

COMPANY INFORMATION

RED SKY ENERGY LIMITED
ABN [94 099 116 275]

COMPANY DIRECTORS

Russell Krause: Non Exec Chairman
Clinton Carey: Director
Adrien Wing: Non Exec Director

STOCK EXCHANGE LISTING

ASX Code: ROG

Current Shares on Issue:
2,430,916,486

Performance Rights:
225,000,000

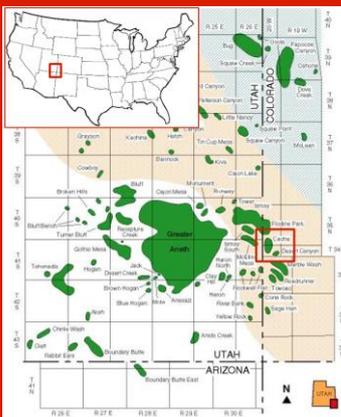
Options:
160,000,000

Market Capitalisation:
\$2,430,916

PROPOSED PROJECTS

Cache Oilfield, Montezuma County,
Colorado, USA

- Conventional Oil
- API 44-45°
- Discovered in 1964
- Produced over 5m barrels
- OOIP approx. 24m barrels*
- Recoverable Reserve 5.1-6m barrels*



50% of Cache Oilfield being acquired by ROG receives preferred independent valuation of \$30m

16 June 2015

Highlights

- Notice of Meeting with information memorandum, independent expert's report and independent valuation report for shareholders meeting to consider acquisition of 50% equity interest in the Cache Oilfield ("Cache") dispatched
- Cache is located in Colorado, USA, was discovered in 1964 and has produced in excess of 5 million barrels to date
- Independent Valuation Report (IVR)* which accompanies the Notice of Meeting states:
 - ~24 million barrels Original Oil In Place ("OOIP"); ~5 million barrels still remain recoverable
 - 24 historic wells drilled; one remains operational producing 10 - 20 barrels per day
 - Production cost of \$18.67 per barrel based on production of 350 BOPD
 - IVR fair market valuation range of \$29.66m - \$35.27m, with preferred valuation of \$30.02m*
- Acquisition consideration of up to \$2.1 million to be satisfied by the issue of up to 2.1 billion shares at \$0.001
- Funds will be applied to drilling a new well targeting 250 - 500 BOPD production (IVR assumes rate of 350 BOPD) and working capital
- Highly credentialed incoming technical and corporate team forms part of Cache transaction
- Board has undertaken to build a portfolio US based onshore conventional oil & gas assets

* Refer to the Independent Valuation Report accompanying the Notice of Meeting – see page 6 for further details

Red Sky Energy Limited (“the Company” or “ROG”) has today dispatched the notice of meeting (NoM) to shareholders, to be held on 17 July 2015, to approve its proposed transaction to acquire a 50% equity interest in the US based Cache Oilfield, Colorado (“Cache”). The NoM includes an Independent Valuation Report (IVR) assessing the acquisition which provides an opinion as to the fair market value for the 50% interest of Cache being acquired of between \$29.66m - \$35.27m, with a preferred valuation of \$30.02m. This valuation compares very favourably to the acquisition price for the 50% interest of between \$1.2m and \$2.1m (dependent on the amount of capital raised as part of the transaction) through the issue of between 1.2 billion and 2.1 billion ROG shares at an issue price of 0.1 cents per share.

The valuation is based on an existing reserve of 19.58 million barrels and an estimated recoverable reserve of between 5.1-6.0 million barrels. The valuation has been produced to allow the independent expert assessing the transaction to provide a recommendation to shareholders that the transaction is fair and reasonable.

Russell Krause, Chairman commented “The board is delighted that the independent expert has recommended the transaction to shareholders as fair and reasonable. The preferred valuation by the IVR for the 50% equity interest of \$30.02 million combined with an estimated recoverable reserve of between 5.1 and 6 million barrels is an excellent result given the Company is making the acquisition for between the \$1.2 and \$2.1 million. This asset will provide an excellent platform from which to execute the board’s broader strategy to develop a quality onshore US oil and gas portfolio given the significant revisions in acreage valuations. The Company is targeting brownfields opportunities operating on the margin, but still breakeven in current price environment which will provide substantial leverage to rising energy prices”

Cache Oilfield, Colorado, USA

Cache was discovered in 1964 by Amoco and is located in the Paradox Basin, Montezuma County, Colorado, USA. The field covers 1840 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.*

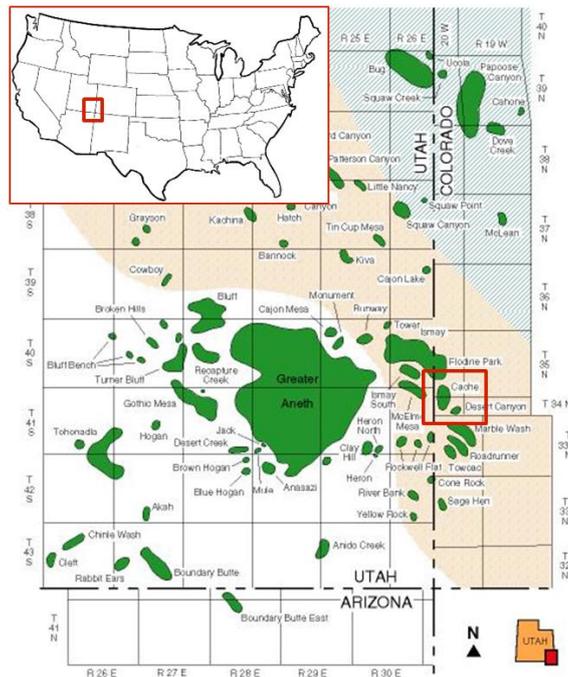


Figure 1. Regional Location map

At Cache the Pennsylvanian age Ismay reservoir is the main producing reservoir. It is generally found at a depth of ~1,700 metres, averages 55 metres thick and is comprised of a series of limestones, dolomites, shales and anhydrides deposited in a biohermal / biostromal carbonate mound. Like the Aneth field, the primary trapping mechanism at the Cache field is mostly stratigraphic, with a minor structural component as the porous and permeable limestones pinch out away from the core of the mound.

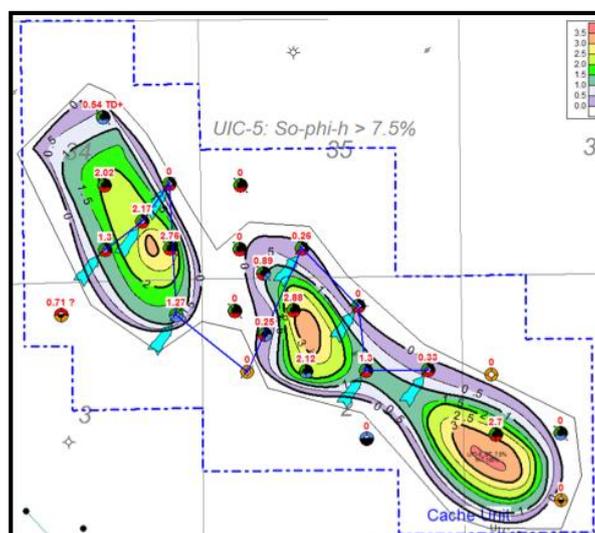


Figure 2. Plan view of carbonate mounds

Historically a total of 24 wells were drilled on Cache but the majority were drilled in the 1960's and are now shut-in. Initial well production at Cache was between 1,400 - 3,000 BOPD per well but well production did decline quickly as was usual for a gas-solution drive reservoir at the time. These declines led to secondary recovery methods such as water injections and hot acid solutions. Water injection did provide short-term improvements in recoveries but the acid strategy appeared caused significant damage to the cement bonds in a number of wells destroying the integrity of the bonds and seals between the pipe and the wall rocks and led to their premature closing.

Prior to the current vendors acquiring the field on 1st May 2011, Cache had been left to deteriorate through the hands number of owners. The field is now producing at a current rate of 10-20 BOPD from one well, which coincidentally is well No.1, the first well drilled by Amoco when it discovered the Field in 1964. The vendors of Cache have spent in excess of US\$2 million in cleaning the site, securing required native title and environmental approvals as well as restoring water disposal wells and other required ancillary equipment and infrastructure. This means, subject to funds and completion, the Company can begin drilling the first new well.

The estimated reserve in the IVR is 19.58 million barrels with an estimated recoverable reserve of between 5.1 and 6 million barrels providing the opportunity for substantial redevelopment*. The IVR identified a number of factors why recoverable oil reserve is still present at Cache which include:

- Only 20% of the OOIP has been produced to date,
- the reservoir interval displays significant vertical and lateral heterogeneity suggesting that historic vertical well intersections may have been inefficient in maximising oil production,
- most of the current wells failed for mechanical reasons, several very early in their history suggesting that the completion and enhanced recovery techniques failed to maximise production, and
- recent log analysis and interval mapping indicates that the southern part of Cache has been poorly drained and may in fact contain primary reservoir pressures.

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.

The Company is proposing to complete an initial 2 well program to test if modern drilling techniques can enhance oil recovery and flow rates as well as test the possibility of finding primary oil reserves in the southern part of the field. The first well of this program will be funded from proceeds of the proposed capital raising and it is anticipated each well will cost approx. US\$800,000. If these wells deliver successful results, a 3D seismic survey

will be completed over the field to identify locations for future production wells. 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.*

If the initial two well program is successful the longer term development program includes a further 6 wells on the field (to a 20 acre spacing) to maximise the remaining oil production capacity of the field. Once the infill drilling program has been completed there is also the potential to further enhance the oil recovery efficiency by implementing a CO2 flood program successfully implemented in the nearby Aneth Field. At Aneth, it is estimated up to 11.9% of OOIP has been recovered using CO2 flooding, work overs and infrastructure upgrades. No such additional recovery work has been attempted at the Cache Field

Incoming Team

As part of this transaction a new technical and operational team will join the Company. Monument Global Resources Inc. (MGRI), vendors of Cache, will become the largest shareholder in ROG are a management consultancy with significant experience in the US oil & gas industry. MGRI will continue as manager of the oilfield. The key members of MGRI who become directly involved in taking ROG forward include;

Kerry Smith Founder of Monument Global Resources, Inc. with 30+ years as an Independent
Exec. Chairman Contractor and oil & gas operator. Experienced in data interpretation, usage of new
(proposed) methods to enhance operations, evaluation of oil and gas reserves, and analysis of research together with seismic studies to design drilling programs. Experience in all areas of well exploration preparation, production enhancement and well stimulation and design.

William Reinhart 36+ years in Geology and Geophysics, with extensive geologic experience in most major
Non-Exec. Director oil & gas provinces of North America. Held senior positions with Mobil Exploration and
(proposed) Producing unit for over a decade. BS in Geology from Washington State University with a primary focus on Mineralogy and Metallic Ore Deposits.

Ed Coalson 40+ years in geology and geophysics, Dr. Coalson has worked on a wide range of projects,
Project Consultant most recently focused in the Piceance, Bighorn, Paradox and Green River basins. An expert in the Rocky Mountain and Mid-Continent. His prior experience includes roles with Coyote Oil & Gas Company, Strike Oil & Gas, LLC, Vecta Oil & Gas Company, Ltd., Cabot Oil & Gas Corporation, Bass Enterprises Production Company, and American Hunter Exploration Company. Ph.D. in Geology from the Colorado School of Mines, an MS in Geology from the University of Wyoming and a BS in Geology from Cal-State Long Beach.

Transaction

Subject to shareholder approvals as well as the capital raising the Company will acquire a 50% equity interest in Cache through the issue of 1.20 billion ROG shares at a deemed issue price of \$0.001. The Company will raise a minimum of A\$700,000 and up to a maximum of A\$1.85 million, through the issue of between 700 million and 1.85 billion shares at an issue price of \$0.001. Further to the capital raising the vendors of Cache will also receive a further issue of shares for any difference between the amounts of capital raised under the issue less than the maximum amount that could be raised. For example if only A\$1 million was raised then the vendors would receive a further 850 million shares again at a deemed issue price of \$0.001.

The Company looks forward to completing this transaction and thus taking its first steps under its new direction. The full IVR as well as all details associated with the transaction can be reviewed in the Company's notice of meeting which was released to the ASX today. ROG will continue to provide updates to shareholders as the transaction progresses.

For and on behalf of the board,

A handwritten signature in black ink, appearing to read "Russell Krause".

Russell Krause
Chairman
Red Sky Energy Limited

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* **The Independent Valuation Report (IVR)** is the "Independent Valuation Report considering the Fair Market Value of the equity interest available to Red Sky Energy Limited in the Cache Oilfield, Colorado, USA" prepared by Global Resources & Infrastructure Pty Ltd [ABN 45 132 038 861] which accompanies the Company's Notice of the General Meeting released to ASX as an announcement on 16 June 2015 under the Company's ASX code ROG). The IVR contains detailed assumptions and further information which should be referred to when considering references to the IVR in this announcement.

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 and author of the Independent Valuation Report which has been included in the Company's Notice of Meeting for the upcoming shareholders meeting released to ASX as an announcement on 16 June 2015 with the consent of Mr Buckingham. 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 in 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.

FORWARD-LOOKING STATEMENTS

This document may include forward-looking statements. Forward-looking statements include, but are not necessarily limited to the Company's planned exploration program and other statements that are not historic facts. When used in this document, words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.