

DECEMBER 2021 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Preliminary Production Testing at Killanoola-1 DW-1 Completed after Activity Approval from SA Government DEM was received**
 - **Linear Rod Pump at Killanoola-1 DW-1 functioning properly**
 - **Representative reservoir fluid samples collected for assay**
 - **Main objectives achieved and no incidents reported**
 - **Oil flowing**
- **3D seismic acquisition works commencing**
- **PRL13 five year renewal granted**
- **Innamincka drilling commencement rescheduled to late January**
- **The Company has cash reserves as at 31 December 2021 of \$6.996m**

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

Killanoola Project

In late December, the Company successfully completed a preliminary production test at Killanoola-1 DW-1 with no incidents. ([ASX Announcement 22 December 2021](#)) The test achieved the two main objectives: (1) Confirm that the Linear Rod Pump is functioning properly; (2) Collect surface samples of reservoir fluid for assay studies. Prior to this, Red Sky was able to successfully flow oil to surface from the existing 5 metres of pay at DW1. ([ASX Announcement 13 December 2021](#)) There is a further circa 40 metres of potential pay to perforate in this well. The approval to commence a LRP Production Test at Killanoola-1 DW-1 was received from the Government of South Australian (SA Government) Department for Energy and Mining (DEM) in early December. ([ASX Announcement 6 December 2021](#))

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.

DW-1

Production

Activity Approval was received to commence testing of the existing 5 metres of pay at DW-1. Contracts for the testing were awarded, equipment was successfully mobilised to site and testing commenced as planned on 10 December 2021. On 13 December 2021 the test was successfully completed with no incidents. Equipment was demobilised from the site commencing 14 December 2021.

Production Test Results

After an initial clean up period, the well produced oil with no water at an average rate of 40 bopd. Surface fluid sampling was then carried out for future assay studies. An extended production test will take place once additional potential zones are perforated.

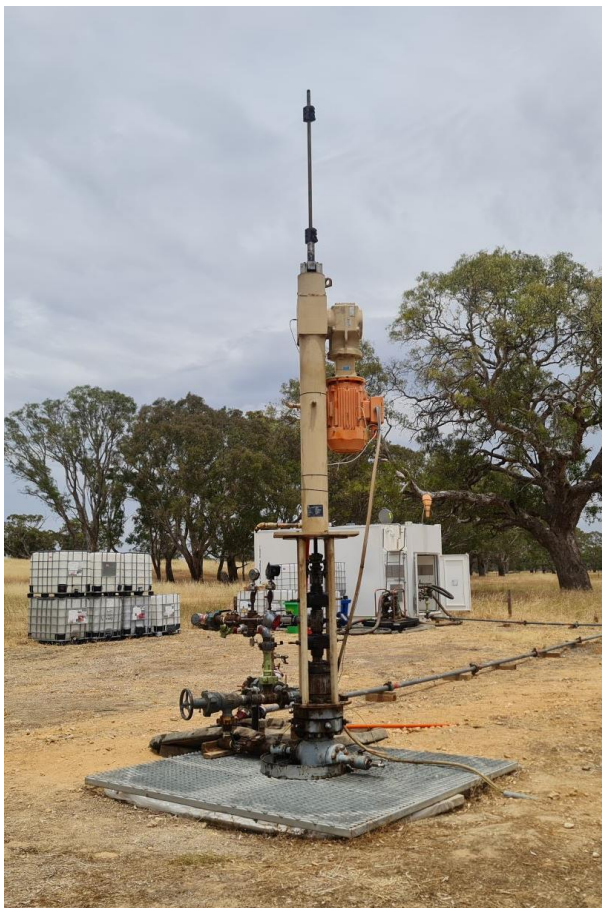


Figure 1 – DW-1 Surface Layout



Figure 2 – Killanoola Crude Oil Sample

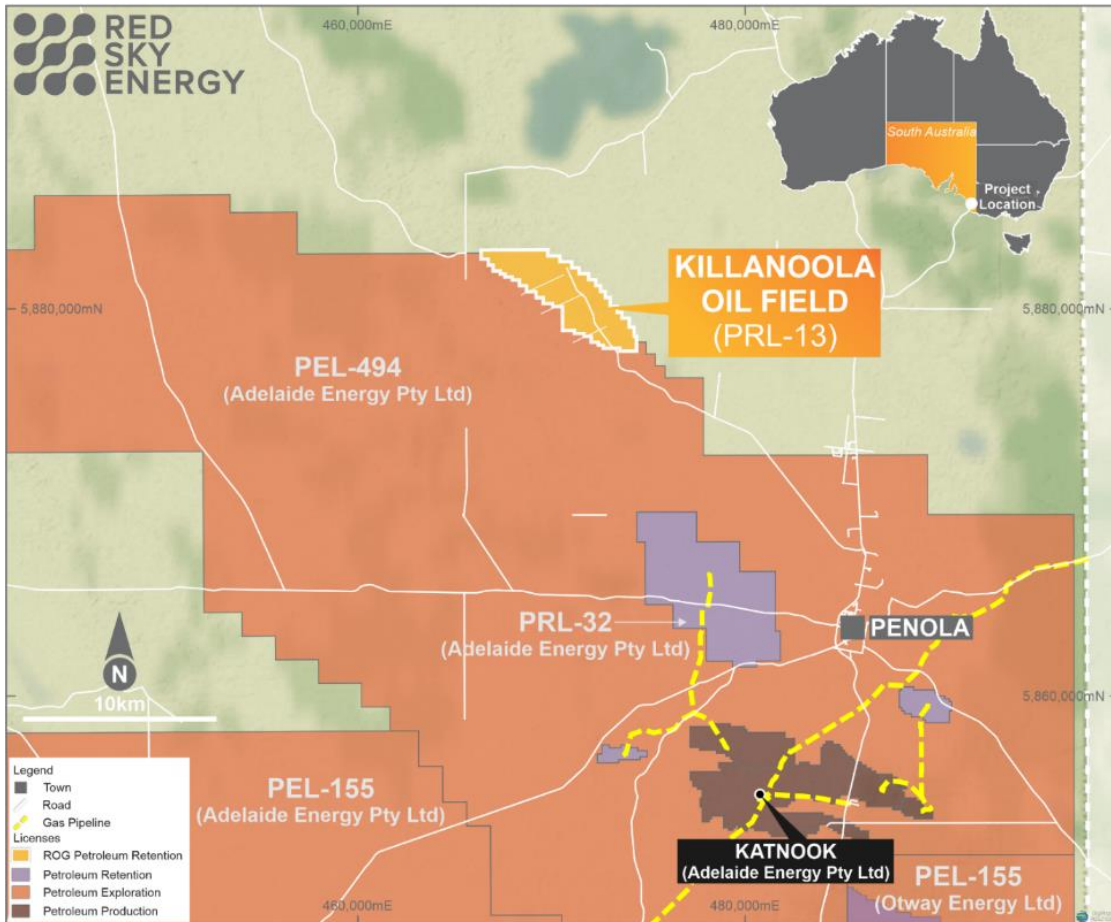


Figure 3: Killanoola Oil Field (PRL-13) location map

(Adelaide Energy Pty Ltd is a subsidiary of Beach Energy Ltd (ASX:BPT))

SE-1

The DEM requires production tubing be installed in the well at SE-1 before wireline perforation testing can commence to better facilitate production testing. This requires a rig to be brought in to run the production tubing. Red Sky, to minimise costs, does not intend to undertake the wireline perforation of the zones of interest until ready to do the same at DW-1.

PRL13 renewal

The DEM has granted a third renewal of the license for a period of five years commencing 31 January 2022.

The renewal work programme requirements are that during the term of the licence the Company shall carry out or cause to be carried out the extended production testing of the Killanoola SE1 well.

Innamincka Dome Projects

On [5 November 2021](#), the Company announced that Santos Limited (ASX:STO) had advised it expected to commence drilling the Yarrow well in the last week of December 2021. It was further announced that the Yarrow 3 Gas Well drilling was to start in the last week of 2021. ([ASX Announcement 16 December 2021](#))

Santos have recently updated and advised Red Sky that due to an extended work programme at the preceding well, the current forecast does not indicate the rig moving to Yarrow as originally scheduled. The rig is now expected to be at the preceding well until the fourth week of January. The rig move once underway is expected to take approximately two days so the Yarrow well will not likely commence drilling until late January.

Red Sky is free carried through the drilling of this well.

Yarrow has previously been estimated to have a 2C contingent resource of 18BCF. A further 20BCF 2C of associated gas is estimated at the Flax oil field 8km to the southeast of Yarrow.

A pipeline of approximately 20km would potentially be built to tie into the grid at Napowie to the south of the Yarrow gas field. The pipeline is expected to have a gross capacity of 20mmcfpd (4mmcfpd net to Red Sky).

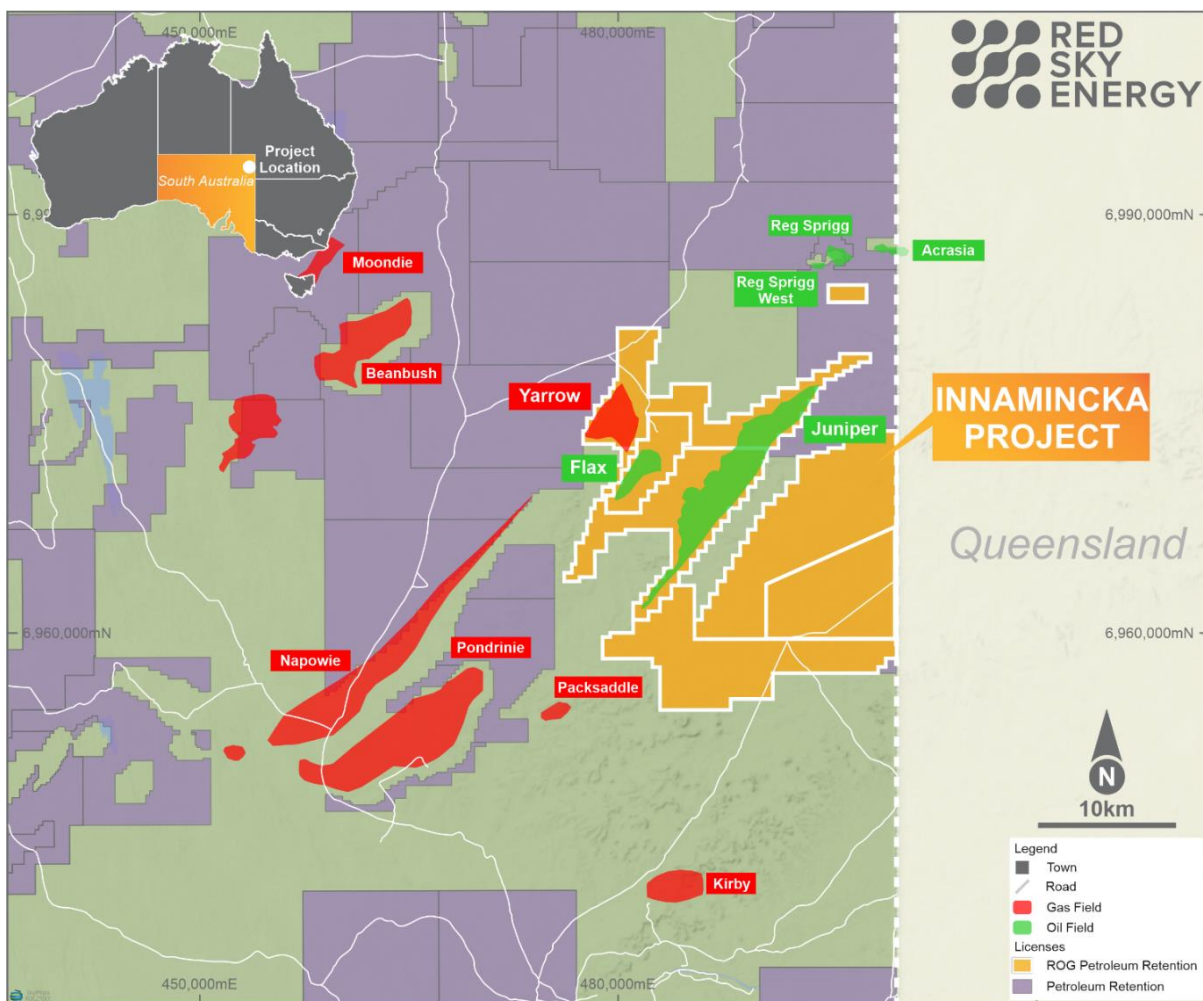


Figure 4: Innamincka Dome Projects location map

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 50km² 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 a horizontal 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.

Outlook

Red Sky has achieved the objectives it set out for the preliminary production testing at Killanoola-1 DW-1. The Company is now in possession of a representative fluid sample and has carried out fluid assay studies. Results from these studies will facilitate commercial negotiations with potential Killanoola crude oil buyers.

The Company has been discussing seismic acquisition with affected landowners and is pleased to advise that all discussions were most satisfactory ([ASX Announcement 5 November 2021](#)) and landowner agreements have nearly all been concluded. The Company wishes to thank those landowners for their understanding and assistance. An additional associated activity license has been granted surrounding the PRL13 licence, AAL295, to allow the seismic acquisition to exceed the licence limits by approximately 5km², to better facilitate and improve the imaging. Acquisition activities are expected to commence during the current quarter.

The Yarrow gas well drilling is expected to commence in late January 2022. The well total depth is approximately 2,700m and is expected to take two weeks to drill.

Corporate**Cash**

The company has cash reserves as at 31 December 2021 of \$6.996m.

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 31 December 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

Forward Looking Statements

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% ^
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^ 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")

31 DECEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(46)	(235)
(b) development		
(c) production		
(d) staff costs (not included above)	(76)	(565)
(e) administration and corporate costs	(82)	(702)
1.3 Dividends received (see note 3)		
1.4 Interest received		2
1.5 Interest and other costs of finance paid		(40)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		25
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(204)	(1,515)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		(38)
(d) exploration & evaluation	(300)	(629)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(300)	(1,192)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		9,427
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	100	251
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(34)	(421)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		(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	66	8,916

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,434	787
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(204)	(1,515)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(300)	(1,192)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	66	8,916
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,996	6,996

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	494	2,432
5.2 Call deposits	6,502	5,002
5.3 Bank overdrafts		
5.4 Other		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,996	7,434

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	75
6.2 Aggregate amount of payments to related parties and their associates included in item 2	24

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)	(204)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(300)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(504)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,996
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,996
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	13.88
<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:18 January 2022.....

Authorised by:with the 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.