

Activities Report for the Quarter Year ended 30 September 2015

Summary

- The Company continued to develop a quality portfolio of US based onshore conventional oil and gas assets, with the acquisition of the Gold Nugget Gas Field in Wyoming, USA.
- ROG continued planning and approval work for the Cache Unit Oil Field, finalising its application to drill the first new well on this site since the 1970's.
- Historic solar assets were disposed of with the company no longer holding any interests in the solar energy sector.

Review of Operations

With the ongoing development of the Cache Unit Oil Field ("Cache") and the acquisition of the Gold Nugget Oil and Gas Field ("Gold Nugget"), Red Sky Energy Limited ("the Company" or "ROG") is continuing to acquire US based, onshore oil and gas fields which have significant in ground reserves and are available to be purchased at a significant discount to the capital invested and the known recoverable resources. These assets will provide the Company with cashflow even in the current price environment but more importantly will provide the Company with strong leverage into any environment of rising energy prices.

Gold Nugget Gas Field, Wyoming, USA

During the October the company executed a binding term sheet to acquire a 100% working interest, and an 80% net revenue interest in Gold Nugget. 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.

Gold Nugget is located in the Wind River Basin in Wyoming, which is 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, already producing 150 MCF of gas and 5 barrels of oil per day. Under the term sheet a \$100,000USD deposit will be spent on optimizing the existing well with expected returns to be between 300-500MCF of gas per day providing approximate revenue of between \$35,000 and \$50,000 USD per month. The existing well and associated pipeline cost over \$8 million USD to complete but ROG was able to purchase this for US\$800,000 which continues to demonstrate the opportunities available to the Company to develop a significant portfolio of quality oil and gas assets.

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 but ROG now has a significant in ground gas asset in its portfolio.

Whilst Gold Nugget will provide substantial leverage to rising gas prices the Company and also will continue to assess how best to develop the asset most likely to be that through joint venture.

Cache Oilfield, Colorado, USA

Development and licensing work continued throughout the quarter in preparation for the first new production well to be completed at Cache since the 1970's. Two preferred sites have been selected and applications have been prepared for both with final approvals to be received in November allowing drilling to commence.

Cache was discovered in 1964 by Amoco and is located in the Paradox Basin, Montezuma County, Colorado, USA. The field covers 1,840 acres and is 16kms east of the Greater Aneth Field (1.5bn barrels original oil in place ("OOIP") & peak production of 100,000 BOPD). Production records indicate that approximately 5 million barrels of high quality, sweet, 44 - 45° API, oil have been produced from Cache. Early field studies indicated that OOIP was estimated to be ~24 million barrels, suggesting that only about 20% of the OOIP has been produced.

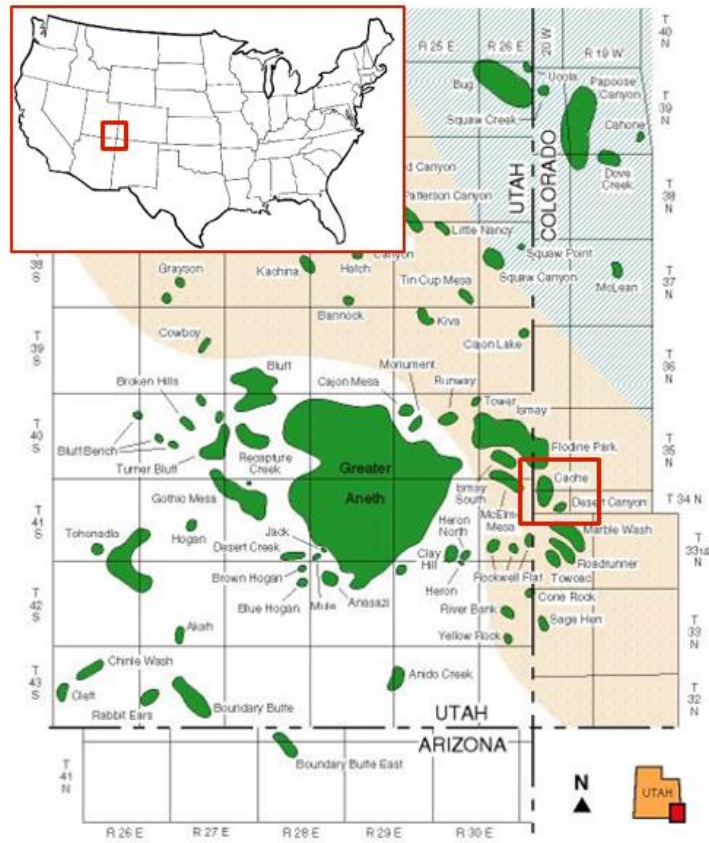


Figure 1. Regional Location map

The Company intends to use modern horizontal-multilateral drilling and completion techniques to potentially enhance the oil production rates. By drilling laterally within the reservoir intervals the Company believes it can maximise the probability of intersecting zones of higher porosity and permeability leading to sustainable oil flow rates. Within the IVR it has assumed production rates of between 250 and 500 BOPD for the first well, with a preferred production rate of 350 BOPD.

Solar Assets

During the quarter the Directors agreed to divest of its residual solar assets. During October the directors accepted a nominal offer for Solier Pty Ltd assets and its associated subsidiaries. Red Sky Energy Limited now has no ongoing interests or activities associated with the solar industry.

Strategy

The Company is continuing to actively seek opportunities in brownfields oil and gas projects in the US that are operating on the margin, but are still at break even in the current environment of depressed energy prices.

The Directors and management team are currently evaluating several additional projects for possible acquisition in the near term. ROG has assembled a team with a strong track record of in the development and operation of oil and gas fields with the United States.

The strategy is to acquire existing producing oil and gas fields which have been underexploited whereby modern techniques can enhance production. ROG's incoming management team have over 100 years combined experience in, locating, evaluating and developing oil and gas interests in mainland USA.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Red Sky Energy Limited

ABN

94 099 116 275

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(380)	(889)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - Solar project management	(1)	(10)
- Agistment income	1	2
- Other income	-	1
Net Operating Cash Flows	(379)	(892)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	250
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities		
- Cache Oilfield project	-	(86)
1.11 Loans repaid by other entities	-	-
1.12 Other - sale of AFSL entity	-	40
- Funds advanced to associated company, Cache oilfield project	(407)	(407)
Net investing cash flows	(407)	(203)
1.13 Total operating and investing cash flows (carried forward)	(786)	(1,095)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(786)	(1,095)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,472	1,592
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Cost of share issues	(116)	(116)
	Net financing cash flows	1,356	1,476
	Net increase (decrease) in cash held	570	381
1.20	Cash at beginning of quarter/year to date	202	391
1.21	Exchange rate adjustments to item 1.20	20	20
1.22	Cash at end of quarter	792	792

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	130
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and company secretarial fees paid during the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter:

- 1,369,450,435 shares were issued to acquire 50% of the units of Cache Martini No.1 LLC
- 301,014,000 shares were issued to settle consulting fees and capital raising costs valued at \$301,014.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1 Exploration and evaluation		150
4.2 Development		
4.3 Production		
4.4 Administration		250
Total		400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	792	202
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	792	202

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Refer to attached schedule.		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	5,798,056,921	5,798,056,921	
7.4	Changes during quarter			
	(a) Increases through issues	3,142,140,435	3,142,140,435	0.1
	(b) Decreases through returns of capital, buy-backs	225,000,000	225,000,000	Nil
7.5	+Convertible debt securities			
	<i>(description)</i>			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	60,000,000 100,000,000		Exercise price 2.25 cents 0.90 cents	Expiry date 31/03/2016 20/12/2016
7.8	Issued during quarter				
7.9	Exercised during quarter Performance Rights	75,000,000 150,000,000		Nil Nil	11/3/2018 11/3/2020
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Director

Date: 29 October 2015

Print name: Adrien Wing

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Red Sky Energy Limited
Exploration Interests
As at 30 September 2015

Location	Permit	Nature of Interest	Extent of Interest
Cache Oilfield, Montezuma County, Colorado, USA	Cache Unit	Lease held by 50% owned associated company, Cache Martini No. 1 LLC.	50% operated working interest, 40% net income interest.
Clarence Moreton Basin, Australia	PELA 135 (formerly PSPA 37)	application	right to earn 100%. ERM Power holds an option to purchase from Red Sky.

Changes during the Quarter

Acquired the interest in the Cache Oilfield, Montezuma County, Colorado, USA.

+ See chapter 19 for defined terms.