

JUNE 2023 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

Innamincka

- Santos continues to advance Yarrow flowline connection into grid
- Tie-in completion scheduled and pipeline expected to be online end July
- First gas production anticipated by end of July
- Pricing being finalised
- Second renewal of Petroleum Retention Licence (PRL) 17 and Associated Activities Licence (AAL) 296 granted for further 5 years until June 2028

Killanoola

- The Company continues to work towards an offtake agreement for Killanoola crude production
- Once finalised and governmental approvals are received it is intended to commence extended production testing at DW1
- Site works to prepare the DW1 well site for production activities now complete
- Bunding and tanks installed at site

Corporate

- The Company continues to actively pursue acquisition opportunities
 - The Company has cash reserves as at 30 June 2023 of \$3.3m
-

Red Sky Energy (ASX: ROG) (**Red Sky** or the **Company**) is pleased to provide its June 2023 Quarterly Activities Report. Activities continued to be focused at Yarrow 3 well in the Company's Innamincka Project (*Figure 1*).

In May, the Company advised that Santos Limited (**ASX:STO**) (**Santos**) provided an update on the construction of the pipeline of approximately 18km to tie into the grid to the south of the Yarrow gas field. (*Figure 2-3*) The pipeline will be predominantly laid underground with certain points above ground where necessary. Construction is proceeding and activity is expected to bring the Yarrow 3 flowline on in 3Q23.

Innamincka Dome Projects

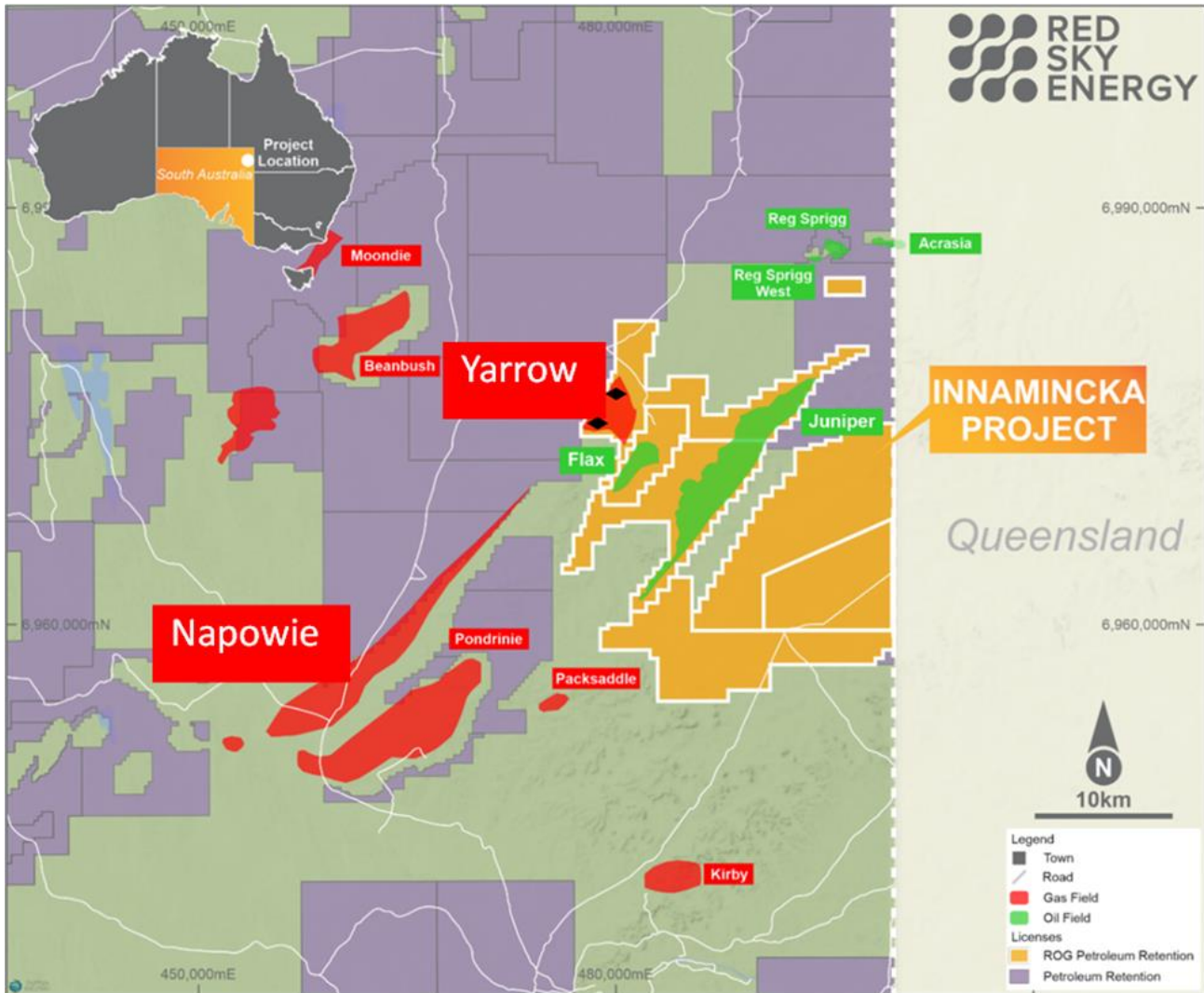


Figure 1: Innamincka Dome Projects location map with Yarrow and Napowie highlighted



Figures 2-3: Yarrow 3 Pipeline under construction May 2023

A further update in late June provided by Santos advised that construction is continuing to proceed as planned. (Figures 4-5) The gathering line is mostly complete and the hydrotest is currently being set up. Ongoing flowline activities include trenching, lowering and welding of the spooling.

Tie-in completion is now complete. First gas production is anticipated to commence end of July. Red Sky is also finalising sales agreements for processed gas and liquids.

Background

The Yarrow field has been estimated to have a 2C contingent resource of up to 18BCF. A further potential of 20BCF 2C of associated gas is estimated at the Flax oil field 8km to the south east of Yarrow (Flax is a shut in oil field with associated gas that has not yet been produced). Preliminary analysis of pressure data indicated connected volume from the Yarrow 3 well, our first producing well, is >1.7 BCF (EUR 1.3 BCF) with some residual water production. Peak rate of approximately 5MMscfd through a 36/64" choke with tubing head pressure of 780psi.

Memory Production Logging Tool (MPLT) was completed and this confirmed the flow was in line with initial data from the fracc with 85% from the Patchawarra formation and 15% from the Tirrawarra sandstone. Post receipt of this analysis, Santos' Cooper Basin based team recommended proceeding with the 18km pipeline connection in parallel with a proposal to re-enter Yarrow 1 and test the well with the view to also moving it to production and eventually tie in to the same pipeline.



Figures 4-5: Yarrow 3 Pipeline under construction June 2023. Photos show pipeline being buried.

Yarrow 3 was an appraisal gas well targeting the Tirrawarra sandstone as the primary objective and the Patchawarra formation as the secondary objective. Tested at Yarrow 1, the Tirrawarra sandstone was shown to flow gas to surface. Preliminary wireline evaluation of the Tirrawarra Sandstone and Patchawarra Formation had been conducted and gas was encountered at both horizons.

Renewal of Innamincka PRL 17 Licence

In late June, the Department for Energy and Mining of South Australia granted to Red Sky and Santos a renewal of the Petroleum Retention Licence (PRL) 17 and Associated Activities Licence (AAL) 296 located in the South Australian Cooper Basin for a further 5 years until 26 June 2028. The PRL will allow Red Sky and Santos to construct, operate and maintain a flowline.

Killanoola Project

The Company continues to progress an offtake agreement for the sale of Killanoola crude. The intent is to include an additive to provide flow assurance which resolves the viscosity issue and reduces the pour point significantly. Revised assays on the crude with the additive have been performed. Once finalised and required governmental approvals are received, Red Sky will be in a position to commence production operations.

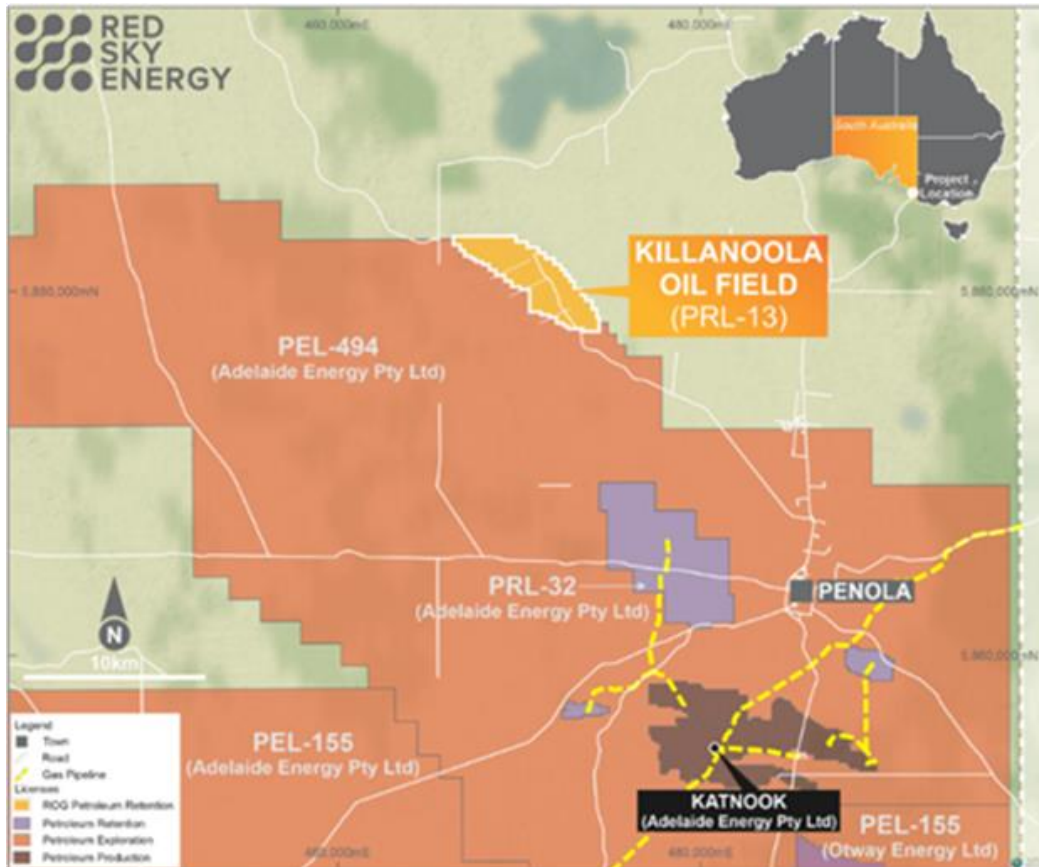


Figure 6: Killanoola Oil Field (PRL-13) location map
(Adelaide Energy Pty Ltd is a subsidiary of Beach Energy Ltd (ASX:BPT))

As [previously reported in May 2022](#), the Killanoola Project discovered potential PIIP was revised upward from 7 mmbbls to 93 mmbbls Best Estimate, representing a 1228% increase. The report by Global Resources & Infrastructure Pty Ltd (**GRI**) provided an updated [Independent Competent Person's Report \(CPR\)](#) on the discovered potential Petroleum Initially In Place (**PIIP**) in the Killanoola Oil Project, PRL-13, Penola Trough, South Australia (the **Petroleum Asset**), held by Red Sky.

Upon the completion of the interpretation of the 3D seismic which was acquired and processed last year, the Company commissioned a further updated report from GRI on the PIIP.

Interpretation of the new 3D seismic data appears to indicate the following:

- The trajectory of the SE1 well passed through a fault plane at approximately the target reservoir depth on the low side of the fault. This suggests the high block to the south-east of the existing well remains untested and that the well intersection was on the down thrown side of the main structure.
- The DW1 area of the structure based on the 3D seismic appears to be more gently sloping to the south-west than was originally interpreted from the 2D seismic data with wider spaced depth contours and should accommodate greater volumes than that interpreted using the 2D seismic.

GRI estimates included changes to the size of the structural compartments as interpreted and has resulted in a further best estimate increase from 93 mmbbls to 135.5 mmbbls. This represents a further increase of 45.7%

PRL-13 covers an area of 17.5 km² and is located near the Haselgrove and Jacaranda Ridge gas fields and approximately 25 km NW of the Katnook gas fields and processing facility. In 1998, the Killanoola oil field was discovered by the Killanoola-1 well at a depth of 850 metres. The side-track, Killanoola-1 DW-1, also encountered oil and is the well with the pump which was tested in December 2021. In 2011 Killanoola Southeast-1 was drilled and discovered oil.

In December 2021, a successful oil sampling operation was carried out at Killanoola-1 DW-1. The collected samples were sent to the Intertek laboratory for assay studies. Results indicated that the Killanoola crude is ideal for producing gasoil. The maximum pour point is 36 degrees Celsius, and the API density is 36.7.

This waxy crude requires heating up throughout the production process: flowlines, separator, storage tank and possibly trucking. Eight insulated ISO tanks have been purchased to hold and potentially deliver crude.

The Company is currently focused on starting DW-1 production from existing pay zones. Any new perforations or drilling operations require mobilising a rig. Topside equipment has also been purchased and the site expanded.

Outlook

Innamincka Projects - Pipeline connection into the Santos grid proceeding with tie-in completion scheduled and pipeline expected to be online last week of July. Red Sky is looking forward to receiving production revenue starting from Q3 2023. Tie in of future wells is expected. Indications point to potential for deep coal measures in the north of Yarrow.

Killanoola Oil Projects - Red Sky is now targeting increased volumes of oil recoverable. Production is expected to start once an SPA and government approvals are in place. Killanoola can potentially become a material oil project for the Company's future cashflow.

In addition to its current projects, the Company continues to assess opportunities as part of its strategy of acquiring producing or near production assets.

Cash

The Company has cash reserves as at 30 June 2023 of \$3.3m.

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 2023, 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.

Notes**Methodology for Calculating discovered Petroleum Initially In Place**

At its current stage of development, the Killanoola Oil project, in accordance with definitions established by the PRMS (2018), contains oil in the discovered Petroleum Initially In Place (PIIP) category. No greater levels of certainty have yet been established.

The discovered Petroleum Initially In Place is estimated deterministically by:

1. Extrapolating and analysing the estimated area and thickness of the structure. The boundaries to defining this volume are determined by the interpretation of the physical parameters of the top of the Sawpit Sandstone utilising seismic data,
2. Identifying the oil-water contact (OWC) identified in the wells drilled on the structure,
3. Estimating the net thickness of the oil column
4. Applying a porosity factor to obtain the potential total void space contained in that rock volume
5. Applying a generalised water saturation to the rock void volume.
6. The remaining porosity volume is then assumed to contain oil, which is then converted to barrels for ease of understanding.

Finally, to remain compliant with PRMS (2018) requirements and as a result of using the deterministic method, GRI used the Low/Best/High nomenclature to represent the discovered PIIP. These estimates were developed using various changes to the size of the structural compartments as interpreted.

Formula for Calculating PIIP

For undersaturated crude, the reservoir contains only connate water and oil with their respective solution gas contents. The initial or original oil in place can be estimated from the volumetric equation:

$$N=7,758Vb\phi SoiBoi=7,758Ah\phi 1-SwiBoi$$

- The constant 7,758 is the number of barrels in each acre-ft,
- Vb is bulk volume in acre-ft,
- ϕ is the porosity (ϕVb is pore volume),
- Soi is the initial oil saturation,
- Boi is the initial oil formation volume factor in reservoir barrels per stock tank barrel,
- A is area in ft²,
- h is reservoir thickness in ft, and
- Swi is the initial water saturation.

In addition to the uncertainty in determining the initial water saturation, the primary difficulty encountered in using the volumetric equation is assigning the appropriate porosity-feet, particularly in thick reservoirs with numerous non-productive intervals. One method is to prepare contour maps of porosity-feet that are then used to obtain areal extent. Another method is to prepare isopach maps of thickness and porosity from which average values of each can be obtained. Since recovery of the initial oil can only occur from permeable zones, a permeability cut-off determined by ResEval was used to obtain the net reservoir thickness. Intervals with permeabilities lower than the cut-off value are assumed to be non-productive. The absolute value of the cut-off will depend on the average or maximum permeability and can depend on the relationship between

permeability and water saturation. A correlation between porosity and permeability is often used to determine a porosity cut-off. In cases in which reservoir cores have been analysed, the net pay can be obtained directly from the permeability data. This was not the case at any of the Killanoola wells as no cores were cut. When only logs are available, permeability will not be known; therefore, a porosity cut-off is used to select net pay. These procedures can be acceptable when a definite relationship exists between porosity and permeability.

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 2023

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	(50)	(110)
(b) development		
(c) production		
(d) staff costs (not included above)	(56)	(118)
(e) administration and corporate costs	(121)	(177)
1.3 Dividends received (see note 3)		
1.4 Interest received	27	54
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	(200)	(351)
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	(190)	(489)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(e) investments		
(f) other – security bond		
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	(190)	(489)

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	3,720	4,170
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(200)	(351)

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)	(190)	(489)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,330	3,330

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	271	687
5.2 Call deposits	3,059	3,033
5.3 Bank overdrafts		
5.4 Other		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,330	3,720

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	72
6.2 Aggregate amount of payments to related parties and their associates included in item 2	46

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)	(200)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(190)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(390)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,330
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,330
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	8.53
<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:27 July 2023.....

Authorised by: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.