

## MARCH 2024 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

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#### Innamincka

- Red Sky generated cash receipts totalling \$1.17 million in the quarter from Yarrow 3 production
- The current flow rate of the well is steady, indicating stable operational performance
- Re-entry of the Yarrow 1 well is scheduled for 4Q 2024, with on line completion expected by Q2 2025
- Budgeted at a total cost of \$4.8 million gross, with \$0.96 million net to Red Sky, the Yarrow 1 well is expected to add to the Company's cash flow
- The expected ultimate recovery from Yarrow 1 is estimated at 2.4 BCF gross, distributed on a 50:50 basis between the Patchawarra and Tirrawarra formations

#### Killanoola

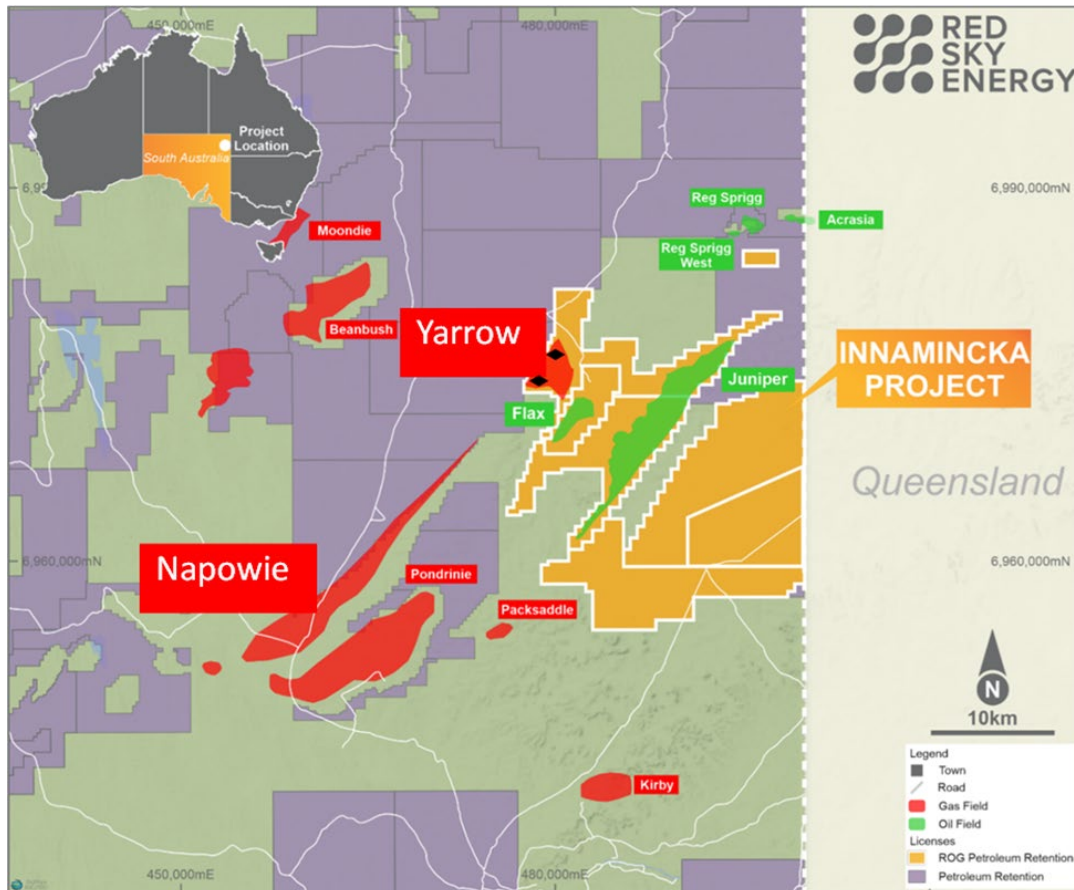
- Red Sky finalised an agreement with Viva Energy Australia Pty Ltd (ASX:VEA) to purchase all crude from the Killanoola oil field project, ensuring a steady revenue stream
- Initial flow rates from the DW1 well showed promise despite subsequent mechanical issues
- To replace the faulty pump at DW1, two alternatives are being evaluated: (1) a cost-effective usage of a crane with specialist's pipe handling tools, resulting in significant cost savings; (2) a conventional workover rig, depending on availability within South Australia
- Plans for new Killanoola KN2 well involve relocating the well pad to a new position, necessitating site reconfiguration
- Plans for new SE2 well involve a new well site
- Ongoing discussions continue regarding condensate blending to alleviate pour point issues
- Activity Notifications (ANs) to be submitted for DEM approval, including DW1 workover, KN2 and SE2 well site preparations, and drilling of KN2 and SE2 wells
- Cost constraints of the drilling programme are being addressed

#### Corporate

- The Company continues to pursue acquisition opportunities actively
- The cash position has increased for the Quarter
- The Company has cash reserves as at 31 March 2024 of \$2.943m

**Red Sky Energy** (ASX: ROG) (**Red Sky** or the **Company**) is pleased to provide its March 2024 Quarterly Activities Report, highlighting developments at its Killanoola Oil Project in the Penola Trough and its Innamincka Gas Project in the Cooper Basin, both located in South Australia.

### Innamincka Dome Projects



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

In December 2023, Red Sky confirmed the receipt of its first revenues for the month of November under the bilateral gas sales agreement (**MBA**) with Origin Energy Limited (ASX:ORG). This significant milestone marks the culmination of efforts following the completion of the pipeline construction by Santos Limited (ASX:STO) and its successful tie-in to the grid south of the Yarrow gas field. Sales of ethane, LPG, and condensate proceeds by the operator are expected to bolster revenues further.

The MBA delineates the framework of terms and conditions governing transactions between the parties. It outlines that sales will encompass all gas produced until 1 January 2026, with provisions for potential extensions structured under a take-or-pay arrangement.

The production revenue generated from Yarrow 3 has resulted in cash receipts totalling \$1.17 million for the quarter. The revenue stems primarily from gas sales, with \$0.19 million derived from LPG and condensate. Accrued revenue due at the end of the quarter was \$0.45 million.

The receipts summary for the quarter is:

DESCRIPTION	VOLUME	\$000's
Methane/Ethane GJs	80,889	982
LPG Tonnes	133	127
Condensate Bbls	626	61
<b>TOTAL</b>		<b>1,170</b>

The re-entry of the Yarrow 1 well, which was initially projected to take place during the quarter, was delayed due to a lack of ullage capacity in the pipeline system. The operator has advised that ullage is now projected to be available by July 2024. Consequently, the re-entry of Yarrow 1 is now slated for the fourth quarter of 2024, with completion anticipated by the second quarter of 2025. The well was budgeted at a total cost of \$4.8m gross and \$0.96m net from Red Sky on a completed and tied-in basis. This includes various expenditures such as integrity checks, workover operations, fracking, and pipeline installation. The anticipated ultimate recovery from Yarrow 1 is estimated at 2.4 BCF gross, allocated on a 50:50 basis between the Patchawarra and Tirrawarra formations.

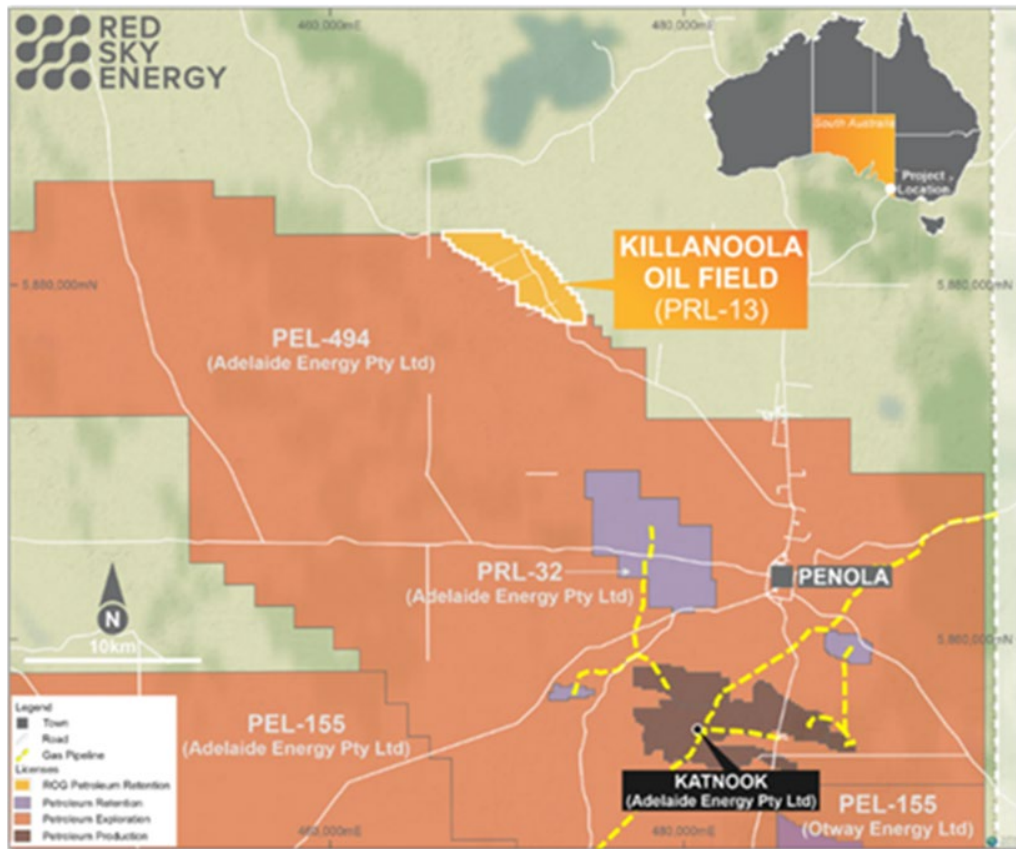
The 3D seismic processing and interpretation is expected to be completed after Q1 2025; therefore, further development wells are expected to be drilled in late 2025. [In December 2023](#), Red Sky announced the successful conclusion of the Seismic Acquisition program in collaboration with Santos Limited (ASX: STO). The agreement with Santos for a Seismic Acquisition program was announced in September and commenced in October.

The program, designed to cover portions of PRL14, including Yarrow and PRL17 at the Innamincka Dome in the Cooper Basin, was completed, and all crews and equipment were demobilised from the site. Santos is currently engaged in the technical aspects of the project, and the acquired data will undergo processing and interpretation in the coming months.

The joint acquisition was cost-effective and will result in a shared benefit area. The seismic acquisition will provide valuable information about the subsurface structure, which is essential to Red Sky's placement of further development wells and exploration activities.

Seismic acquisition is a crucial process in the project's exploration phase. Its primary purpose is to gather precise and dependable subsurface data, aiding Red Sky in making well-informed choices regarding drilling locations. This method involves creating intricate subsurface images by observing how seismic waves move through various rock layers and other substances. These seismic waves are intentionally generated using a seismic source that directs energy into the ground. As this energy travels through the subsurface, it bounces back upon encountering boundaries between distinct rock layers or other geological characteristics.

Red Sky holds a 20% working interest in six PRLs (14, 17, 18, 180, 181, 182) at the Innamincka Dome.

**Killanoola Project**


**Figure 2: Killanoola Oil Field (PRL-13) location map  
(Adelaide Energy Pty Ltd is a subsidiary of Beach Energy Ltd (ASX:BPT))**

In August 2023, Red Sky finalised an agreement with Viva Energy Australia Pty Ltd (ASX:VEA) to purchase all crude from the Killanoola oil field project, subject to required quality specifications. Delivery will be made to Viva Energy's Geelong refinery by road tanker, approximately four hours southeast of the project site.

In December, works to prepare the well for the extended production test commenced after Red Sky received approval from the Government of South Australia (SA) Department for Energy and Mining (**DEM**), and contractors were mobilised to the site. However, operations at the DW1 well were suspended shortly after due to a downhole mechanical failure of the existing pump, which led to the well losing its capacity to lift fluid to the surface. Operations were halted pending the installation of a new pump, which will be part of the 2024 work programme.

Despite encountering mechanical issues, initial flow rates were promising. An initial rate of 62 bbl/day, on an increasing trend, was observed.

Initial plans were to contract a drilling rig for workover and drilling operations in 2024. The focus was to drill two new wells and perform a workover, including relocating one well based on seismic data interpretation and replacing the faulty pump.

### **Killanoola Forward Plan**

The forward programme at Killanoola has been further revised as follows:

#### **Killanoola DW1**

Two alternatives are being evaluated to change the faulty pump:

- (1) A cost-effective approach can be adopted for the operation involving the replacement of the downhole pump. Instead of using a workover rig, an approach using a crane is being assessed, resulting in considerable cost savings. This method allows for quicker execution compared to coordinating it with drilling activities. A drilling contractor with expertise in such operations is being engaged to facilitate this process. The crane would be procured from Mt Gambier, and a purchase order has been initiated for the new pump. It is anticipated that the operation can take place in late May 2024 using this alternative.
  
- (2) A workover rig, cheaper than a drilling rig, can be contracted just for the downhole pump replacement operation. This approach requires being able to source the rig from within South Australia to minimise mobilisation and demobilisation costs. Discussions are ongoing with rig contractors to agree on rig rates and scheduling. Using the workover rig for this type of operations has the advantage to facilitate the approval process from the Regulator. It is anticipated that the operation can take place using this alternative during the third quarter 2024.

A meeting was conducted with the Department for Energy and Mining (DEM) to outline the proposed operation.

#### **Killanoola KN2**

The well's original position has been relocated to a more convenient location approximately 30 metres away. This adjustment necessitated reconfiguring the site to accommodate the new positioning and address other topographical considerations, such as ensuring that the site's power lines are kept clear (Refer to Figure 3 below).

Discussions were held with the DEM regarding the new repositioning and well site, and surveyors demarcated the revised site boundaries. A new lease agreement reflecting these changes has been drafted and forwarded to the landowner. Once finalised and a contractor appointed, an Activity Notification will be submitted to the DEM for approval.



**Figure 3: Killanoola KN2 Original and Revised Locations**

### **Killanoola SE2**

Initially, the plan was to enter the SE1 well bore and sidetrack it to the desired location. However, after careful consideration, it has been determined that drilling a vertical well would be more feasible and cost-effective. Consequently, Red Sky has reached an agreement with the same landowner, who owns the land as the other sites, to lease a new area situated 250 metres east of SE1.

An access road/track adjacent to the proposed new site already exists, streamlining logistical considerations. After obtaining and interpreting the drilling results at this new site, we will assess the possibility of re-entering or returning the SE1 well site to the landowner.

The new site has been surveyed, and a revised lease agreement has been forwarded to the landowner. Refer to Figure 4 for the precise location details.

Red Sky is in the process of soliciting quotes for the construction of both sites. Again, once the documentation is complete, an AN will be submitted to the DEM.



**Figure 4: Killanoola SE2 – Site Location of New Well**

Ongoing discussions have been underway with third parties regarding blending Red Sky's production with condensate from the Otway gas plant. Despite logistical challenges, indications are that condensate could be supplied once new production is operational by June of this year.

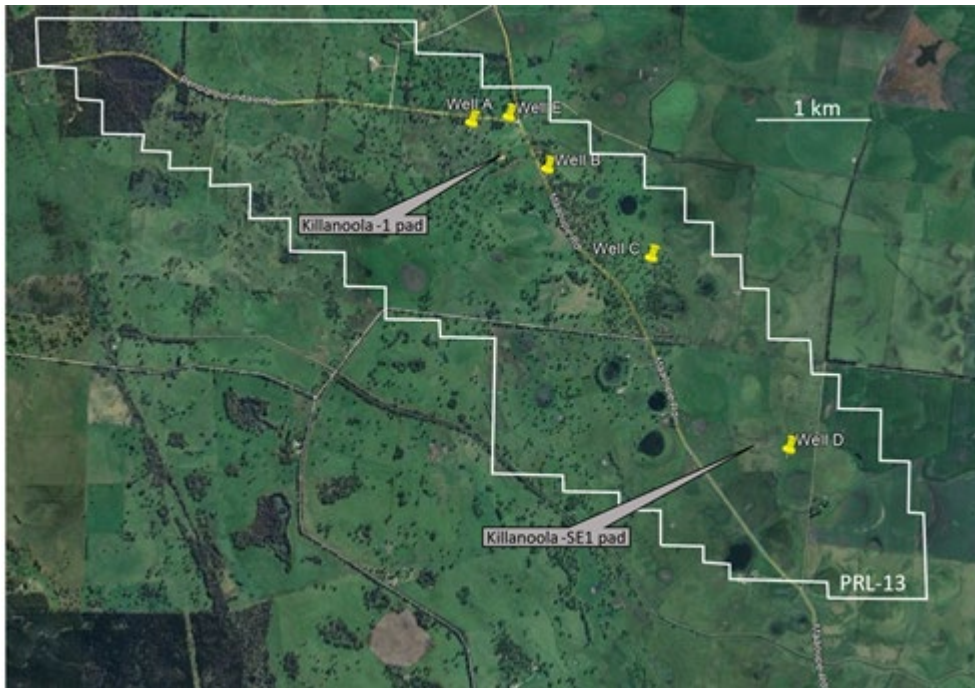
In total, four Activity Notifications (ANs) will be required in due course for submission to the Department for Energy and Mining (DEM) for approval. In summary, these ANs are as follows:

- DW1 workover
- KN2 site preparation
- SE2 site preparation
- Drilling of KN2 and SE2

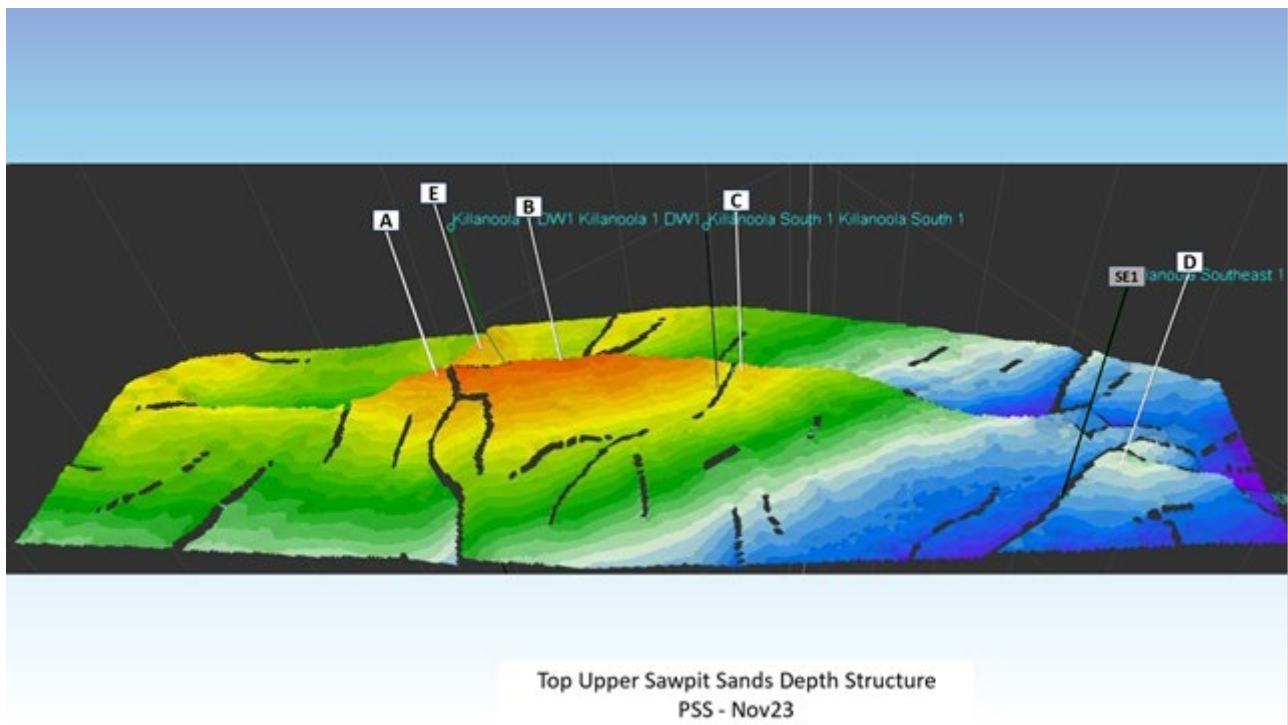
The workover AN has been prepared, while the ANs for site preparation will follow pending execution of lease agreements by the landowner and the final selection of contractors. The submission for drilling the new wells will occur once necessary condensate blending contracts are finalised, drilling programmes are finalised, and a rig is designated.

Three other well locations have been identified in addition to KN2 (well B) and SE2 (well D).

Refer to Figure 5.



**Figure 5: Topographic map showing the location of planned wells at Killanoola**



**Figure 6: Killanoola Sub-surface structure map**



## Outlook

**Innamincka Projects** – Red Sky expects sustained cashflows from Yarrow 3 throughout the calendar year 2024, facilitated by its bilateral sales agreement with Origin Energy. The Company also anticipates additional revenue streams from the operator's sale of associated condensate, LPG, and ethane.

Plans to re-enter the existing Yarrow 1 well later in the fourth quarter of 2024 are expected to contribute to production growth. Completing the joint 3D Seismic program with Santos, covering parts of PRL14, including Yarrow and PRL17, will advance Red Sky's strategy for full field development from late 2025. Indications point to the potential for deep coal measures in the north of Yarrow.

**Killanoola Oil Projects** – Killanoola is on track to becoming a material oil project for Red Sky's future cash flow after signing a sales agreement with Viva Energy. Production is anticipated in 2024 following the installation of a new pump at DW1, drilling at two new well locations and subject to a condensate supply agreement for blending. Red Sky aims to achieve increased volumes of recoverable oil.

Beyond current projects, Red Sky maintains its strategy of evaluating opportunities to acquire producing or near-production assets.

## Corporate

### Cash

The Company has cash reserves as at 31 March 2024 of \$2.943m.

### 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 2024, 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](http://www.redskyenergy.com.au)

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**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	20.00
Innamincka Dome, South Australia	PRL 17	20.00
Innamincka Dome, South Australia	PRL 18	20.00
Innamincka Dome, South Australia	PRL 180	20.00
Innamincka Dome, South Australia	PRL 181	20.00
Innamincka Dome, South Australia	PRL 182	20.00
Killanoola, South Australia	PRL 13	100.00

#### 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,
- $V_b$  is bulk volume in acre-ft,
- $\phi$  is the porosity ( $\phi V_b$  is pore volume),
- $S_{oi}$  is the initial oil saturation,
- $B_{oi}$  is the initial oil formation volume factor in reservoir barrels per stock tank barrel,
- $A$  is area in  $ft^2$ ,
- $h$  is reservoir thickness in ft, and
- $S_{wi}$  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 a real 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")

31 MARCH 2024

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	1,170	1,170
1.2	Payments for		
	(a) exploration & evaluation – including assessing potential new projects	(40)	(40)
	(b) development		
	(c) production	(339)	(339)
	(d) staff costs (not included above)	(67)	(67)
	(e) administration and corporate costs	(118)	(118)
1.3	Dividends received (see note 3)		
1.4	Interest received	21	21
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other		
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>627</b>	<b>627</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation	(354)	(354)

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(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		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(354)</b>	<b>(354)</b>

<b>3. Cash flows from financing activities</b>		
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)		
<b>3.10 Net cash from / (used in) financing activities</b>		

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,670	2,670
4.2 Net cash from / (used in) operating activities (item 1.9 above)	627	627

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(354)	(354)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
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>2,943</b>	<b>2,943</b>

<b>5. 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	1,382	1,127
5.2 Call deposits	1,561	1,543
5.3 Bank overdrafts		
5.4 Other		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,943</b>	<b>2,670</b>

<b>6. 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	108
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.*

<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.</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)		
<b>7.4 Total financing facilities</b>		
<b>7.5 Unused financing facilities available at quarter end</b>		
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.		

<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)	627
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(354)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	273
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,943
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,943
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	n/a
<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: .....29 April 2024.....

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.