

Activities Report for the Quarter Year ended 30 June 2016

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:
6,161,396,921

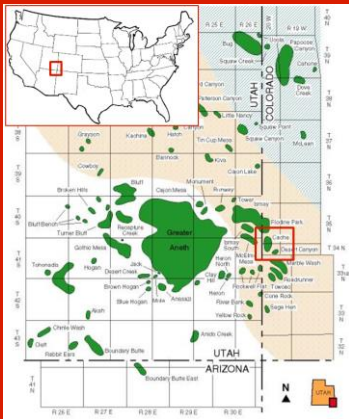
Options:
100,000,000

Market Capitalisation:
\$6.16m

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°



Gold Nugget Gas Field, Wind River Basin,
Wyoming

Highlights

- Acquisition for the Gold Nugget Gas Field, Wyoming completed
- Second addition to Company's US conventional oil and gas portfolio
- Proven gas field with a discovery well (completed to 14,000ft in 2004)
- Well optimising showed returns of between 350 – 1600 mcfpd of gas
- Existing well contains between 2-5BCF of gas and has an expected production life of between 30 and 50 years.
- Compressor installed and fitted with initial daily rates above 500 mcfpd and a number of days above 600 mcfpd.
- Compressor will be calibrated over next 25 days to establish optimum flow rates
- A\$350,000 Convertible Note issue completed
- Continued development works at Cache oilfield as required by the Department of Environment.
- Significantly advanced discussions with a vendor for a third acquisition and is presently looking a various avenues to have it financed

Review of Operations

With the ongoing development of the Gold Nugget Oil and Gas Field ("Gold Nugget"), Red Sky Energy Limited ("the Company" or "ROG") is fulfilling its business plan of purchasing and developing producing and profitable US based, onshore oil and gas fields which have significant in ground reserves and are 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, cash flow positive oil and gas assets. This process is again building momentum with the near completion of due diligence on the company's third production asset.

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, that has historically produced 150 mcfpd of gas and 5 barrels of oil per day.

The pressure on the natural gas compressor set on the Gold Nugget 1-23 well is beginning to flatten leading to a stabilised rate of gas production.

Initial daily rates returned thus far have all been above 500 thousand cubic feet per day (mcfpd) with 2 days above 600 mcfpd. The compressor is still being calibrated to establish the maximum production. This will continue through July in order to accurately achieve optimum flow rates.

During the due diligence period Red Sky began optimising the well which showed returns of between 350 – 1600 mcfpd of gas providing approximate revenue of between A\$600,000 and A\$1.2 million per annum. 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. The Gold Nugget has been drilled to 14,000 ft and has 3000 ft of Lance pay zone of which only 10% of the available porosity has been perforated.

A compressor is now installed on the Gold Nugget site and is giving this well a consistent pressure and production rate. Machinery optimisation is undertaken each day to ensure optimal pressure and flow rates with the expected settled flow rate of between 500 and 1000 mcfpd.

ROG will acquire a 100% working interest and 80% revenue interest in Gold Nugget for US\$800,000. 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.

To date ROG has made a number of cash payments totalling US\$210,000 leaving a further US\$240,000 to be paid to complete the cash payment for the acquisition. In addition to the cash payments made ROG has received a 70% interest in GN 1-23 for issuing the 336,334,000 ROG shares.

The vendor has retained a 30% interest in Gold Nugget, but is entitled to 50% of profits from GN 1-23, until ROG completes payment of the cash component of the purchase price. 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.

Cache Oilfield, Colorado, USA

Maintenance and environmental work continued at Cache. There have 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.

Other Business

The Company continues to evaluate new opportunities with in excess of 15 assessed in calendar 2016. As oil and gas prices continue to remain low good quality undervalued assets remain available but the acquisition space is becoming more active. However the Company has identified a further quality asset which it is currently completing its due diligence and as such has been funding discussion with a number of parties.

ENDS

For further information please contact:

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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.

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 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and debtors	-	-
1.2 Payments for (a) exploration & evaluation	(91)	(91)
(b) development	-	-
(c) production	-	-
(d) administration	(74)	(135)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid	-	-
1.7 Other – GST refund	6	42
Net Operating Cash Flows	(168)	(193)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(55)	(55)
(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	-	-
Net investing cash flows	(55)	(55)
1.13 Total operating and investing cash flows (carried forward)	(223)	(248)

+ 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)	(223)	(248)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from convertible notes	250	250
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Cost of share issues	-	-
	Net financing cash flows	250	250
	Net increase (decrease) in cash held	27	2
1.20	Cash at beginning of quarter/year to date	115	140
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	142	142

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	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	No Directors' fees were paid and were accrued at the end of 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 consulting fees of \$30,000 were settled via the issue of 30,000,000 shares at \$0.001 per share.
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	70
Total	70

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	142	115
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	142	115

+ 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 (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	5,828,056,921	5,828,056,921	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	30,000,000	30,000,000	0.1 cents
7.5	+Convertible debt securities (description)	350,000,000	350,000,000	0.1 cents

+ 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	350,000,000	350,000,000	0.1 cents	0.1 cents
7.7	Options (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				
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: 28 July 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 30 June 2016

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.
Gold Nugget Gas Field, Fremont County, Wyoming, USA	Oil and Gas Lease WYW-132526 comprising 320 acres	Lease 70% interest with an entitlement to 50% of profits from GN 1-23 until final payment of the further US\$240,000 cash component of the purchase price.	The vendors 30% retained interest will be transferred to Red Sky upon the remaining payment of US\$240,000 to be satisfied from profits of the well.
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

During the quarter, Red Sky Energy completed the acquisition of the Gold Nugget Gas Field.

+ See chapter 19 for defined terms.