

Second Production Asset Acquired

22 Oct 2015

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
Adrien Wing: Non Exec Director

STOCK EXCHANGE LISTING

ASX Code: ROG

Current Shares on Issue:
5,798,056,921

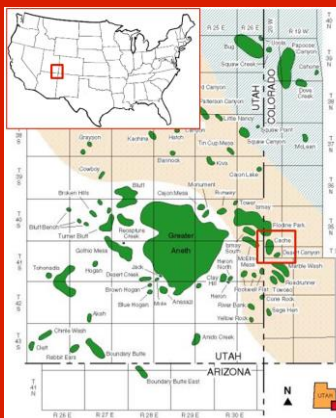
Options:
160,000,000

Market Capitalisation:
\$5.78m

CURRENT 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°



Highlights

- Producing gas well in Wyoming, USA completed to a depth of 14,000ft for a total historic investment of US\$8 million
- Currently producing profitably on a small scale but all infrastructure in place to significantly increase production in the future
- Estimated 2 - 5 BCF of gas recoverable through the existing well
- Gold Nugget is in a proven gas field in the Wind River Basin, Wyoming, USA. This region is considered one of the biggest gas fields in the USA. The lease area contains 2 significant gas formations which are both very productive on adjacent lease areas to Gold Nugget
- Total aggregate consideration for acquisition is US\$800,000
- Acquisition in line with ROG's intention is to acquire profitable fields which have significant in-ground reserves at a significant discount to the invested capital that can be exploited with rising energy prices

Red Sky Energy Limited (ASX:ROG) ("the Company" or "Red Sky") is pleased to announce that it has executed a binding Term Sheet with Hudson White LLC to purchase the Gold Nugget 1-23 gas well ("Gold Nugget") and surrounding acreage. Gold Nugget is in a proven gas field in the Wind River Basin, Wyoming, USA. The 1-23 well, the discovery well, was completed in 2004 to a depth of 14,000 ft with an 'all-in' cost of over US\$8 million. All infrastructure, including pipelines, are in place to support current and future development of the lease.

This is the Company's second acquisition which is in line with its business plan to acquire quality onshore US based oil and gas assets with small but profitable existing production profiles which can be substantially increased in an environment of rising energy prices. This acquisition demonstrates the opportunities which are currently available and by which the Company can acquire at a significant discount to the in-ground asset and associated.

The total consideration for Gold Nugget is US\$800,000, to be satisfied by a combination of cash and shares which is yet to be agreed. In executing this agreement ROG will pay a deposit of US\$100,000 with completion to be finalised within the next 60 days and subject to final sign-off of due diligence.

To satisfy the consideration Red Sky is in advanced discussions with a number of groups to procure a funding facility. This will provide the Company not only with the ability to complete the acquisition with cash instead of issuing further equity but will also provide significant further resources for ROG to take advantage of additional opportunities which are presenting with compelling valuations. However the cost of drilling the first new hole in the Cache oilfield has decreased further since the acquisition finalised providing additional cash not anticipated to be available.

Gold Nugget currently produces 150 MCF of gas and 5 barrels of oil per day. It is the Company's expectation that production can be improved through simple optimisation techniques to 300 - 500 MCF per day, providing approx. US\$35,000 to \$50,000 per month of revenue. The Company will shortly begin optimising existing production. Historical work completed at Golden Nugget has generated an estimate of between 2 - 5 BCF of gas which is recoverable from the 1-23 well. Multiple wells can be drilled on 5 acre spacing in the field.

To this point only 10% of the recognized porosity has been produced which leaves an additional 90% remaining behind pipe providing substantial upside at existing Gold Nugget well.

Gold Nugget, over 320 acres, consists of multiple discrete sandstone reservoirs the best of which are the Lower Fort Union Formation at between 8,600ft – 11,700ft and the Lance Formation at between 11,700ft and 13,500ft. There is a large gas column in both the Fort Union and Lance formations which represents nearly 3000ft of gross pay. Due to the thousands of feet of stacked Fort Union and Lance reservoirs and the Billions of cubic feet of gas, additional wells would be needed to completely deplete these resources. Gas fields adjacent to Gold Nugget in the same producing trend have down-spaced wells to 5-acres and closer to fully drain the identified fields.

Speaking of the acquisition of the Gold Nugget lease, ROG Chairman, Mr Kerry Smith said "The Gold Nugget acquisition is a great fit with ROG's current business model. It has current profitable production, behind pipe proven recoverable reserves and offset proven locations. With an acquisition cost of \$800,000 to acquire a piece of infrastructure that cost in excess of US\$8 million to complete this represents a significant opportunity for ROG. Not only does this well at Gold Nugget have an ability to significantly increase its gas production without any significant investment but the lease itself contains a significant in ground gas resource. Whilst this development is unlikely in the short to medium term within Red Sky, the Company now has an asset that can provide substantial leverage to rising gas prices and will assess a number of pathways as how best to develop it including joint venture opportunities."

ENDS

For further information please contact:

Managing Director	Company Secretary
Clinton Carey	Adrien Wing
clinton@redskyenergy.com.au	adrien@redskyenergy.com.au
+61 488 777 748	+61 3 9614 0600

FORWARD-LOOKING STATEMENTS

This document may include forward-looking statements. Forward-looking statements include, but are not necessarily limited to the Company's planned exploration program and other statements that are not historic facts. When used in this document, words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

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.