

Production underway at Gold Nugget

19 July 2015

Highlights

- Compressor now installed at Gold Nugget
- Initial production to be slowly increased over next two weeks
- During the due diligence period well optimising undertaken by Red Sky improved production from 150 thousand cubic feet per day (mcfpd) to between 350 – 1600 mcfpd (a 2 - 6.5 times increase)
- Well contains between 2 - 5 bcf of gas with a production life of 30 - 50 years

Red Sky Energy Limited (“Red Sky” or “the Company”) is pleased to announce the compressor required to bring stable gas production at the Gold Nugget Gas Field, Wyoming, USA (“Gold Nugget”) has been successfully installed. The operational team has now completed its safety and operational inspections and has cleared gas production to recommence at Gold Nugget.

Due to casing, tubing and line pressures, as well as other variables the Company intends to slowly increase gas production over the next 2 weeks. During this initial production period the operational team will test a number of production scenarios allowing the Company to determine the optimal, stable gas flow.

Executive Chairman, Mr Kerry Smith commented, “This is a great step forward for Red Sky. Particularly given the rise in the gas price over the last three months from US\$2 to US\$2.80 an mcf making Gold Nugget significantly more profitable.

Production at Gold Nugget provides not only welcome cash flow for the Company but also provides a strong platform from which to complete further acquisitions as part of the Company’s strategy to develop a profitable onshore US based oil and gas portfolio as asset prices continue to remain depressed. Gold Nugget is an excellent example of the opportunities which are available as the Company now has a key producing well in one of the biggest gas fields in the US with significant in ground reserves that remain.”

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

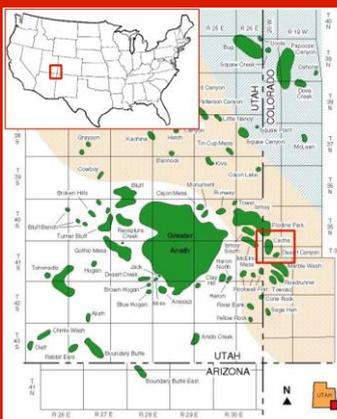
Options:
100,000,000

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°



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\$60,000 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.

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.