

## Activities Report for the Quarter Year ended 31 March 2016

### Summary

- The Company continued to look for and evaluate US based onshore conventional oil and gas fields
- A further partial funding and option extension for the Gold Nugget Gas Field in Wyoming, USA was negotiated and signed
- ROG continued environmental, cleaning, and approval work for the Cache Unit Oil Field

### Review of Operations

With the ongoing development of the Cache Unit Oil Field ("Cache") and the extension of the Gold Nugget Oil and Gas Field option ("Gold Nugget"), Red Sky Energy Limited ("the Company" or "ROG") is continuing to evaluate producing and profitable 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 good cash flow even in the current price environment but more importantly will provide the Company with strong leverage into any environment of rising energy prices. The Company continues to locate, analyse and negotiate for acquisition profitable oil and gas assets. This process has been further complicated in a number of cases due to identified assets now being in the control of administrators which has led to a competitive (and longer) process to acquire these assets rather than direct negotiations with the owners.

### Gold Nugget Gas Field, Wyoming, USA

During the quarter the company continued to do appraisal and development work on the Gold Nugget Gas Field (Gold Nugget) for which it is to acquire a 100% working interest, and an 80% net revenue interest in.

The well is producing with very strong pressure however this build up has caused blow out difficulties which has impacted being able to maintain constant gas flows. During the period the well has produced in a range between from 150MCF - 1200MCFPD. In order to achieve constant production it has been determined a compressor is required which has been ordered and will be at site by months end. It is expected the compressor will provide constant gas production which will also determine what this well is capable of producing at full capacity. It is expected the settled production rate of the well is likely to be 500 - 1,000 MCFPD.

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 was producing 150 MCF of gas and 5 barrels of oil per day. The well intersects an approx 3,000ft section of Lance formation (the producing zone) of which only 10% of the porosity capable of producing has been opened. Due to this well #1-23 is an excellent work-over candidate well.

Under the term sheet a \$100,000USD deposit was spent on optimizing the well which showed a greatly improved production range of 350 – 1600MCF of gas per day providing approximate revenue of between \$40,000 and \$70,000AUD per month. When the term sheet was executed the shut-in pressure at the wellhead was 7,000 psi which was delivering production of 150 MCFPD. Due to several factors, which mainly concerned the configuration of the surface facilities, the well continued to load up with fluid. However as part of the optimizing works the Company re-worked parts of the facility as well as cleaning out the flow lines and pipeline the Company significantly increased the well's capacity.

The well and associated pipeline cost over \$8 million USD to complete which ROG is able to purchase for US\$800,000 which demonstrates 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 will continue to assess how best to develop the asset most likely to be through joint venture.

### **Cache Oilfield, Colorado, USA**

Development, environmental and licensing work continued throughout the quarter in preparation for the first new production well to be completed at Cache since the 1970's. There has been some delays in the Federal and native approvals for this field due a further requirement for an old production well to be plugged prior to any new drilling licenses being granted. However whilst there have been permitting delays at Cache the board has determined in the current environment it is more prudent to acquire further production rather than be exposed the exploration and development at Cache. As such it is the intention of the board to keep this field on care and maintenance until there is further stability in the oil price improves before investing in the development of a new wells at Cache.

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.

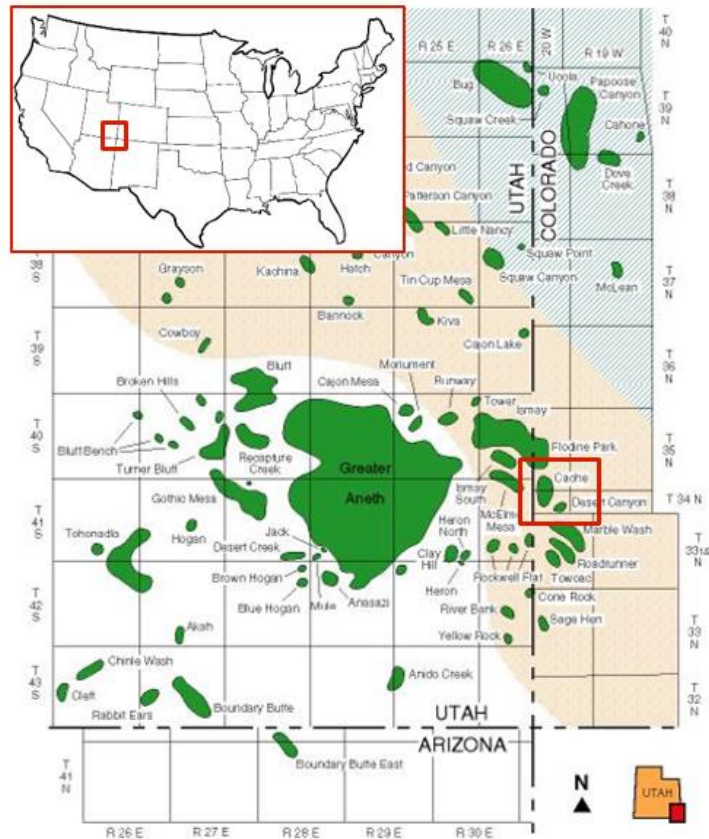


Figure 1. Regional Location map

The estimated reserve in the Independent Valuation Report (IVR) is 19.58 million barrels for Cache with an estimated recoverable reserve of between 5.1 and 6 million barrels providing the opportunity for substantial redevelopment.

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.

### 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 strategy is to acquire existing producing oil and gas fields, which have been underexploited whereby modern techniques can enhance production. As such the company evaluated 40 such opportunities during this quarter.

The Directors and management team are continuing to evaluate these 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 within the United States.

## 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")

31 March 2016

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(61)	(61)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – GST refund	36	36
<b>Net Operating Cash Flows</b>	<b>(25)</b>	<b>(25)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(25)</b>	<b>(25)</b>

+ 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)	(25)	(25)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(25)	(25)
1.20	Cash at beginning of quarter/year to date	140	140
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	115	115

**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	37
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 of \$37,000 were 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

None

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

+ See chapter 19 for defined terms.

### 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	-
4.2 Development	-
4.3 Production	-
4.4 Administration	80
<b>Total</b>	<b>80</b>

*The Company will rely on its existing cash resources and future capital raising (either debt and/or equity) to fund its current activities.*

*The Company will consider raising further funds from the placement of equity securities, including the utilisation of the equity available under Chapter 7 of ASX Listing Rules. The Company will also consider other fund raising alternatives such as debt instruments, and other equity raising facilities (rights issues, etc) if so required.*

*In light of the above factors, the Company believes that it will have sufficient cash to fund its existing activities. The Company expects to have negative cashflows from operations of approximately \$80,000 for the forthcoming quarter. The Company's Board and Management is focused on meeting its current objectives and confirm that it is in compliance with ASX Listing Rules, in particular, Listing Rule 3.1.*

### 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	115	140
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>115</b>	<b>140</b>

+ 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	<b>Preference securities</b> (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	5,798,056,921	5,798,056,921	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b> (description)			

+ 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	<b>Options</b> (description and conversion factor)	100,000,000		<i>Exercise price</i> 0.90 cents	<i>Expiry date</i> 20/12/2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	60,000,000		2.25 cents	31/03/2016
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (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: 26 April 2016

Print name: Clinton Carey

## 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 31 December 2015**

Location	Permit	Nature of Interest	Extent of Interest
Cache Oilfield, Montezuma County, Colorado, USA	Cache Unit	Lease held by 50% owned controlled entity, 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**

No changes occurred during the quarter.

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+ See chapter 19 for defined terms.