

**Red Sky Energy Limited**  
**Quarterly Report Ended**  
**31 December 2019**

## **SUMMARY OF ACTIVITIES**

### **Highlights**

- **Fully carried Red Sky Cooper Basin work programme begins to take shape, following the farm-out to Santos of the Red Sky Innamincka Dome Projects.**
- **Spur pipeline from Gold Nugget field acquired.**

### **Innamincka Dome, Cooper Basin**

Red Sky is pleased to provide further details with respect to the significant and material farm-out agreement undertaken with leading Cooper Basin operator Santos Ltd (ASX:STO) in relation to Red Sky's onshore Cooper Basin retention licences PRL 14, 17, 18, 180, 181 and 182, collectively known as the Innamincka Dome Projects.

**During the December quarter Santos assumed operatorship and management of the Innamincka Dome projects and undertook the following activities:**

- Santos (as operator) has applied for approval from the Minister to vary and suspend certain conditions and extend the term of certain Innamincka Petroleum Retention Licences (PRLs) in order to efficiently coordinate their management and timing.
- Santos has also applied to vary the conditions of the licenses to group the six PRLs (into a Group Subject Area) so that any expenditure for one PRL applies against the overall expenditure target across all six licenses. This action is supported by Red Sky as it will encourage evaluation of the outer blocks (PRL 180, 181 & 182) where Red Sky sees significant oil and gas potential.

**The proposed drilling of the Red Sky Flax oil field (PRL 14) horizontal well has now been scheduled into Santos Cooper Basin horizontal well programme:**

- Drilling of the Flax oil field (PRL 14) horizontal well is in the planning phase and final timing will be subject to the drilling order and timing of other wells already planned by Santos in its Cooper Basin horizontal well programme.

**Activities focussed on the evaluation of the Yarrow gas field (PRL 17) are to include:**

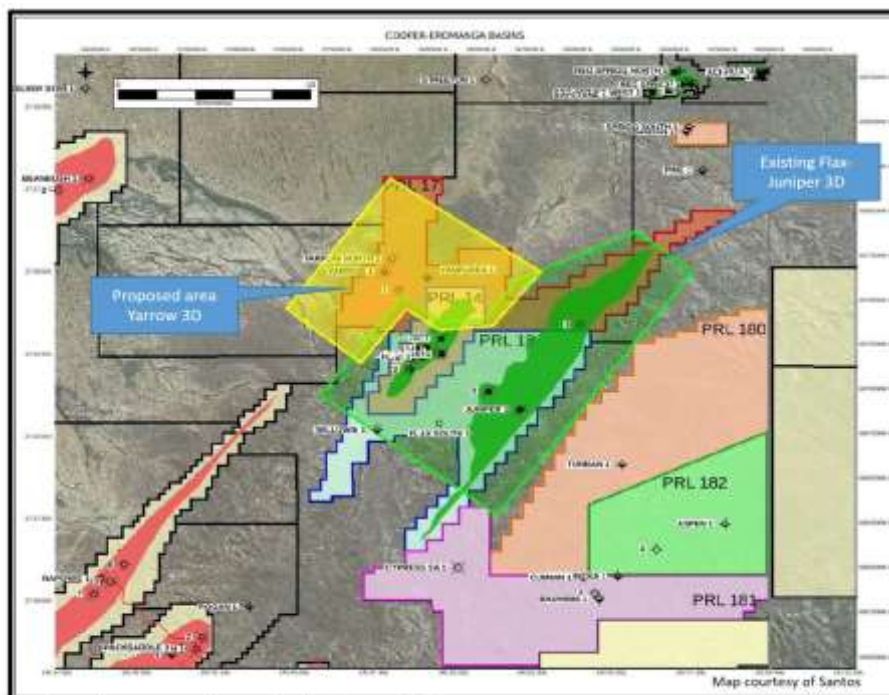
- Acquisition of 50km<sup>2</sup> of new 3D seismic over the Yarrow gas field (PRL 17) is to be coordinated with other Santos Cooper Basin license seismic acquisition activities. Red Sky expect this will save significant costs.

- Drilling of the Yarrow gas field (PRL 17) appraisal well is planned to take place following the acquisition, processing and interpretation of the new Yarrow 3D seismic data, which is necessary to be completed before selecting the most promising drilling location.

### Santos Farm Out Terms

Santos to earn an 80% interest and operatorship (ROG: 20%) in Red Sky's onshore Cooper Basin retention licences PRL 14, 17, 18, 180, 181 and 182, collectively known as the Innamincka Dome Projects. The terms provide for Santos to:

- Fund 100% of 50km<sup>2</sup> of 3D seismic over the existing Yarrow gas field in PRL 17, up to a maximum cost of A\$1.0 million.
- Fund 100% of an appraisal well in the Yarrow gas field in PRL 17 up to a maximum gross cost of A\$3.0 million.
- Fund 100% of an appraisal well in the Flax oil and gas field in PRL 14, up to a maximum gross cost of A\$5 million.
- Subject to satisfactory appraisal outcomes, initially fund 100% of any approved development of the fields, with Santos to be repaid for Red Sky's share of such development expenditure out of Red Sky's share of production.



Location map: Innamincka Dome PRLs.

### Gold Nugget Gas Field

In August 2019 ROG established that Gold Nugget is commercially viable. Since then Red Sky has purchased the feeder gas line from the field to the main trunk line, invested in a second separator and a methanol injector system.

Due to inclement conditions, gas supply from the well has been severely reduced. This is an annual event and we expect to be producing at full capacity in February once the ambient temperature increases.

## Corporate

During the quarter experienced investment banking executive, Mr Gordon Ramsay, was appointed as Non-Executive Chairman of the Company. Mr Ramsay's extensive networks and expertise in equity markets and the resource sector is expected to aid in the development of new opportunities. The Company welcomes Mr Ramsay to the Board.

The Company continues to actively review other opportunities in Australia and overseas.

## Andrew Knox, Managing Director

"The Red Sky team is eagerly looking forward to participating in Santos disciplined, low-cost Cooper Basin operating model through the forthcoming evaluation of the Red Sky Innamincka Dome Projects. We believe Santos future Cooper Basin activity with Red Sky has potential to provide the framework to drive significant value for Red Sky and our shareholders."

## 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

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

### COMPANY SECRETARIES

Adrien Wing  
Pauline Moffatt

### REGISTERED OFFICE

Level 17, 500 Collins Street  
MELBOURNE VIC 3000  
Phone: +613 9614 0600

Fax: +613 9614 0550  
Email: [admin@redskyenergy.com.au](mailto:admin@redskyenergy.com.au)  
Web: [www.redskyenergy.com.au](http://www.redskyenergy.com.au)

### AUDITOR

RSM Australia  
Level 21, 55 Collins Street  
MELBOURNE VIC 3000

### SECURITIES EXCHANGE LISTING

ASX: ROG

### SHARE REGISTER

Advanced Share Registry  
110 Stirling Highway  
NEDLANDS WA 6009  
Telephone: +618 9389 8033  
Web: [www.advancedshare.com.au](http://www.advancedshare.com.au)

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Red Sky Energy Limited

ABN

94 099 116 275

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed) – including assessing potential new projects	(106)	(237)
(b) development		
(c) production		
(d) staff costs (not included above)	(78)	(92)
(e) administration and corporate costs	(227)	(399)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(44)	(80)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(455)</b>	<b>(808)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)	(44)	(61)
(e) investments		
(f) other non-current assets		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) 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 paid		(800)
	- licence security deposit refunded		525
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(44)</b>	<b>(336)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		1,125
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(8)	(45)
3.5	Proceeds from borrowings		1,550
3.6	Repayment of borrowings	(609)	(1,426)
3.7	Transaction costs related to loans and borrowings		(32)
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(617)</b>	<b>1,172</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,235	91
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(455)	(808)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(44)	(336)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(617)	1,172

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>119</b>	<b>119</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	119	1,235
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>119</b>	<b>1,235</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 Director salaries, consulting and company secretarial (\$174,000) Interest on Director loans (\$39,000)	213
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	275	275
7.2 Credit standby arrangements		
7.3 Other (insurance funding)	31	31
7.4 <b>Total financing facilities</b>	<b>306</b>	<b>306</b>

7.5 **Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

A loan of \$275,000 is present from the Managing Director, Mr Andrew Knox. This loan is unsecured and accrues interest at a rate of 10% per annum.

A loan of \$31,000 is present relating to funding insurance from IQumulate Premium Funding. This loan is unsecured and accrues interest at a rate of 4.1% per annum.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(455)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(44)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(499)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	119
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	119
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>0.24</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No. Payments in the December 2019 quarter were unusually high as they included salaries and creditors from the previous quarter. Net operating cash outflows are expected to be around \$200k in the next quarter.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: 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. The Company has a history of raising funds as required and believes further successful fundraising will be able to be completed.

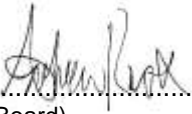
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: 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 cash flows from operations of approximately \$200k 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.

## 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.

Date: 31 January 2020

Authorised by:  .....  
(By the Board)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.