

Red Sky Energy Limited – Quarterly Report

31 March 2017

COMPANY INFORMATION

RED SKY ENERGY LIMITED
ABN [94 099 116 275]

COMPANY DIRECTORS

Guy Le Page: Director
Clinton Carey: Director
Adrien Wing: Director

STOCK EXCHANGE LISTING

ASX Code: ROG

Current Shares on Issue:
190,906,126

Options:
64,989,002

Market Capitalisation:
\$1.3m (last sale)

EXISTING PROJECTS

Gold Nugget Gasfield, Wind River Basin,
Wyoming, USA

- Field located is one of largest producing basins in USA
- Discovery well completed to 14,000 ft
- Existing well and associated pipeline cost over \$8 million
- Field is 320 acres
- Wells can be drilled at 5-acre spacing's,
- Each well expected to contain between 2-5BCF of gas with expected production life of 30-50 years

www.redskyenergy.com.au

Highlights

- Finalised a binding Heads of Agreement with RM Corporate Finance Pty Ltd to raise \$1.15 million as a convertible note and \$500,000 rights issue;
- On March 9th 2017, Shareholders approved for the convertible note and a 50:1 consolidation of the company's securities along with 14 other resolutions;
- During the year ROG continued development of its second acquisition, Gold Nugget Gas field (GN #1-23), under its ongoing strategy of building a quality North American based portfolio of onshore oil and gas assets; and
- ROG will now concentrate on further enhancing its interest in the Gold Nugget Gas Field whilst looking for other oil and gas assets in North America for investment.

During the quarter, Red Sky Energy Ltd ("Red Sky" or "the Company") completed on a binding head of agreement with RM Corporate Finance Pty Ltd ("RM Corporate") whereby RM Corporate agreed to act as lead manager and/or underwriter for a \$1,150,000 Convertible Note placement and a \$500,000 non-renounceable rights issue. The Company has gained shareholder approval for the Convertible Note, as well as, approval for a reconstruction of the Company's securities on a 50:1 consolidation. The Convertible Note has an interest rate of 8% pa (payable in shares at 80% of the 5 day VWAP at the end of each calendar month). The Convertible Note will convert into shares at the lower of 0.5 cents (\$0.005) or 80% five day VWAP together with one for two free attaching options exercisable at 1.0 cent (\$0.01) each on or before 30 November 2019 (on a post 50: 1 consolidation basis of ROG). The advanced funds received under the convertible note have been allocated towards repaying the existing short term convertible notes, settle existing creditors, seek other opportunities and working capital. The terms of the rights issue have yet to be established. The rights issue

is expected to take place within 4 months. With the ongoing development of the Gold Nugget Oil and Gas Field (“Gold Nugget”), the Company is fulfilling its business plan of purchasing and developing producing and profitable North American and Canadian 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 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.

Gold Nugget

During the quarter, work continued on the Gold Nugget gas project in Wyoming, USA.

Unfortunately, due to an unseasonably long and cold winter very little development work was able to be done during this period. As a result, very little gas was produced and the expenditure on the compressor had to be maintained under contract.

Now that the spring has arrived, early workings have shown that we continue to have the well pressure and water problems. These have been similar problems faced in the past but the Company is still of the belief that a solution will be found and that the Gold Nugget well will produce economic gas.

The compressor will be started again in the first week of May 2017. The Company will monitor daily gas flows and its commercial viability. However, during this program of testing, we do not envisage any commercial quantities of gas to be produced until the 3rd Quarter 2017.

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 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.

Cache Oilfield, Colorado, USA

Due to the high cost of maintenance and environmental work associated with keeping the lease in good stead along with the low prices for the oil produced at the Cache Oil Field the board fully impaired this asset during 2016. No material activity took place on the Cache Oilfield during the quarter.

Other Business

During the quarter, the Company continued to evaluate oil and gas projects in North America and Canada and has searched for investors in order to acquire identified cash flow positive projects. With oil and gas prices continuing to remain low, there have been some exciting opportunities that have presented themselves but we have not been in the position to capitalise on these at this time.

The board continues to seek out and evaluate these opportunities.

ENDS

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Director

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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, 01/05/13, 01/09/16

Name of entity

Red Sky Energy Limited

ABN

94 099 116 275

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs – director fees	(32)	(32)
(e) administration and corporate costs	(40)	(40)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other		
1.9 Net cash from / (used in) operating activities	(81)	(81)

2. Cash flows from investing activities

- 2.1 Payments to acquire:
- (a) property, plant and equipment
 - (b) tenements
 - (c) investments
 - (d) other non-current assets

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities		
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible loans		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings	705	705
3.6	Repayment of borrowings	(325)	(325)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	380	380
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	186	186
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(81)	(81)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)	380	380
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	485	485

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	485	186
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	485	186

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	32
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment of director fees and consulting services.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,055	1,055
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

A facility of \$1,055,000 in loan funds has been provided. These loan funds are unsecured and are an advance upon a proposed new Convertible Note placement for up to \$1,150,000 upon which shareholder approval was obtained on 9 March 2017. RM Corporate Finance Pty Ltd agreed to act as Lead Manager and/or Underwriter for the new Convertible Note. Interest is at 8% per annum, payable via shares issued at 80% of the 5 day VWAP share price at the end of each calendar month.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	
9.4 Staff costs	(40)
9.5 Administration and corporate costs	(90)
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	(130)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Director)

Date: ...28/4/17.....

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

Red Sky Energy Limited
Exploration Interests
As at 31 March 2017

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

No changes occurred during the quarter.

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