

JUNE 2021 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Inspection of surface pump Killanoola -1 DW-1 indicated surface pump in excellent condition**
- **A new petrophysical analysis identified an additional thirty seven (37) metres of potential Net Pay in the Killanoola – 1DW-1 well - in addition to the existing 5 metres of proven pay**
- **Preparations continue for all new oil-bearing zones to be tested in both Killanoola-1DW-1 and Killanoola SE-1**
- **Future geological and geophysical studies will integrate these findings into new reservoir and structure models**
- **Expectations remain high for significant reserve growth in PRL13**
- **6.4 Million barrels of oil equivalent potential contingent resources net to Red Sky Energy**
- **Application to test wells at Killanoola remains pending**
- **The company has cash reserves as at 30 June 2021 of \$3.04m**

Australian Oil and Gas explorer and developer, Red Sky Energy (ASX: ROG) (Red Sky or the Company) is pleased to provide its June 2021 Quarterly Activities Report.

About the Killanoola Project

The Killanoola oilfield was discovered by the Killanoola-1 well in 1998 at a depth of 850 metres. The oil is a 34° API waxy crude. Previous flow tests of the well have recorded rates of up to 300 bopd.

A petrophysical report commissioned by Red Sky on the Killanoola-1DW-1 well identified potentially 37 metres of additional oil bearing pay zones within the 149-metre-thick Sawpit Sandstone. This evaluation adds significantly to the currently perforated pay zone of 5 metres. Red Sky is now working to revise the work programme to include testing of the newly identified pay zones. ([See ASX Announcement 6 May 2021](#))

These results followed the recent exceptional result of 16m of Net Pay for the Killanoola SE-1 well which was in stark contrast to the previous net pay estimates of 1.5m ([See ASX Announcement 22 March 2021](#)).

Red Sky is preparing to perforate and test these newly identified pay potential zones in the wells. Planning is underway in line with our forward programme. This testing, if successful, will allow Red Sky to book reserves associated with Killanoola-1DW-1 and Killanoola SE -1.

Progress Report: Killanoola Project

In May, Red Sky reported that a successful inspection of the surface pump at the Killanoola – 1 DW-1 was completed. This well is part of the Killanoola Oil Project (Killanoola) located in the Penola Trough, South Australia, within Red Sky's newly acquired PRL13.

On Wednesday 12 May 2021, an inspection of the above ground portion of the linear rod pump (LRP) at the Killanoola-1 DW-1 well site was undertaken. The internal components of LRP were found to be in good condition and mechanically sound. The control box and the electrical system including the motor had been scheduled for testing.

The LRP runs with three (3) phase power. Critically there are power lines nearby to which Red Sky can connect to if the pump needs to be run for 24 hours per day over long periods.

Once all surface components have been checked and declared fit for purpose, Red Sky is planning a short test run. If the testing performs well, the pump will be turned on for an extended production test. During that period Red Sky will be able to ascertain more about the quality of the oil, the reservoir and also test enhanced oil recovery solutions.

Once this test period is completed Red Sky will re-enter the well to perforate the newly identified 37 metres of potential pay. If successful, this should increase production rates significantly.



Figure 1: Killanoola 1 surface pump

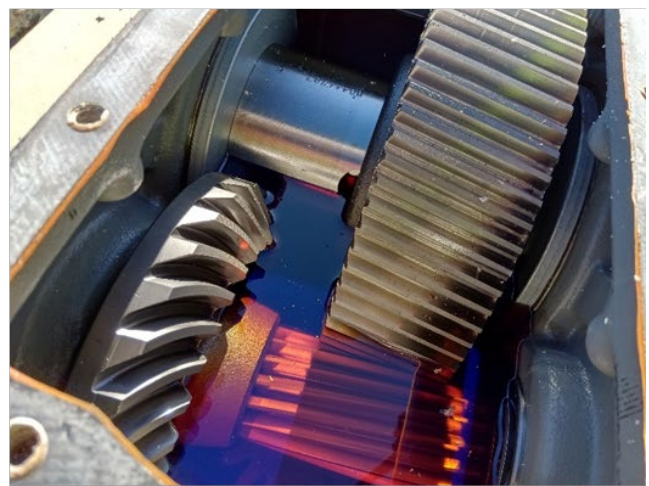
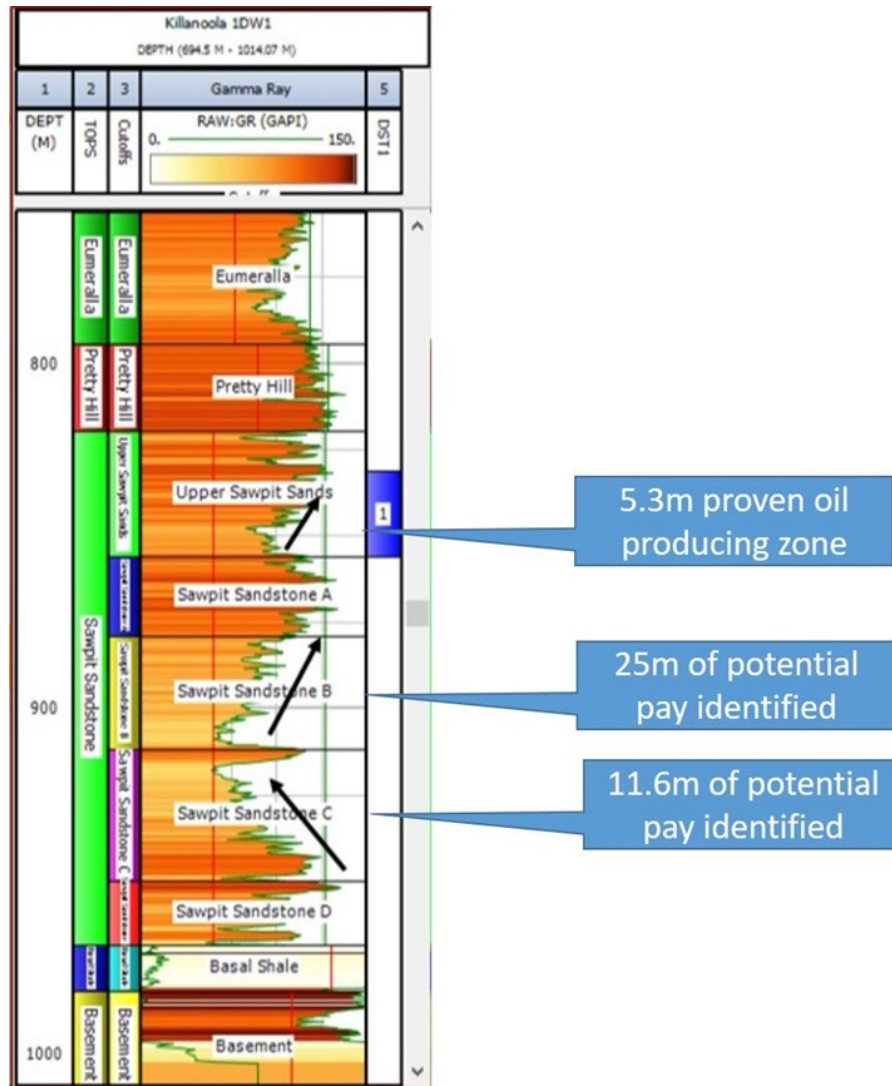
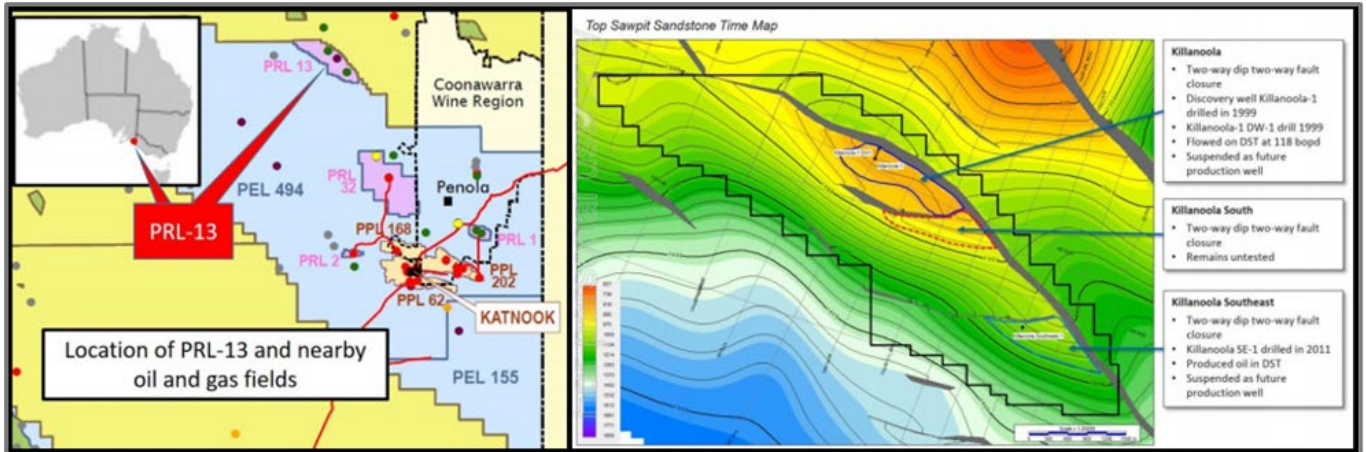


Figure 2: inside pump gear box

Figure 3: Killanoola Southeast-1 Location

Figure 4: Sandstone units observed in the Killanoola 1 DW1 well

Zone Depths		Reservoir Cutoffs	Pay Cutoffs	Reservoir Results	Pay Results				
Zone	Gross	Net	Net/Gross	Av Phi	Av Sw	Av Vd	PhiH	PhiSoH	VdH
# Name	Interval	Res	Res	Res	Res	Res	Res	Res	Res
5: Pretty Hill	25.00	0.00	0.000	---	---	---	---	---	---
6: Sawpit Sandstone	149.00	58.37	0.392	0.158	0.735	0.358	9.20	2.44	20.88
7: Basal Shale	13.50	1.22	0.090	0.144	0.981	0.150	0.18	0.00	0.18

Zone Depths		Reservoir Cutoffs	Pay Cutoffs	Reservoir Results	Pay Results				
Zone	Gross	Net	Net/Gross	Av Phi	Av Sw	Av Vd	PhiH	PhiSoH	VdH
# Name	Interval	Pay	Pay	Pay	Pay	Pay	Pay	Pay	Pay
5: Pretty Hill	25.00	0.00	0.000	---	---	---	---	---	---
6: Sawpit Sandstone	149.00	42.82	0.287	0.169	0.679	0.300	7.25	2.32	12.85
7: Basal Shale	13.50	0.00	0.000	---	---	---	---	---	---

Figure 5: Killanoola 1DW1 Sawpit Sandstone Reservoir and Pay Sums

Summary of Potential Current Resources

Killanoola Oil Field Project 100%

The Killanoola oil field is located near Penola South Australia and held under Petroleum Retention Licence 13 (PRL 13). The discovery well was drilled in 1998 and has produced oil consistently during tests. This well underwent petrophysical re-evaluation and results were encouraging. Killanoola SE-1 was drilled in 2011 into the same structural feature. Red Sky plans to test both wells this year. Killanoola SE-1 will be tested first to confirm petrophysical evaluations. Killanoola-1-DW1 will be tested immediately afterwards.

Innamincka Dome Projects with Santos 20% free carried work programme in Yarrow and Flax fields

- The Innamincka Dome projects comprise six Petroleum Retention Licences (PRLs) containing three oil and gas discoveries. The discoveries are Flax (PRL 14), Yarrow (PRL 17) and Juniper (PRL 18). The other three PRLs (180,181 and 182) are also prospective and being evaluated.

Flax Oil and Gas Project

- The Flax oil and gas field has produced about 180,000 bbl of oil from six wells. The production facility was shut-in by a previous operator during a time of low oil prices. Santos will fund 100% of a horizontal appraisal well in the Flax oil and gas field, up to a maximum gross cost of A\$5 million.

Yarrow Gas Project

- The Yarrow -1 discovery well and two appraisal wells have encountered gas. A fourth well is scheduled to be drilled in Q4 2021 targeting a highly prospective and untested part of the gas field. Santos will fund 100% of this appraisal well up to a maximum gross cost of A\$3.0 million and fund 100% of 50km² of 3D seismic over the existing Yarrow gas field in PRL 17, up to a maximum cost of A\$1.0 million. Subject to satisfactory appraisal outcomes, also 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.

Juniper Oil and Gas Project

- The Juniper oil field straddles both PRLs 17 and 18. It has been penetrated by three wells but is still not fully understood. Further subsurface work is being undertaken to fully evaluate its commercial potential.

Commenting on the current resources, Red Sky Managing Director, Andrew Knox, said:

"Red Sky is pleased to provide this summary of our contingent resources for our shareholders. At 2C they comprise potentially 5.1m bbls of oil and 7.6 BCF of gas. The company looks forward to commercialising these assets and moving them to reserves."

Killanoola Oil Field Project Oil and Gas Contingent Resources, Net 100% ROG Volumes

Permit	Field	Oil/condensate			Sales gas		
		1C	2C	3C	1C	2C	3C
		mmbbl	mmbbl	mmbbl	bcf	bcf	bcf
PRL13	Killanoola	0.8	2.8	5.5	0.0	0.0	0.0
	Total	0.8	2.8	5.5	0.0	0.0	0.0

Reference c)

Innaminka Dome Projects with Santos Oil and Gas Contingent Resources, Net 20% ROG Volumes

Permit	Field	Oil/condensate			Sales gas		
		1C	2C	3C	1C	2C	3C
		mmbbl	mmbbl	mmbbl	bcf	bcf	bcf
PRL17	Yarrow	0.1	0.1	0.1	2.5	3.7	5.5
PRL14/18	Flax	0.9	2.0	3.4	1.7	3.5	6.0
PRL17/18	Juniper	0.1	0.2	0.3	0.1	0.4	1.8
	Total	1.1	2.3	3.8	4.3	7.6	13.3

Reference a)

Total Oil and Gas Contingent Resources, Net ROG Volumes

Permit	Field	Oil/condensate			Sales gas		
		1C	2C	3C	1C	2C	3C
		mmbbl	mmbbl	mmbbl	bcf	bcf	bcf
PRL17	Yarrow	0.1	0.1	0.1	2.5	3.7	5.5
PRL14/18	Flax	0.9	2.0	3.4	1.7	3.5	6.0
PRL17/18	Juniper	0.1	0.2	0.3	0.1	0.4	1.8
PRL13	Killanoola	0.8	2.8	5.5	0.0	0.0	0.0
	Total	1.9	5.1	9.3	4.3	7.6	13.3

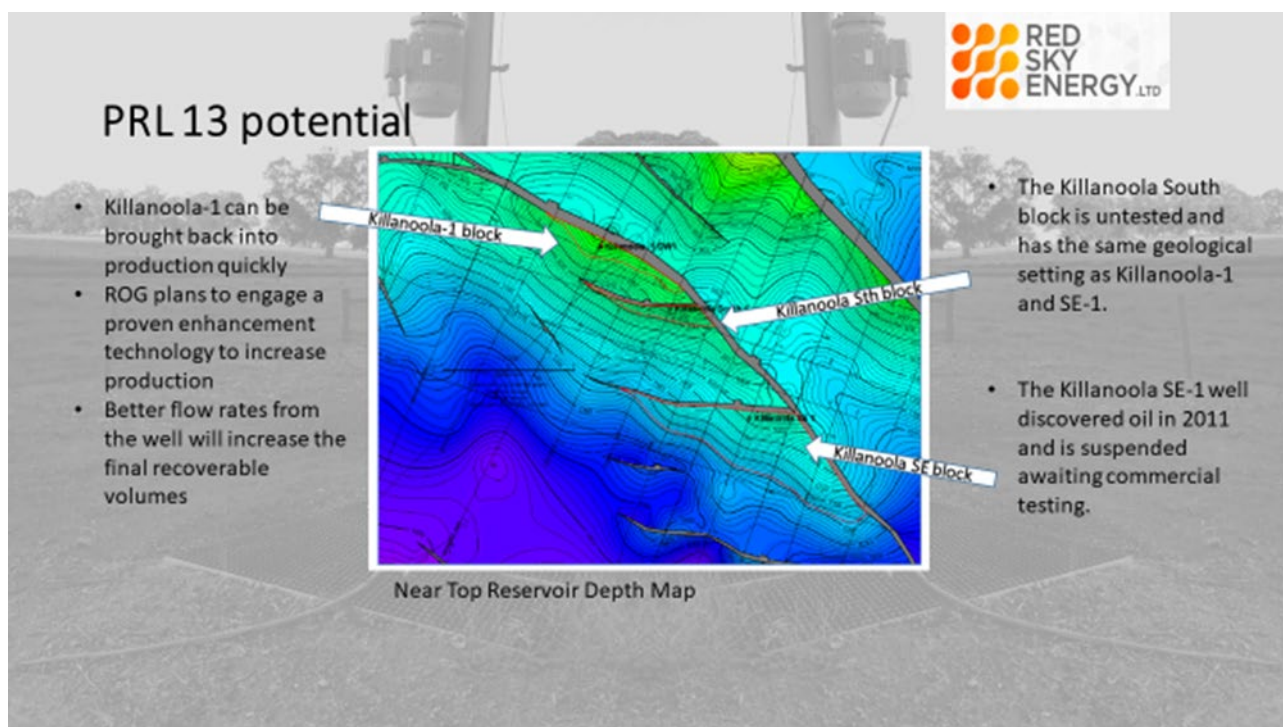
Notes

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations. These project(s) are not currently considered to be commercial owing to one or more contingencies. Contingent Resources have an associated chance of development. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status (SPE Petroleum Resources Management System).

References

- a) 6 May 2019 ROG ASX and Media Announcement: Risc Report On Oil and Gas Resources In Innamincka Dome Fields.
- b) 17 June 2019 ROG ASX and Media Announcement: Red Sky Energy Completing Strategic Review to Target Near Term Revenue Projects with Low Capex.
- c) 19 November 2020 ROG ASX and Media Announcement: Maiden Reserves and Resources Statement Killanoola Oil Field; PRL 13, South Australia.

Attachment 1



Outlook

The Company awaits approval from the SA DEM to commence operations at Killanoola. Once received the immediate forward schedule is to test the rods in the DW1 well are free moving whereupon the surface pump will be recommissioned and production in the short term restarted. A rig will then in due course be brought in to commence perforation work and potentially complete both the DW1 and SE1 wells as producers. Tenders are currently being received and assessed for all works required.

Corporate

In early April, Mr Clinton Carey retired from the Board to focus his attention on other business commitments. Mr Carey was a Director of Red Sky from 2015 and the Company thanks him for his efforts and support.

In mid-May, Andrew Knox, Red Sky's Managing Director, acquired, as satisfaction of milestone, 10,000,000 fully paid ordinary shares as approved by shareholders at the AGM on 10 September 2018.

In early July, Directors were issued Performance Rights with nil consideration. Further terms regarding the issue of securities are detailed in the Company's Notice of AGM lodged with ASX on 4 May 2021. All securities were approved by shareholders at the 2021 AGM dated 10 June 2021.

Cash

The company has cash reserves as at 30 June 2021 of \$3.04m

Related party disclosure

In line with its obligations under ASX Listing Rule 5.3.5, Red Sky Energy Limited notes that the only payments to related parties of the Company, as advised in the Appendix 5B for the period ended 30 June 2021, pertain to payments to directors for fees, salary and superannuation.

-ENDS-

Released with the authority of the board.

For further information on the Company and our projects, please visit:

www.redskyenergy.com.au

Contact:

Andrew Knox
Managing Director
Red Sky Energy
+61 407 356 557
andrew.knox@redskyenergy.com.au

Mark Flynn
Investor Relations
irX Advisors
+61 416 068 733
mf@irxadvisors.com

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.

Appendix 1

Exploration Projects

Australian Interests

Project

		Interest owned	
Innamincka Dome, South Australia	PRL 14	100%	*
Innamincka Dome, South Australia	PRL 17	100%	*
Innamincka Dome, South Australia	PRL 18	100%	*
Innamincka Dome, South Australia	PRL 180	100%	*
Innamincka Dome, South Australia	PRL 181	100%	*
Innamincka Dome, South Australia	PRL 182	100%	*
Killanoola, South Australia	PRL 13	100%	

* Santos to earn an 80% interest and operatorship.

United States Interests

Project

		Interest Owned	
Gold Nugget Gas Prospect (GN 1-23)	Fremont County, Wyoming	70%	^

^ 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.

Appendix 5B

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

Name of entity

RED SKY ENERGY LIMITED

ABN

99 099 116 275

Quarter ended ("current quarter")

30 JUNE 2021

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 new projects	(51)	(125)
(b) development		
(c) production		
(d) staff costs (not included above)	(73)	(410)
(e) administration and corporate costs	(170)	(341)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(40)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	25	25
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(269)	(890)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(38)	(38)
(d) exploration & evaluation	(122)	(168)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(e) investments		
(f) other – security bond		(800)
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 – bond refund		275
2.6 Net cash from / (used in) investing activities	(160)	(731)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		4,300
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	150	151
3.4 Transaction costs related to issues of equity securities or convertible debt securities		(232)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(23)	(341)
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	127	3,878

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,346	787
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(269)	(890)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(160)	(731)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	127	3,878
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,044	3,044

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	1,043	1,346
5.2 Call deposits	2,001	2,000
5.3 Bank overdrafts		
5.4 Other		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,044	3,346

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	88
6.2 Aggregate amount of payments to related parties and their associates included in item 2	17

Payments in 6.1 relate to Director salaries and company secretary consulting services.

Payments in 6.2 relate to a portion of the Managing Director salary.

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.

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(269)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(122)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(391)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,044
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,044
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.79
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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: n/a	
8.8.2 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: n/a	

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

Answer: n/a

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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:20 July 2021.....

Authorised by:With authority of the Board.....

(Name of body or officer authorising release – see note 4)

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.