

Red Sky Energy Limited

Quarterly Report Ended

30 June 2019

Innamincka Dome

The Company is assessing opportunities to provide alternative financial security required for the licenses. This follows agreement to amend the SPA with Acer Energy Pty Ltd, a Beach subsidiary, to acquire that subsidiary's interests in the Innamincka Dome Project in the Cooper Basin, South Australia. The principal term of which is that Beach will continue to provide financial security for the licences. Red Sky has provided an escrowed financial assurance of \$800,000 and should Beach not be released from the financial security within six months from transfer then the licences will revert back to Beach and the escrowed funds are forfeited.

The Innamincka Dome Project comprises a portfolio of six highly prospective petroleum tenements (PRLs) near the township of Innamincka in northeast South Australia. Interest in this portfolio comprises a 100% owned and operated stake in:

- PRL14 (Flax oil field which was previously producing);
- PRL17 (Yarrow gas field);
- PRL18 (Juniper oil field);
- PRL180;
- PRL181; and
- PRL182

The interest in the Innamincka Dome Project includes all existing production infrastructure, storage tanks, yards and camp facilities. This infrastructure is modern and in excellent operating condition. The project was suspended in 2015 due to the downturn in oil and gas markets.

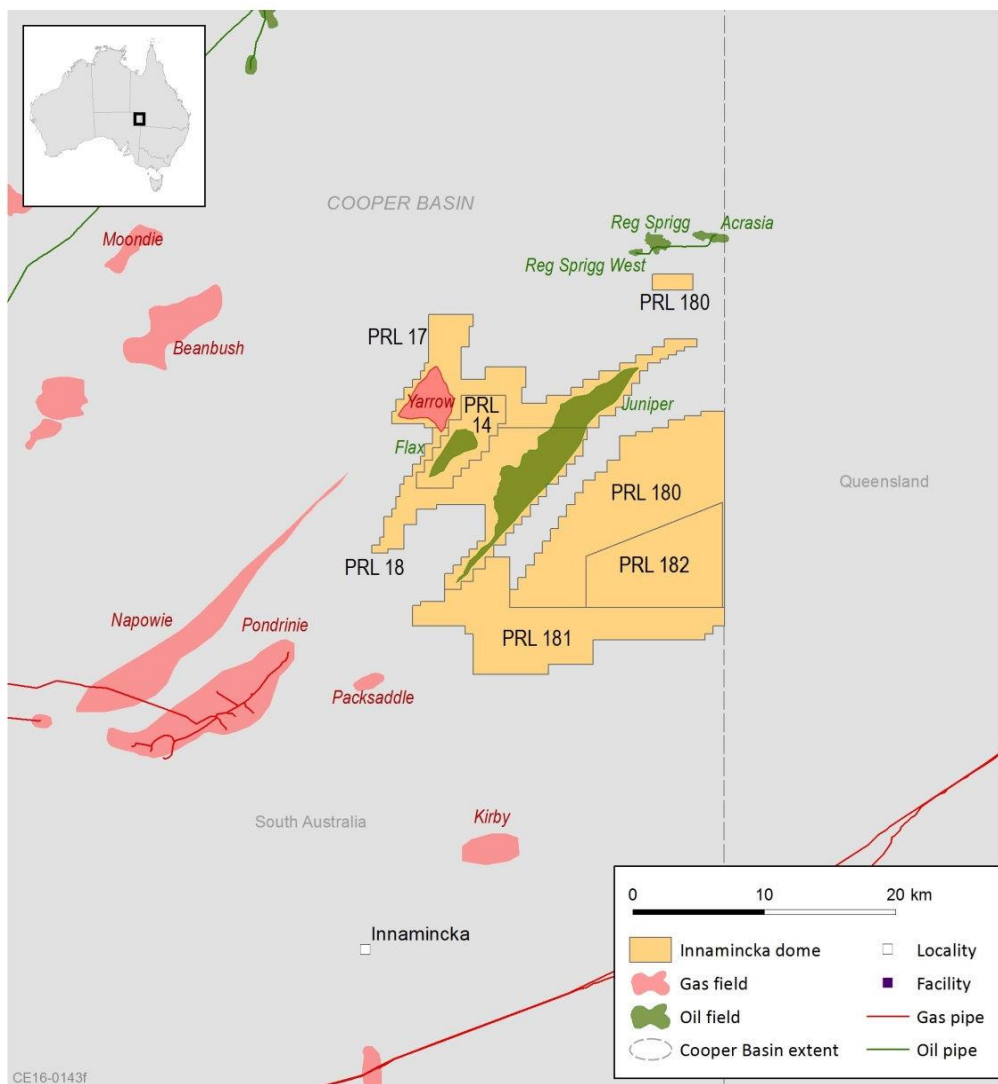
The Company has commenced re-commissioning planning for the Innamincka Dome Project with a focus on resuming oil and gas production at Flax as soon as possible.

The interest affords Red Sky with a significant opportunity to leverage the recovery from the oil price downturn by returning quality shut-in assets to production at the Flax field. Further significant opportunities exist within the unexploited Yarrow gas field and the Juniper oil field. Evaluation of the remaining highly prospective tenements provides even more opportunities.

Innamincka Dome (continued)

The Company has plans to:

- recommence production from the shut-in field using existing infrastructure. Information reviewed by the Company indicated that oil production at Flax was previously being carried out at a rate of over 200 barrels of oil per day and the field has produced approximately 180,000 barrels of 54 API oil to date. The existing production facilities at the Flax field, which have been inspected by the Company, have a processing capacity of 1,000bopd and 2,400bbl storage capacity based on information reviewed by the Company; and
- initiate a 3D seismic acquisition over the Yarrow gas field and prospects within the PRL17 licence to the north of the field.



Gold Nugget

The Gold Nugget #1-23 well is now producing and a new separator is currently being installed to resolve dewatering issues which have impeded production. It is expected this will improve production and indications are that the well could flow up to 2,600mcfpd. 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 single production well (completed to 14,000ft in 2004).



The Company continues to actively review other opportunities in Australasia and South East Asia.

Corporate

Capital Raisings

On 11 April 2019, the Company issued 100 million shares to Taylor Collison upon Completion of the arrangement with Beach (see ASX announcement dated 10 July 2018).

As a means of minimizing cash spend, the Directors agreed to receive shares in lieu of their outstanding fees and accruals up until the end of January 2019. These shares were to be settled at the same price and terms as those issued under the placement on 20 March 2019. These shares which were subject to shareholder approval, were approved along with all other resolutions at the Company's Annual General Meeting on 15 May 2019. Refer to the Company's Notice of Meeting lodged with ASX on 16 April 2019 for further details.

Unsecured Loans

During the quarter, the Company repaid unsecured loans of \$690,000 from directors and other third-party groups provided to assist with the funding restructure of the Innamincka Dome project.

The Company has received further unsecured loans of \$60,000 from directors at an interest rate of 10% per annum.

ENDS

Various statements in this report constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.

Some of the more important of these risks, expectations and uncertainties are pricing and production levels from the properties in which the Company has interests and the extent of the recoverable reserves at those properties. In addition, the Company has a number of exploration permits. Exploration for oil and gas is expensive, speculative and subject to a wide range of risks. Individual investors should consider these matters in light of the personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional advisor as to the suitability for them of an investment in the Company.

COMPANY INFORMATION

RED SKY ENERGY LIMITED
ABN 94 099 116 275

COMPANY DIRECTORS

Adrien Wing: Non-Executive Chairman
Andrew Knox: Managing Director
Clinton Carey: Non-Executive Director

COMPANY SECRETARIES

Adrien Wing
Pauline Moffatt

REGISTERED OFFICE

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AUDITOR

RSM Australia
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MELBOURNE VIC 3000

SECURITIES EXCHANGE LISTING

ASX: ROG

SHARE REGISTER

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110 Stirling Highway
NEDLANDS WA 6009
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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")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation – including assessing potential projects	(23)	(108)
(b) development		
(c) production		
(d) staff costs (not included above)	(1)	(14)
(e) administration and corporate costs	(44)	(122)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(21)	(25)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other		
1.9 Net cash from / (used in) operating activities	(89)	(269)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements		
(c) investments		

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) other non-current assets		
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 – licence security deposit		(800)
2.6	Net cash from / (used in) investing activities		(800)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		342
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		(37)
3.5	Proceeds from borrowings	750	1,550
3.6	Repayment of borrowings	(702)	(809)
3.7	Transaction costs related to loans and borrowings		(32)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	48	1,014

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	77	91
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(89)	(269)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		(800)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	48	1,014

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	36	36

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	36	77
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)	36	77

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
1

Payment of director salaries.

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000

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	860	860
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.		

Loans of \$830,000 are present from the Managing Director, Mr Andrew Knox. These loans are unsecured and accrue interest at a rate of 10% per annum.

A loan of \$30,000 is present from a Director, Mr Adrien Wing. This loan is unsecured and accrues interest at a rate of 10% per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(50)
9.2 Development	
9.3 Production	
9.4 Staff costs	(85)
9.5 Administration and corporate costs	(140)
9.6 Other	-
9.7 Total estimated cash outflows	(275)

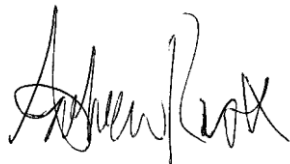
The Company will rely on its existing cash resources and future capital raising (either debt and/or equity), including its ability to place securities under LR7.1 and LR7.1A to fund its current activities.

In light of the above factors, the Company believes that it will have sufficient cash to fund its existing activities. The Company expects to have negative cashflows from operations of approximately \$275,000 for the forthcoming quarter. The Company's Board and Management is focused on meeting its current objectives and confirm that it is in compliance with ASX Listing Rules, in particular, Listing Rule 3.1.

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		Refer to the attachment following the Compliance Statement.		

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: ...30 July 2019.....

Print name:Andrew Knox.....

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 30 June 2019

Location	Permits	Nature of Interest	Extent of Interest
Innamincka, northeast South Australia	PRL14 PRL17 PRL18 PRL180 PRL181 PRL182	100%	Interests held by Red Sky (NT) Pty Ltd, a wholly owned subsidiary of Red Sky Energy Limited.
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\$450,000 cash component of the purchase price.	The vendors 30% retained interest will be transferred to Red Sky upon the remaining payment of US\$450,000 to be satisfied from profits of the well.

Changes during the Quarter

During the quarter the remaining 25% interest in PRL182 (part of the Innamincka Dome project) was purchased from Bengal Energy (Australia) Pty Ltd, a subsidiary of Beach Energy Limited. The Innamincka Dome project in northeast South Australia was acquired for nominal consideration of \$1. The interests are held by Red Sky (NT) Pty Ltd, a wholly owned subsidiary of Red Sky Energy Limited.