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ASX ANNOUNCEMENT

ROG Enters Binding Terms Sheet to Acquire 50% interest in Cache Oilfield, Colorado, USA

Red Sky Energy Limited ("the Company" or "ROG") is pleased to announce that it has entered into a binding Terms Sheet with Monument Global Inc and Cache Martini No. 1 LLC ("the Vendors") recording the terms upon which, subject to the satisfaction of various conditions, ROG will invest in and acquire rights to a 50% interest in the Cache Oilfield ("Cache") oil and gas project owned and operated by the Vendors located in Montezuma Country, Colorado, USA ("the Project").

The board has assessed a number of new opportunities aimed at restoring shareholder value and believes Cache provides a platform to achieve this. Implementation of the transaction will be subject to shareholder and regulatory approvals as well as completion of capital raisings totalling approximately \$2.4 million before costs. The parties are working with their respective advisors to complete definitive and capital raising documents as well as necessary documentation to convene a shareholder meeting.

The Cache oilfield is located, 10 miles east of the Aneth field. The Cache field produces from the Pennsylvanian age Ismay reservoir at a depth of ~5,600 feet (average 180 feet thick) and comprises of a series of limestones, dolomites, shales and anhydrides deposited in a biohermal/biostromal carbonate mound. The Cache field produced historically from wells drilled throughout the 1960's most of which are now closed. Initial well production declined leading to the need for secondary recovery by implementing a water injection strategy.

The Company has been informed that the field is currently producing at a rate of approximately 12 BOPD (barrels of oil per day) from a single well and that the current field infrastructure is no longer viable due to mechanical issues and deteriorating borehole integrity.

Information received by the Company to date about current and historical production is subject to confirmation as part of the due diligence to be undertaken by the Company. The Company makes no statement regarding reserves or resources (if any) at this time as historical information was not prepared under and does not presently satisfy

the requirements of the ASX Listing Rules. It is anticipated that following completion of due diligence the Company will be able to announce information regarding reserves and/or resources (if any) in accordance with the requirements of the ASX Listing Rules including the requirement for any estimates to be prepared by or under the supervision of a qualified petroleum reserves and resources evaluator.

It is proposed that Modern horizontal/multi-lateral drilling technology and extraction techniques be used in order to try and establish sustainable economic flow rates from new wells. An initial well is proposed to be drilled to test the production model which, if successful, will be followed by further drilling and a 3D seismic program over the field.

ROG's proposed investment in the Project is to be made in two stages.

First Stage Loan Investment

The first stage is an investment by ROG of \$300,000, by way of loan advance to the Vendors, to be used strictly for the purposes of an oil improvement programme with the objective of improving production of the existing well which will begin to be implemented within 30 days of the advance being made.

Making this advance is subject to a number of terms being satisfied:

- ROG conducting and completing, to its satisfaction, preliminary due diligence investigations to confirm the Vendors' right, title and interest in the Project and the status and nature of any encumbrances (including royalties) affecting the Project;
- ROG conducting and completing an initial placement to raise approximately \$336,000; &
- ROG confirming, to its satisfaction, that there are no regulatory restrictions which would otherwise prevent the first stage loan investment.

The Terms Sheet may be terminated if the above are not completed within 6 weeks after entry into the Terms Sheet (or such later date as the parties may agree).

As part of stage 1 ROG will seek to complete an initial, 2-tranche placement to professional, sophisticated or otherwise exempt investors to raise up to a total of \$600,000 through the issue of up to approximately 750 million shares at an issue price of at least 0.08 cents per share (\$0.0008) primarily for purposes of funding the advance,

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working capital and associated fees. The first tranche of approximately \$336,000 is proposed to be raised by placing up to the approximately 420 million shares available capacity under ASX Listing Rules 7.1 and 7.1A. The balance is proposed to be placed as a second tranche, subject to shareholder approval. The Terms Sheet may be terminated if the second tranche placement is not completed within 6 weeks after obtaining shareholder approval (or such later date as the parties may agree).

If ROG makes the advance and does not proceed with the second stage investment (described below), the first stage loan investment will be repaid from production within the Project with the outstanding balance due by no later than 18 months from the date of the Terms Sheet.

Second Stage Investment

Subject to making the first stage loan investment, ROG will obtain the right (at its election) at any time within 120 days of entering the Terms Sheet (or such later date as the parties may agree) to acquire a 50% interest in the Project as follows:

- a 25% interest in the Project in consideration of the payment to the Vendors of the sum of \$1.8 million comprising a cash sum of A\$1,500,000 in the Project (to be used solely for funding a work programme involving a new oil well at a location to be agreed) and forgiveness of the A\$300,000 advance; and
- In conjunction with the above, a 25% interest in the Project in consideration of the issue to the Vendors of 1.29 Billion fully paid ordinary ROG shares, at a deemed issue price of 0.2¢ per share.

Completion of the second stage is subject to a number of terms being satisfied within 120 days of entry into the Terms Sheet, which may be extended by mutual agreement:

- ROG electing to exercise its rights to acquire a 50% interest in the Project.
- ROG obtaining all necessary shareholder and regulatory approvals and third-party consents and waivers necessary for implementation of the proposed investment and transfer of the Project interest.
- ROG completing, to its satisfaction, a comprehensive due diligence investigation in the Project to enable it to make a detailed and comprehensive assessment on the feasibility and merits of an investment in the Project.

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- ROG conducting a placement of 1.2 billion ordinary fully paid shares to professional, sophisticated and otherwise exempt investors at an issue price of 0.2 cents (\$0.002) per share to raise \$2.4 million (before costs), which placement will be subject to shareholder and regulatory approvals. Halcyon has been appointed as lead manager (on a best endeavours basis) in respect of the further placement described above.
- ROG conducting and completing a consolidation of its share capital on a ratio to be determined (which will be announced when determined).
- ROG and the Vendors agreeing to the terms of a joint venture agreement in respect of their 50/50 joint venture over the Project, under which Monument Global Inc will act as sole operator.

The proposed capital structure of the Company upon completion of the proposal is set out below:

	ROG shares	Percentage
Existing Holders	1,680,916,486	34.16
Initial Placement	750,000,000	15.24
Further Placement	1,200,000,000	24.39
Vendors' Consideration	1,290,000,000	26.21
TOTAL	4,920,916,486	100%

Other Material Terms of the Proposal

In addition to the terms described above, the following apply to the proposed transaction:

- Subject to the completion of ROG acquiring a 50% interest in the Project, the Vendor will be entitled to nominate two representatives to the board of ROG. Contemporaneously with these appointments the Company will procure the resignations of Mr Guy LePage and Mr Adrien Wing.
- The Vendors will retain a 3% net wellhead royalty of production from the Project.

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- The Company will be granted a right of first refusal to participate in oil and gas opportunities that the Vendors review or assess which are wholly or partially located within a 100 mile radius of any boundary of the Project area. This right of first refusal will operate for a period of three years from the date on which the Company obtains a 50% interest in the Project.
- Cyprus Investments Pty Ltd (“Cyprus”) and Halcyon, advisors and introducers of the opportunity to the Company will be entitled to certain fees and payments contingent on the success of certain milestones in the proposal. Specifically:
 - Subject to the Company completing its acquisition of a 50% interest in the Project, the Vendors will nominate Cyprus to receive 90 million ordinary ROG shares issued to the Vendors as part of the consideration for the transfer of the Project interest and the parties will grant Cyprus a 3% net wellhead royalty of production from the Project.
 - As noted above, Halcyon has been mandated by the Company as lead manager on a best endeavours basis in respect of the proposed placements and has also been appointed as corporate advisor to the Company. Pursuant to the terms of the mandate/appointment, in addition to a placement fee equal to 6% of funds raised, Halcyon will be entitled to corporate fees of \$176,000 plus GST (payable upon, and subject to successful completion of, the initial \$600,000 placement) and a further \$400,000 plus GST (payable upon, and subject to completion of, the further \$2.4 million placement). Halcyon has agreed that it subscribe for ROG ordinary shares under the placements equal to the corporate fees described above. Unless a longer escrow period is required by ASX, the Advisors will enter into a voluntary escrow agreement pursuant to which the share issues to them as part of the Advisor Fees will be escrowed for 6 months from the date of their issue.

The Board will provide further updates to shareholders as the proposed transaction, and its conditions, progress and subject to completion of due diligence and obtaining necessary regulatory approvals, ROG intends to prepare and dispatch a notice of meeting to seek the shareholder approvals required to approve Tranche 2 of the Initial Placement and implement the Terms Sheet.

ENDS

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