

Production update

26 July 2016

Red Sky Energy Limited (“Red Sky” or “the Company”) is pleased to announce that after 5 days of operations 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 over the next 30 days in order to accurately achieve optimum flow rates.

Clinton Carey, Managing Director commented “The Company’s operations team is still working how best to manage the pressure around the pipe but we are delighted with the initial flow rates at Gold Nugget.

We will continue to conservatively manage Gold Nugget over the next 30 days. We still have some work to do about managing the pressures being generated from the well but based on today’s gas price the well is generating around US\$1,500 per day. As we continue to work through how best to manage the pressure around the pipe we are hopeful we can increase the gas flow rates further at Gold Nugget”

About 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.

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.

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

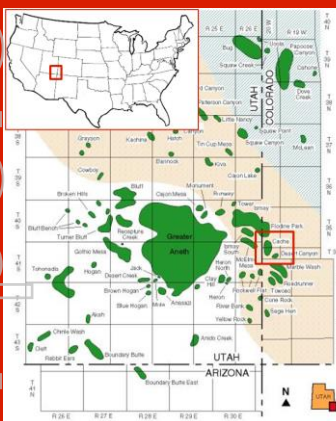
Options:
100,000,000

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°



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.

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.