

MARCH 2022 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Seismic survey acquisition commenced and completed at Killanoola
- Processing of seismic underway
- Actively pursuing markets for oil production
- Planning has commenced for the perforation and testing of both DW1 and SE1
- Perforation to be followed by extended production testing
- Long term production to potentially follow
- Renewal of Killanoola license granted
- Innamincka drilling expected to commence in June 2022
- The Company continues to actively pursue opportunities
- The Company has cash reserves as at 31 March 2022 of \$6.321m

Australian Oil and Gas explorer and developer, Red Sky Energy (ASX: ROG) (Red Sky or the Company) is pleased to provide its March 2022 Quarterly Activities Report.

Killanoola Project

Red Sky's acquisition of the 3D seismic survey over the entire PRL13 license at Killanoola commenced in February ([ASX Announcement 14 February 2022](#)) and was completed in early March, on schedule and with minimal down time. The seismic acquired is currently being processed and then will be interpreted prior to releasing further information to shareholders. ([ASX Announcement 2 March 2022](#)) The seismic survey will greatly assist in unlocking additional resources and the planning for the comprehensive Killanoola full field development.

As previously announced ([ASX Announcement 5 November 2021](#)), an additional associated activity licence was applied for and granted surrounding the PRL13 licence, AAL295, which allowed the seismic acquisition to exceed the licence limits by approximately 5km², to better facilitate and improve the imaging.

The Company is in discussions with several parties for the offtake of potential production from Killanoola. Planning has commenced to contract a rig and for the wireline perforation of the additional zones of interest identified at both DW1 and SE1. This is to be followed by production testing and potentially long-term production.

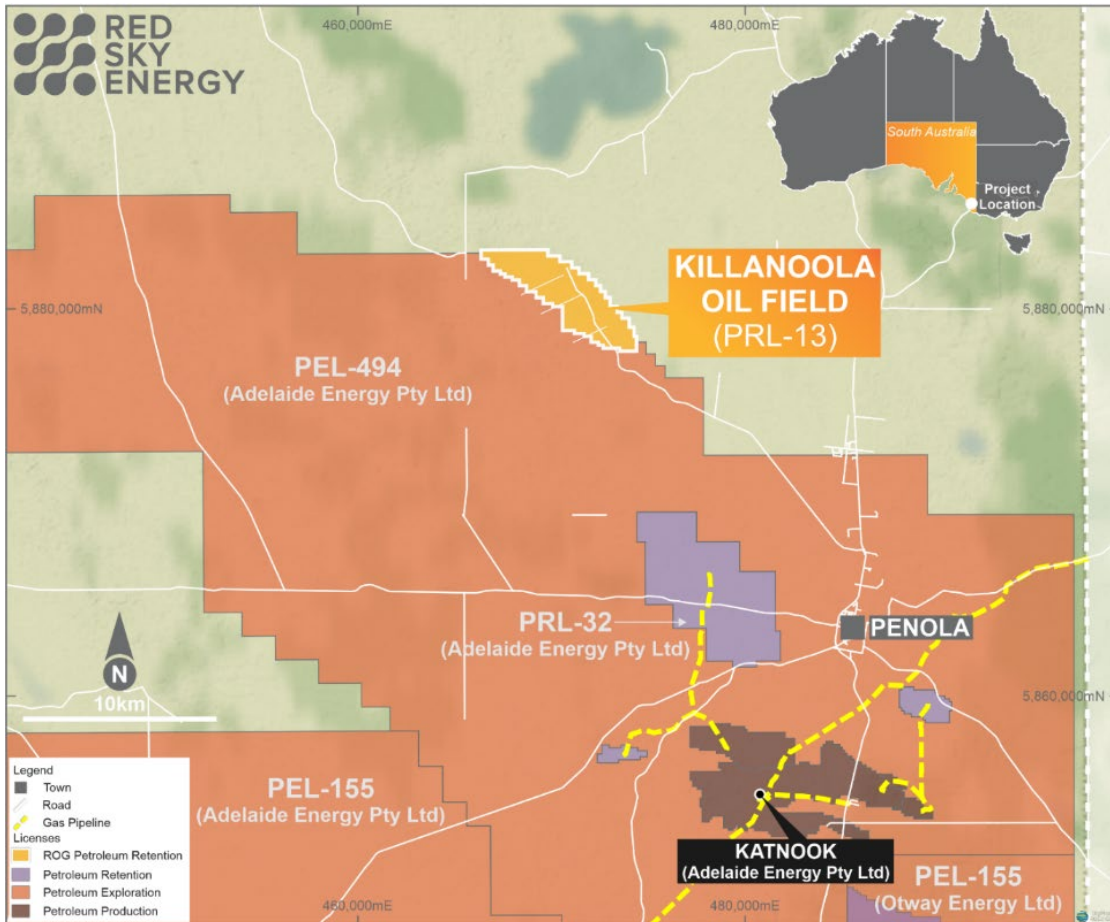


Figure 1: Killanoola Oil Field (PRL-13) location map

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

About Killanoola

The Killanoola oilfield was discovered by the Killanoola-1 well in 1998 at a depth of 850 metres. The oil is 34° API with a high viscosity. Previous flow tests of the well have recorded rates of up to 300 bopd. A second well Killanoola Southeast 1 was drilled in 2011 within the PRL-13 area and also discovered oil. This well has not been tested.

DW-1

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.

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 a market is established for any oil produced and additional potential zones are perforated.

SE-1

It is intended to run the wireline perforation and production testing programme at SE-1 where possible with that at DW-1 to minimise costs.

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 stipulate 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

At Red Sky's other licenses at Innamincka in the Cooper basin, South Australia, Santos the operator completed its analysis of the reprocessed 2D seismic and a drill target was identified on the Yarrow gas field. Planned drilling was hampered by inclement weather. However, the well is now expected to commence drilling in June 2022. ([Annual Report December 2021](#))

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. Application for approval has been made for the construction of the pipeline. The pipeline is expected to have a gross capacity of 20mmcfpd (4mmcfpd net to Red Sky).

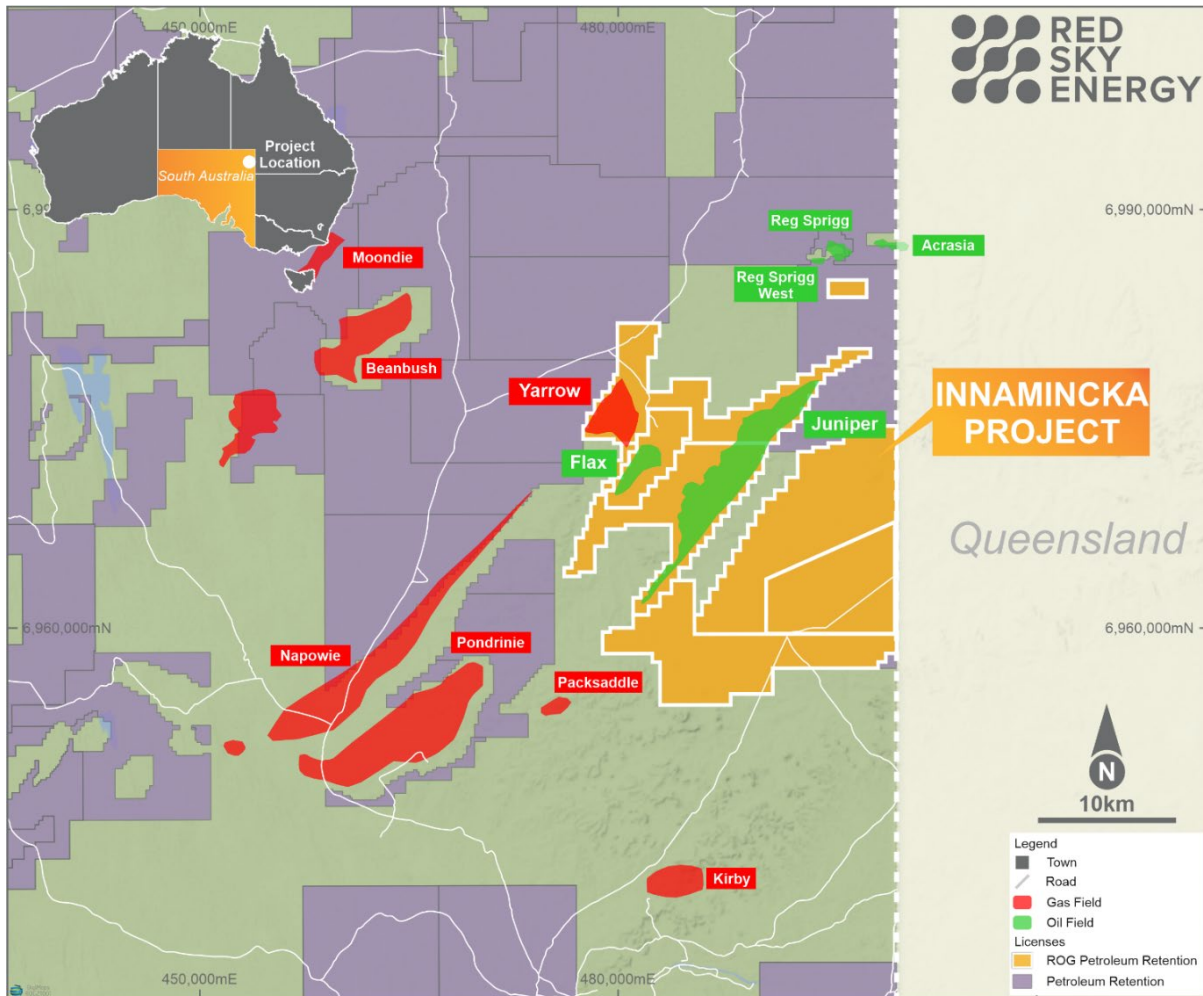


Figure 2: Innamincka Dome Projects location map

Outlook

Red Sky continues to progress its monetisation strategy of its assets at both Killanoola and Innamincka but is not limiting itself to organic growth. The Company continues to explore other opportunities in line with its stated strategy of acquiring producing or near production assets. ([Annual Report December 2021](#)) The global move to energy transition out of fossil fuels by the majors to meet their carbon reduction targets has created a number of opportunities for the Company.

Aware of the risks that climate change can bring, Red Sky is exploring its own transition strategies that can be achieved from its production. The Company is actively pursuing such opportunities that these structural changes have provided and hopes to announce a successful acquisition this year. The pursuit of both of these approaches is expected to enable the Company to achieve economies of scale that can allow Red Sky to have a more relevant position in the market.

Cash

The company has cash reserves as at 31 March 2022 of \$6.321m.

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 March 2022, 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
mark.flynn@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	100.00 *
Innamincka Dome, South Australia	PRL 17	100.00 *
Innamincka Dome, South Australia	PRL 18	100.00 *
Innamincka Dome, South Australia	PRL 180	100.00 *
Innamincka Dome, South Australia	PRL 181	100.00 *
Innamincka Dome, South Australia	PRL 182	100.00 *
Killanoola, South Australia	PRL 13	100.00

* Santos to earn an 80% interest and operatorship.

United States Interests

Project		Interest owned %
Gold Nugget Gas Prospect (GN 1-23)	Fremont County, Wyoming	70.00 *

* 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 MARCH 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(75)	(75)
(b) development		
(c) production		
(d) staff costs (not included above)	(77)	(77)
(e) administration and corporate costs	(85)	(85)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other		
1.9 Net cash from / (used in) operating activities	(234)	(234)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation	(443)	(443)
(e) investments		
(f) other – security bond		

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 (3 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 – bond refund		
2.6	Net cash from / (used in) investing activities	(443)	(443)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
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		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,998	6,998
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(234)	(234)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(443)	(443)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,321	6,321

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	816	496
5.2	Call deposits	5,505	6,502
5.3	Bank overdrafts		
5.4	Other		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,321	6,998

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	86
6.2	Aggregate amount of payments to related parties and their associates included in item 2	21
<p>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.</p> <p><i>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.</i></p>		

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

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. 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)	(234)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(443)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(677)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,321
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,321
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	9.34
<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	
<i>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.</i>	

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: ...29 April 2022.....

Authorised by:Board of Directors.....
(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.