky Energy is an Australian energy development company focused on developing solar projects. The board of directors and management team have over 100 years of energy industry experience. Directors of the Company are Gerrit de Nys (Non Executive Chairman), Rohan Gillespie (Managing Director), Guy le Page (Non Executive Director) and Adrien Wing (Non Executive Director).

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