

Gold Nugget Acquisition Completed

04 May 2016

Highlights

- Production has improved to between 150 – 1,200 mcfpd
- Expected settled production rate of between 500 -1,000 mcfpd from existing well
- Improved production will result in generating revenue of between A\$40,000 - A\$70,000 per month
- Well contains between 2-5 bcf of gas with production life of 30-50 years
- Well was completed for in excess of US\$8 million
- ROG will acquire the Gold Nugget Gas Field for US\$800,000 demonstrating the opportunities which exist
- Field is 320 acres and could sustain new gas wells on 5 acre spacings providing enormous leverage to a rising gas

Red Sky Energy Limited (“Red Sky” or “the Company”) is pleased to announce that it has now completed the acquisition of the Gold Nugget Gas Field, Wyoming, USA (“Gold Nugget”).

Gold Nugget is located in the Wind River Basin in Wyoming, one of the largest gas producing basins in the USA. Gold Nugget is a proven gas field with a discovery well (completed to 14,000ft in 2004), Well #1-23, has historically produced 150 mcfpd of gas and 5 barrels of oil per day. The #1-23 well cost in excess of US\$8 million to complete.

Pursuant to the binding term sheet entered into by the Company, ROG was to acquire a 100% working interest and [80%] revenue interest in Gold Nugget for US\$800,000 through a mixture of cash and shares. The purchase price for the acquisition will be completed through a US\$450,000 cash payment and a share based payment of 336,334,000 ordinary ROG shares. However as part of the agreement an initial US\$100,000 deposit was spent on optimizing the existing well which is now showing returns of between 150 – 1200 mcfpd of gas providing approximate revenue of between A\$480,000 and A\$840,000 per annum which reduces the outstanding cash balance.

COMPANY INFORMATION

RED SKY ENERGY LIMITED
ABN [94 099 116 275]

COMPANY DIRECTORS

Kerry Smith: Executive Chairman
Clinton Carey: Managing Director
Russell Krause: Non Exec Director
Bill Rinehart: Non Exec Director

STOCK EXCHANGE LISTING

ASX Code: ROG

Current Shares on Issue:
5,828,056,921

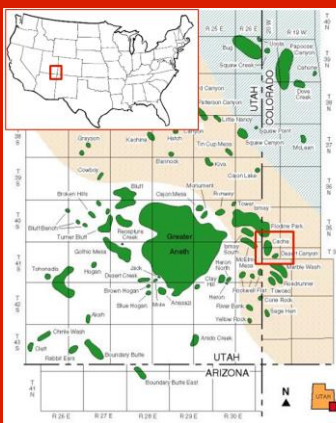
Options:
160,000,000

Market Capitalisation:
\$5.83m

EXISTING PROJECTS

Cache Oilfield, Montezuma County, Colorado, USA

- Conventional Oil
- Discovered in 1964
- Produced over 5m barrels
- OOIP approx. 24m barrels
- Recoverable Reserve 5.1-6m barrels
- API 44-45°



Further to the deposit advanced for field optimization, ROG paid an additional A\$100,000 (US\$70,000) on 23rd December 2015 extending the completion date for the acquisition for a further 90 days based on the improved performance of the well. This payment further reduced the outstanding cash balance.

Through the due diligence period the technical team did increase production through very strong pressures, however these pressures did caused blow out difficulties which impacted the ability to maintain constant gas flows. This was primarily why the completion date was extended. In order to achieve constant production it has been determined a compressor is required which has been ordered and will be at site in the coming weeks. It is expected the compressor will provide constant gas production which will also determine what this well is capable of producing at full capacity thus providing an expected settled production rate that is likely to be between 500 - 1,000 MCFPD.

Whilst Gold Nugget will provide substantial leverage to rising gas prices, the Company will continue to assess how best to develop the asset most likely to be through joint venture. In addition to the cash payments made (which have been subtracted overall cash payment) a number of further amendments have been made to the original terms as follows;

- ROG will advance a further USD\$40,000 to the vendor which will be added to the funds advanced by ROG (this means ROG will have paid a total of US\$210,000 leaving a further US\$240,000 to be paid to complete the cash payment for the acquisition);
- ROG will receive a 70% interest in GN 1-23 upon issuing the ROG shares as per the original terms as well as the funds advanced thus far;
- The Seller on completion will retain a 30% interest in Gold Nugget but will be entitled to 50% of profits from GN 1-23 until ROG completes payment of the cash component of the purchase price. This equates to a further payment of USD\$240,000 paid through profits from the well resulting in a total cash payment of USD\$450,000 ; and
- The vendors 30% retained interest in GN 1-23 will be transferred to ROG (so that ROG will own 100% of GN 1-23) upon the above payment of USD\$240,000 being made.

Gold Nugget is 320 acres and wells can be drilled at 5 acre spacing's, with each well expecting to contain between 2-5BCF of gas and having an expected production life of between 30 and 50 years. Due to the depth of any new well being 8,600 to 13,500ft, the Company is unlikely in the short to medium term to complete any further wells in its own capacity but will begin JV discussions in order to further develop the field.

Clinton Carey, Managing Director, commented, "this is an excellent acquisition for the Company and provides a solid platform from which the business can now complete further acquisitions. Furthermore the Company is very pleased to have completed the acquisition but limit the amount of cash required, which has been substituted by profits from the asset. The Company has also been engaged with a number of parties to secure a facility not only to complete Gold Nugget but to now step forward with further acquisitions.

Gold Nugget demonstrates the Company's ability to identify assets which are profitable in this environment but contain significant in ground reserves providing substantial leverage to rising gas prices. The Company will continue to assess how best to develop the asset most likely to be through joint venture."

ENDS

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QUALIFIED PETROLEUM RESERVES AND RESOURCES EVALUATOR

Information in this report relating to hydrocarbon reserve estimates have been compiled by Mr Ian Buckingham, Director of Global Resources and Infrastructure Pty Ltd. Ian has over 40 years of experience in petroleum geophysics and geology and is a member of the AAPG. Ian consented to the inclusion of the information relating to prospective hydrocarbon reserves in the form and context in which it appears in the IVR. The prospective reserve estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resource Management System. The Company confirms it is not aware of any new information or data that materially affects the information included in the IVR and that all the material assumptions and technical parameters underpinning the estimates in the IVR continue to apply and have not materially changed.