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**RED SKY ENERGY LIMITED****ACN 099 116 275****NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 10:00 am  
**DATE:** 9 March 2017  
**PLACE:** RSM Australia  
8 St Georges Terrace  
Perth, Western Australia

***The business of the Meeting affects your shareholding and your vote is important.***

***This Notice of 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.***

***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 at 4:00 pm on 7 March 2017.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to all other Resolutions in this Notice being passed, pursuant to section 254H of the Corporations Act, ASX Listing Rule 7.20 and for all other purposes, the issued capital of the Company be consolidated on the basis that every 50 Shares be consolidated into 1 Share, and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share."*

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#### 2. RESOLUTION 2 – PLACEMENT OF CONVERTIBLE NOTES TO UNRELATED PARTIES

To consider and, if thought fit, to pass, with or without amendment, 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 1,050,000 Convertible Notes (post Consolidation) on the terms and conditions set out in the Explanatory Statement."*

**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.

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#### 3. RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTES TO RELATED PARTY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 100,000 Convertible Notes (post Consolidation) to RM Corporate Finance Pty Ltd (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by RM Corporate Finance Pty Ltd (and its nominee) and any of their associates. 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.

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#### 4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES ON 28 JULY 2016

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 333,340,000 Shares (pre Consolidation) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue 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.

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#### 5. RESOLUTION 5 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTY CREDITOR – CYPRUS INVESTMENTS PTY LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 4,844,004 Shares (post Consolidation) to Cyprus Investments Pty Limited (or its nominee), together with one free attaching Option for every two Shares issued, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Cyprus Investments (and its nominee) and any of their associates. 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.

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#### 6. RESOLUTION 6 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTY CREDITOR – NORTHERN STAR NOMINEES PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 8,844,000 Shares (post Consolidation) to Northern Star Nominees Pty Ltd (or its nominee), together with one free attaching Option for every two Shares issued, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Northern Star Nominees Pty Ltd (and its nominee) and any of their associates. 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.

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**7. RESOLUTION 7 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTY CREDITOR – PENAUSE PTY LTD**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,540,000 Shares (post Consolidation) to Penause Pty Ltd (or its nominee), together with one free attaching Option for every two Shares issued, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Penause (and its nominee) and any of their associates. 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.

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**8. RESOLUTION 8 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTY CREDITOR – MR WILLIAM REINHART**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,400,000 Shares (post Consolidation) to Mr William Reinhart (or his nominee), together with one free attaching Option for every two Shares issued, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr William Reinhart (and his nominee) and any of their associates. 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.

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**9. RESOLUTION 9 – ISSUE OF SHARES AND OPTIONS TO UNRELATED PARTY CREDITOR**

To consider and, if thought fit, to pass, with or without amendment, 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 2,250,000 Shares (post Consolidation) to Global Resources and Infrastructure Pty Ltd, together with one free attaching Option for every two Shares issued, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Global Resources and Infrastructure Pty Ltd 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.

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## 10. RESOLUTION 10 – ISSUE OF OPTIONS TO RELATED PARTY – MR GUY LE PAGE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 10,000,000 Options (post Consolidation) to Mr Guy Le Page (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr Guy Le Page (or his nominee) and any of their associates. 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 11. RESOLUTION 11 – ISSUE OF OPTIONS TO RELATED PARTY – MR CLINTON CAREY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 7,500,000 Options (post Consolidation) to Mr Clinton Carey (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr Clinton Carey (or his nominee) and any of their associates. 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (iii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and

- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 12. RESOLUTION 12 – ISSUE OF OPTIONS TO RELATED PARTY – MR ADRIEN WING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 7,500,000 Options (post Consolidation) to Mr Adrien Wing (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr Adrien Wing (or his nominee) and any of their associates. 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
- (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 13. RESOLUTION 13 – ISSUE OF OPTIONS TO RELATED PARTY – MR RUSSELL KRAUSE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 5,000,000 Options (post Consolidation) to Mr Russell Krause (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr Russell Krause (or his nominee) and any of their associates. 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
- (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**14. RESOLUTION 14 – ISSUE OF SHARES AND OPTIONS IN CONSIDERATION FOR SERVICES PROVIDED**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 35,000,000 Shares (post Consolidation), together with one free attaching Option for every two Shares issued, to related and unrelated parties of the Company on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by RM (or its nominee), Ms Dina Le Page (or her nominee) and any of their associates. 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.

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**15. RESOLUTION 15 – ISSUE OF SHARES AND OPTIONS IN CONSIDERATION FOR SERVICES PROVIDED**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 13,800,000 Shares (post Consolidation), together with one free attaching Option for every two Shares issued, to unrelated parties of the Company nominated by RM on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by RM (or its nominee) and any of their associates. 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.

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**Dated: 8 February 2017**

**By order of the Board**



**Adrien Wing  
Company Secretary**

## **Voting in person**

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To vote in person, attend the Meeting at the time, date and place set out above.

## **Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

## **Voting online**

Shareholders may submit their proxy instructions electronically online to the Company's share registry by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Select 'Investor Login'. Refer to "Single Holding" and enter Red Sky Energy Limited or the ASX code (ROG) in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select 'Vote' under the 'Action' header and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

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



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## **EXPLANATORY STATEMENT**

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### **1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL**

#### **1.1 Background**

If Resolution 1 is passed and excluding any Securities issued pursuant to the other Resolutions, the number of Shares on issue will be reduced from 6,161,396,921 to 123,227,938 (subject to rounding).

#### **1.2 Legal requirements**

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

#### **1.3 Fractional entitlements**

Not all Shareholders will hold that number of Shares which can be evenly divided by fifty. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share.

#### **1.4 Taxation**

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

#### **1.5 Holding statements**

From the date the Consolidation is approved by Shareholders, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange, in accordance with the timetable below, for new holding statements for Shares to be issued to holders of those Shares.

It is the responsibility of each Shareholder to check the number of Shares held prior to disposal.

#### **1.6 Effect on capital structure**

The effect which the Consolidation will have on the Company's capital structure is set out in the table below.

Capital Structure	Shares	Unlisted Options <sup>1</sup>	Convertible Notes <sup>2</sup>
Pre-Consolidation Securities	6,161,396,921	Nil	Nil
Post 50:1 Consolidation of Securities (Resolution 1) <sup>2</sup>	123,227,938	Nil	Nil
Securities to be issued pursuant to Resolutions 2, 3 and 5 to 15	67,678,004	63,839,002	1,150,000
<b>Completion of all Resolutions</b>	<b>190,905,942</b>	<b>63,839,002</b>	<b>1,150,000</b>

1. The terms of the Options are set out in Schedule 2 of this Notice.
2. The terms of the Convertible Notes are set out in Schedule 1 of this Notice.

## 1.7 Indicative timetable\*

If Resolution 1 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and sends out Notice of Meeting.	8 February 2017
Company tells ASX that Shareholders have approved the Consolidation.	9 March 2017
Last day for pre-Consolidation trading.	10 March 2017
Post-Consolidation trading starts on a deferred settlement basis.	13 March 2017
Last day for Company to register transfers on a pre-Consolidation basis.	14 March 2017
First day for Company to send notice to each holder of the change in their details of holdings.	15 March 2017
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	
Change of details of holdings date. Deferred settlement market ends.	21 March 2017
Last day for Securities to be entered into holders' Security holdings.	
Last day for the Company to send notice to each holder of the change in their details of holdings.	

## 2. RESOLUTION 2 – PLACEMENT OF CONVERTIBLE NOTES TO UNRELATED PARTIES

### 2.1 General

As announced on 5 December 2016, the Company is seeking to raise up to \$1,150,000 by the issue of up to 1,150,000 convertible notes each with a face value of \$1.00 (**Convertible Notes**) (**Convertible Note Placement**).

Resolution 2 seeks Shareholder approval for the issue of up to 1,050,000 Convertible Notes to unrelated parties of the Company to raise up to \$1,050,000.

Each Convertible Note is convertible into Shares at any time prior to 30 June 2018 at a conversion price equal to the lower of \$0.005 or 80% of the volume weighted average price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made (**Conversion Price**). Each Share issued upon conversion of a Convertible Note will be issued together with one free attaching Option for every two Shares issued. The terms and conditions of the Convertible Notes are set out in Schedule 1.

ASX 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 Resolution 2 will be to allow the Company to issue the Convertible Notes to unrelated parties pursuant to the Convertible Note 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. Resolution 2 will also allow the Company to issue the Shares and Options on conversion of the Convertible Notes without using the Company's 15% annual placement capacity.

## **2.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Convertible Notes to unrelated parties under the Convertible Note Placement:

- (a) the maximum number of Convertible Notes to be issued is 1,050,000. The number of Shares and free attaching Options to be issued upon conversion of the Convertible Note will be determined in accordance with the Conversion Price;
- (b) the Convertible Notes will be issued 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 ASX Listing Rules) and it is intended that issue of the Convertible Notes will occur on the same date;
- (c) the issue price will be \$1.00 per Convertible Note. The Shares to be issued upon conversion of each Convertible Note will be issued at the Conversion Price. The Options will be issued free attaching with the Shares on a 1:2 basis;
- (d) the Convertible Notes will be issued to clients of RM Corporate Finance Pty Ltd (**RM**). The Directors will determine to whom the Convertible Notes will be issued but these persons will not be related parties of the Company, other than as set out in Resolution 3 below;
- (e) the Convertible Notes will be issued on the terms and conditions set out in Schedule 1. The Shares to be issued on conversion of the Convertible Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Options to be issued on conversion of the Convertible Notes will be issued on the terms and conditions set out in Schedule 2; and

- (f) the Company intends to use the funds raised from the Convertible Note Placement towards developing its existing gas projects, seek other business opportunities and general working capital.

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### **3. RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTES TO RELATED PARTY**

#### **3.1 General**

Pursuant to Resolution 2 the Company is seeking Shareholder approval for the issue of up to 1,150,000 Convertible Notes at an issue price of \$1.00 per Convertible Note to raise up to \$1,150,000 under the Convertible Note Placement.

RM, a related party of the Company by virtue of being an entity controlled by a Director, wishes to participate in the Convertible Note Placement.

Resolution 3 seeks Shareholder approval for the issue of up to 100,000 Convertible Notes to RM (or its nominee) arising from the participation by RM in the Convertible Note Placement (**Participation**).

#### **3.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Convertible Notes which constitutes giving a financial benefit and RM is a related party of the Company by virtue of being an entity controlled by a Director, Guy Le Page.

The Directors (other than Mr Guy Le Page who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Convertible Notes will be issued to RM on the same terms as Convertible Notes issued to non-related party participants in the Convertible Note Placement and as such the giving of the financial benefit is on arm's length terms.

#### **3.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Convertible Note Placement involves the issue of Convertible Notes to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### 3.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Convertible Notes will be issued to RM (or its nominee) a related party of the Company by virtue of being an entity controlled by a Director, Mr Le Page;
- (b) the maximum number of Convertible Notes to be issued is 100,000;
- (c) the Convertible Notes 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 ASX Listing Rules);
- (d) the issue price will be \$1.00 per Convertible Note, being the same as all other Convertible Notes issued under the Convertible Note Placement. The Shares to be issued upon conversion of each Convertible Note will be issued at the Conversion Price. The Options will be issued free attaching with the Shares on a 1:2 basis;
- (e) the Convertible Notes will be issued on the terms and conditions set out in Schedule 1. The Shares to be issued on conversion of the Convertible Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Options to be issued on conversion of the Convertible Notes will be issued on the terms and conditions set out in Schedule 2; and
- (f) the funds raised will be used for the same purposes as all other funds raised under the Convertible Note Placement as set out in section 2.2(f) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Convertible Notes to RM (or its nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## 4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES ON 28 JULY 2016

### 4.1 General

On 28 July 2016, the Company issued 333,340,000 Shares to investors in consideration for the acquisition of the Gold Nugget Project.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

## 4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 333,340,000 Shares were issued;
- (b) the Shares were issued as nil cash consideration as consideration for the acquisition of the Gold Nugget Project;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to vendors for the acquisition of the Gold Nugget Project. None of these subscribers were related parties of the Company; and
- (e) no funds were raised from this issue, as the Shares were issued for nil cash consideration for the acquisition of the Gold Nugget Project.

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## 5. RESOLUTIONS 5 TO 8 – ISSUE OF SHARES AND OPTIONS TO RELATED PARTY CREDITORS

### 5.1 General

The Company and some of its creditors have agreed that the accrued fees of creditors Global Resources and Infrastructure Pty Ltd (**Global Resources**), Cyprus Investments Pty Limited (**Cyprus Investments**), Northern Star Nominees Pty Ltd (**Northern Star**), Penause Pty Ltd (**Penause**) and William Reinhart should be made payable by way of the issue of Shares, subject to approval by Shareholders, so that the Company can preserve its cash reserves to be allocated toward developing its existing gas projects, seek other business opportunities and general working capital. The Shares will be issued together with one free attaching Option for every two Shares issued.

Cyprus Investments, Northern Star, Penause and Mr William Reinhart are each related parties of the Company (**Related Creditors**) and as such, Shareholder approval under ASX Listing Rule 10.11 is required for the issue of Shares to these parties.

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 16,628,004 Shares to the Related Creditors (or their respective nominees) at a deemed issue price of \$0.005 per Share together with one free attaching Option for every two Shares issued, on the terms and conditions set out below, in lieu of amounts owing to the Related Creditors accrued during the previous financial year ending 31 December 2016 (**Related Creditor Issue**).

Resolutions 5 to 8 seek Shareholder approval for the issue of these Shares and Options to the Related Creditors (or their respective nominees) pursuant to the Related Creditor Issue.

Resolution 9 seeks Shareholder approval for the issue of Shares and Options to the unrelated creditor, Global Resources.

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in sections 3.2 and 3.3 above.

## 5.2 Chapter 2E of the Corporations Act

The Related Creditor Issue will result in the issue of Shares and Options which constitutes giving a financial benefit and the Related Creditors are related parties of the Company for the following reasons:

- (a) Cyprus Investments by virtue of being an entity controlled by a Director, Clinton Carey;
- (b) Northern Star by virtue of being an entity controlled by a Director, Adrien Wing;
- (c) Penause by virtue of being an entity controlled by a former director of the Company, Russell Krause; and
- (d) William Reinhart by virtue of being a previous director of the Company.

The Directors (other than Clinton Carey in relation to Resolution 5 and Adrien Wing in relation to Resolution 6 who each have a material personal interest in the relevant Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Related Creditor Issue because the Shares and Options will be issued to the Related Creditors on the same terms as Shares and Options issued to non-related party creditors and as such the giving of the financial benefit is on arm's length terms.

## 5.3 ASX Listing Rule 10.11

As the Related Creditor Issue involves the issue of Shares and Options to related parties of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

## 5.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Related Creditor Issue:

- (a) the related parties are:
  - (i) Cyprus Investments by virtue of being an entity controlled by a Director, Clinton Carey;
  - (ii) Northern Star by virtue of being an entity controlled by a Director, Adrien Wing;
  - (iii) Penause by virtue of being an entity controlled by a former director, Russell Krause; and
  - (iv) William Reinhart by virtue of being a previous director of the Company;
- (b) the maximum number of Securities (being the nature of the financial benefit being provided) to be issued to the Related Creditors (or their respective nominees) is:
  - (i) 4,844,004 Shares and 2,422,002 Options to Cyprus Investments;

- (ii) 8,844,000 Shares and 4,422,000 Options to Northern Star;
  - (iii) 1,540,000 Shares and 770,000 Options to Penance; and
  - (iv) 1,400,000 Shares and 700,000 Options to Mr William Reinhart,
- (c) the Shares and Options 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 ASX Listing Rules);
  - (d) the Shares will be issued for nil cash consideration in lieu of service fees, accordingly no funds will be raised. The issue price of the Options will be nil as they will be issued free attaching with the Shares on a 1:2 basis; the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
  - (e) the Options will be issued on the terms and conditions set out in Schedule 2; and
  - (f) no funds will be raised from the Related Creditor Issue as the Shares are being issued for nil cash consideration in lieu of amounts owed to the Related Creditors and the Options will be issued free attaching with the Shares on a 1:2 basis.

Approval pursuant to ASX Listing Rule 7.1 is not required for the as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares and Options to the Related Creditors (or their respective nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **6. RESOLUTION 9 – ISSUE OF SHARES AND OPTIONS TO UNRELATED CREDITOR**

### **6.1 General**

As set out in section 5.1 above, the Company has agreed to issue Shares in lieu of amounts owed to certain creditors, including Global Resources, an unrelated third party creditor of the Company, together with one free attaching Option for every two Shares issued.

Resolution 9 seeks Shareholder approval for the issue of 2,250,000 Shares at a deemed issue price of \$0.005 per Share in satisfaction of amounts owed to Global Resources (**Unrelated Creditor Issue**) together with one free attaching Option for every two Shares issued.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 9 will be to allow the Company to issue the Shares and Options pursuant to the Unrelated Creditor Issue 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.



## 6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Unrelated Creditor Issue:

- (a) the maximum number of Shares to be issued is 2,250,000 and the maximum number of Options to be issued is 1,125,000;
- (b) the Shares and the Options will be issued 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 ASX Listing Rules) and it is intended that issue of the Shares and the Options will occur on the same date;
- (c) the Shares will be issued at a deemed issue price of \$0.005 per Share for nil cash consideration in satisfaction of amounts owing to Global Resources. The issue price of the Options will be nil as they will be issued free attaching with the Shares on a 1:2 basis;
- (d) the Shares and the Options will be issued to Global Resources, who is not a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Options will be issued on the terms and conditions set out in Schedule 2; and
- (g) no funds will be raised from the Unrelated Creditor Issue as the Shares are being issued in satisfaction of amounts owing to Global Resources and the Options will be issued free attaching with the Shares on a 1:2 basis.

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## 7. RESOLUTIONS 10 TO 13 – ISSUE OF OPTIONS TO DIRECTORS

### 7.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 30,000,000 Options (**Director Options**) to Guy Le Page, Clinton Carey, Adrien Wing and Russell Krause (or their respective nominees) on the terms and conditions set out below.

Resolutions 10 to 13 seeks Shareholder approval for the grant of the Director Options to Guy Le Page, Clinton Carey, Adrien Wing and Russell Krause (or their respective nominees).

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in sections 3.2 and 3.3 above respectively.

### 7.2 Chapter 2E of the Corporations Act

The grant of Director Options constitutes giving a financial benefit and Guy Le Page, Clinton Carey and Adrien Wing are related parties of the Company by virtue of being Directors, and Russell Krause is a related party of the Company by virtue of being a former director of the Company.

The Directors (other than Mr Le Page in relation to Resolution 10, Mr Carey in relation to Resolution 11 and Mr Wing in relation to Resolution 12 who each have a material personal interest in the respective Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Director Options because the agreements to grant the Director Options, reached as part of the remuneration packages for Guy Le Page, Clinton Carey, Adrien Wing and Russell Krause, are considered reasonable remuneration in the circumstances and were negotiated on an arm's length basis.

### **7.3 ASX Listing Rule 10.11**

As the grant of the Director Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **7.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 10 to 13:

- (a) the related parties are Messrs Le Page, Carey, Wing who are related parties by virtue of being Directors and Mr Krause who is a related party by virtue of being a former director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to Messrs Le Page, Carey, Wing and Krause is:
  - (i) 10,000,000 Director Options to Guy Le Page (or his nominee);
  - (ii) 7,500,000 Director Options to Clinton Carey (or his nominee);
  - (iii) 7,500,000 Director Options to Adrien Wing (or his nominee); and
  - (iv) 5,000,000 Director Options to Russell Krause (or his nominee);
- (c) the Director Options will be granted 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 ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) the Director Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Director Options are set out in Schedule 2.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Director Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Director Options to Messrs Le Page, Carey, Wing and Krause (or their respective nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **8. RESOLUTION 14 – ISSUE OF SHARES AND OPTIONS IN CONSIDERATION FOR SERVICES PROVIDED**

### **8.1 General**

Resolution 14 seeks Shareholder approval for the issue of up to 35,000,000 Shares together with one free attaching Option for every two Shares issued to related and unrelated parties in consideration for corporate advisory and administrative services provided to the Company, as set out in the heads of agreement entered into by the Company and RM dated 2 December 2016 (**Heads of Agreement) (Placement)**).

Neither RM nor any of its associates will receive Shares or Options under this Resolution. However, given that the Shares and Options are to be issued under the Heads of Agreement, which RM is party to, ASX has requested that Shareholder approval under ASX Listing Rule 10.11 is obtained. In addition, Dina Le Page (spouse of Director, Guy Le Page) will be receiving Shares and Options under this Resolution 14 in consideration for services rendered.

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in sections 3.2 and 3.3 above.

The effect of Resolution 14 will be to allow the Company to issue the Shares and Options pursuant to the Placement during the period of 1 month after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **8.2 Chapter 2E of the Corporations Act**

The issue of Shares and Options constitutes giving a financial benefit, RM is a related party of the Company by virtue of being an entity controlled by a Director, Guy Le Page and Dina Le Page is a related party of the Company by virtue of being the spouse of Director, Guy Le Page.

The Directors (other than Mr Le Page) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Securities because the Heads of Agreement was negotiated on an arm's length basis.

### **8.3 ASX Listing Rule 10.11**

ASX has advised that Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **8.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Placement:

- (a) the Shares and Options will be issued to related and unrelated parties of the Company, being:
  - (i) Dina Le Page, a related party of the Company by virtue of being the spouse of Director, Guy Le Page; and

- (ii) nominees of RM, none of whom will be related parties of the Company;
- (b) the maximum number of Shares to be issued is 35,000,000 and the maximum number of Options to be issued is 17,500,000 as the Options will be issued free attaching with the Shares on a 1:2 basis;
- (c) the Shares and Options 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 ASX Listing Rules) and it is intended that issue of the Shares and Options will occur on the same date;
- (d) the Shares will be issued for nil cash consideration in satisfaction of corporate advisory and administrative services provided by RM and unrelated parties of the Company pursuant to the Heads of Agreement;
- (e) the issue price of the Options will be nil as they will be issued free attaching with the Shares on a 1:2 basis;
- (f) the Shares and Options will be issued as follows:
  - (i) 5,000,000 Shares and 2,500,000 Options will be issued to Dina Le Page, a related party of the Company; and
  - (ii) 30,000,000 Shares and 15,000,000 Options to nominees of RM, none of whom will be related parties of the Company;
- (g) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (h) the Options will be issued on the terms and conditions set out in Schedule 2; and
- (i) no funds will be raised from the issue of the Shares and the Options, as the Securities will be issued in consideration for corporate advisory and administrative services provided to the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of Shares and Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares and Options to related and unrelated parties of the Company pursuant to this Resolution will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **9. RESOLUTION 15 – ISSUE OF SHARES AND OPTIONS IN CONSIDERATION FOR SERVICES PROVIDED**

### **9.1 General**

As noted in Section 8.1, RM and the Company have entered into the Heads of Agreement. Under the Heads of Agreement, the Company has agreed to pay the following fees to RM:

- (a) a lodgement fee of 1% in relation to the Convertible Note Placement; and
- (b) a placement fee of 5% of the amount subscribed for by investors in the Convertible Note Placement.

The Company and RM have agreed that this fee will be satisfied by the issue of Shares at a deemed issue price of \$0.005 together with one free attaching Option for every two Shares issued in lieu of a cash payment, to be issued to unrelated parties of the Company.

Resolution 15 seeks Shareholder approval for the issue of up to 13,800,000 Shares together with one free attaching Option for every two Shares issued, to unrelated parties in consideration for capital raising services provided to the Company (**Fee Placement**).

Neither RM nor any of its associates will receive Shares or Options under this Resolution. However, given that the Shares and Options are to be issued in lieu of a fee payable under the Heads of Agreement, which RM is party to, ASX has requested that Shareholder approval under ASX Listing Rule 10.11 is obtained.

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in sections 3.2 and 3.3 above.

The effect of Resolution 15 will be to allow the Company to issue the Shares and Options pursuant to the Fee Placement during the period of 1 month after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## **9.2 Chapter 2E of the Corporations Act**

The issue of Securities constitutes giving a financial benefit and RM is a related party of the Company by virtue of being an entity controlled by a director, Guy Le Page.

The Directors (other than Mr Le Page) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Securities because the Shares and Options are not being issued to any related parties of the Company and the fees payable under the Heads of Agreement were negotiated on an arm's length basis.

## **9.3 ASX Listing Rule 10.11**

ASX has advised that Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

## **9.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Fee Placement:

- (a) the Shares and Options will be issued to unrelated parties of the Company;
- (b) the maximum number of Shares to be issued is 13,800,000 and the maximum number of Options to be issued is 6,900,000 as the Options will be issued free attaching with the Shares on a 1:2 basis;
- (c) the Shares and Options will be granted 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 ASX Listing Rules) and it is intended that issue of the Shares and the Options will occur on the same date;

- (d) the Shares will be issued for nil cash consideration in satisfaction of capital raising services provided pursuant to the Heads of Agreement;
- (e) the issue price of the Options will be nil as they will be issued free attaching with the Shares on a 1:2 basis;
- (f) the Shares and Options will be issued to nominees of RM, none of whom will be related parties of the Company;
- (g) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (h) the Options will be issued on the terms and conditions set out in Schedule 2; and
- (i) no funds will be raised from the issue of the Shares and the Options, as the Securities will be issued in consideration for corporate advisory and capital raising services provided to the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of Shares and Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares and Options to unrelated parties of the Company will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Company** means Red Sky Energy Limited (ACN 099 116 275).

**Consolidation** means the proposed consolidation of capital of the Company on a 50:1 basis pursuant to Resolution 1.

**Constitution** means the Company's constitution.

**Conversion Price** means the lower of \$0.005 or 80% of the volume weighted average price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made.

**Convertible Note** means a convertible note issued in the capital of the Company on the terms and conditions set out in Schedule 1.

**Convertible Note Placement** means the proposed issue of up to 1,150,000 Convertible Notes to raise up to \$1,150,000 pursuant to Resolutions 2 and 3.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Cyprus Investments** means Cyprus Investments Pty Limited (ACN 087 185 804).

**Directors** means the current directors of the Company.

**Director Option** means an Option granted pursuant to Resolutions 10 to 13 with the terms and conditions set out in Schedule 2.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Global Resources** means Global Resources and Infrastructure Pty Ltd.

**Heads of Agreement** means the heads of agreement entered into by the Company and RM dated 2 December 2016.

**Northern Star** means Northern Star Nominees Pty Ltd (ACN 086 208 951).

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share with the terms and conditions set out in Schedule 2.

**Optionholder** means a holder of an Option.

**Participation** means the participation by RM in the Convertible Note Placement, as set out in Resolution 3.

**Penause** means Penause Pty Ltd (ACN 108 843 878).

**Proxy Form** means the proxy form accompanying the Notice.

**Ratification** means the ratification of 333,340,000 Shares (pre- Consolidation) pursuant to Resolution 4.

**Related Creditors** means Cyprus Investments, Northern Star, Penause and Mr William Reinhart.

**Related Creditor Issue** means the issue of a total of 16,628,004 Shares to the Related Creditors (or their respective nominees) in lieu of amounts owing to the Related Creditors pursuant to Resolutions 5 to 8.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**RM** means RM Corporate Finance Pty Ltd (ACN 108 084 386).

**Section** means a section of the Explanatory Statement.

**Securities** means either a Share, an Option or a Convertible Note.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Unrelated Creditor Issue** means the issue of 2,250,000 Shares at a deemed issue price of \$0.005 per Share in satisfaction of amounts owed to Global Resources pursuant to Resolution 9.

**WST** means Western Standard Time as observed in Perth, Western Australia.



## SCHEDULE 1 – TERMS AND CONDITIONS OF CONVERTIBLE NOTES

<b>Amount (A\$)</b>	Up to \$1,150,000
<b>Face Value</b>	\$1.00
<b>Interest Rate (%)</b>	8% (Subject to the Company receiving shareholder approval, if required payable in Shares at 80% of the 5 day ROG VWAP at the end of each calendar month)
<b>Security</b>	Unsecured
<b>Repayment Date (if not converted)</b>	30 June 2018
<b>Conversion period</b>	The Convertible Notes shall be convertible into Shares at the Conversion Price at any time on or before the Repayment Date at the election of the Noteholder or the Company.
<b>Conversion</b>	<p>Subject to shareholder approval being obtained, if necessary, each Convertible Note:</p> <p>(a) is convertible (in whole) at the option of the Noteholders; and</p> <p>(b) is convertible (in whole or part) or may be redeemed in cash (by electronic funds transfer) at the option of the Company.</p> <p>Conversion is effected by giving 7 days' notice in writing to the Company (in the case of the Noteholder) or to the Noteholder (in the case of the Company) (<b>Notice</b>). If neither party has given a notice, then on the expiry of the term the Noteholder is deemed to have elected to have given notice to convert.</p>
<b>Conditions</b>	Due diligence subject to the absolute satisfaction of RM including shareholder approval for the Convertible Note, consolidation of capital and binding Agreements with directors and key creditors
<b>Conversion Price (A\$)</b>	The Convertible Note will convert into Shares at the lower of 0.5 cents (post Consolidation) or of the volume weighted average price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made.
<b>Options</b>	Upon conversion, Shares will be issued together with one free attaching options exercisable at 1.0 cent each on or before 30 November 2019 for every two Shares issued.
<b>Redemption</b>	The Company may elect to redeem the Convertible Notes by making a payment in cash for the Face Value of the Convertible Note to the Noteholder, plus all accrued interest, at any time during the Term and before the Noteholder has given a conversion notice.

<b>Shares upon conversion</b>	Shares issued on conversion of the Convertible Note will be fully paid, will be unencumbered and will rank <i>pari passu</i> in all respects with the fully paid ordinary shares in the Company on issue at the time of Conversion.
<b>Participation rights</b>	There are no participation rights or entitlements inherent in the Convertible Notes and Noteholders are not entitled to participate in new issues of shares or securities offered to shareholders during the currency of the Convertible Notes.
<b>Reconstruction</b>	If at any time the issued capital of the Company is reconstructed, these terms and conditions must be varied to the extent necessary to comply with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

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## SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

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(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.01 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 30 November 2019 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section

708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### 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

Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138;



### ALL ENQUIRIES TO

Telephone: 1300 554 474 Overseas: +61 1300 554 474

## LODGE MENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **10:00am (WST) on Tuesday, 7 March 2017**, 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](http://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 reverse of this Proxy Form).



### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

### QR Code



## 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, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### 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:

- 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
- 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](http://www.linkmarketservices.com.au).

**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.**

NAME SURNAME  
 ADDRESS LINE 1  
 ADDRESS LINE 2  
 ADDRESS LINE 3  
 ADDRESS LINE 4  
 ADDRESS LINE 5  
 ADDRESS LINE 6



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

STEP 1

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 **10:00am (WST) on Thursday, 9 March 2017 at RSM Australia, 8 St Georges Terrace, Perth WA 6000 (the Meeting)** and at any postponement or adjournment of the Meeting.

**Important for Resolutions 10, 11, 12 and 13:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 10, 11, 12 and 13, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

**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 Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Issue of Shares to unrelated creditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Placement of convertible notes to unrelated parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Issue of Options to related party – Mr Guy Le Page	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of Convertible Notes to related party	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Issue of Options to related party – Mr Clinton Carey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of prior issue of Shares on 28 July 2016	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Issue of Options to related party – Mr Adrien Wing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Shares to related party creditor – Cyprus Investments Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Issue of Options to related party – Mr Russell Krause	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Shares to related party creditor – Northern Star Nominees Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14 Issue of Shares and Options in consideration for services provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Issue of Shares to related party creditor – Penause Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15 Issue of Shares and Options in consideration for services provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Issue of Shares to related party creditor – Mr William Reinhart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

STEP 2

\* 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

STEP 3

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).

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